中國新高教集團有限公司

China New Higher Education Group Limited

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 2001

GLOBAL OFFERING

Sole Sponsor

BNP PARIBAS

Joint Global Coordinators

BNP PARIBAS 建银国际 CCB International 中信證券 CITIC CLSA Securities

Joint Bookrunners and Joint Lead Managers

BNP PARIBAS 建银国际 CCB International 中信證券 CITIC CLSA Securities CICC 中金香港证券 海通國際 HAITONG 首控證券 FIRST CAPITAL SECURITIES LIMITED

IMPORTANT

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

China New Higher Education Group Limited
中國新高教集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Total Number of Offer Shares under the Global Offering	:	**286,220,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**28,622,000 Shares (subject to adjustment)**
Number of International Placing Shares	:	**257,598,000 Shares (subject to the Over-allotment Option and adjustment)**
Offer Price	:	**Not more than HK$3.22 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$0.0001 per Share**
Stock code	:	**2001**

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (WUMP) Ordinance. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators, on behalf of the Underwriters, and our Company on or before Monday, April 10, 2017 or such later time as may be agreed between the parties, but in any event, no later than 6:00 p.m. on Tuesday, April 11, 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 6:00 p.m. on Tuesday, April 11, 2017, the Global Offering will not proceed and will lapse immediately. The Offer Price will be not more than HK$3.22 per Share and is expected to be not less than HK$2.56 per Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum offer price of HK$3.22 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$3.22. 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 Hong Kong 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 our Company at **www.xingaojiao.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 obligation 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 – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination". It is important that you refer to that section for further details.

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

April 5, 2017

The Company will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) 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 Monday, April 10, 2017
Application lists for the Hong Kong Public Offering open *(note 2)*	11:45 a.m. on Monday, April 10, 2017
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC *(note 3)*	12:00 noon on Monday, April 10, 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 Monday, April 10, 2017
Application lists close *(note 2)*	12:00 noon on Monday, April 10, 2017
Expected Price Determination Date *(note 6)*	Monday, April 10, 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 Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and at the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.xingaojiao.com on or before *(note 7)*	Tuesday, April 18, 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 the Hong Kong Offer Shares – Publication of results") from	Tuesday April 18, 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, April 18, 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, 9, 11)* . . . . Tuesday, April 18, 2017

Despatch of White Form e-Refund payment instructions/refund cheques on or before *(notes 7, 8, 9 & 11)* . . . . Tuesday, April 18, 2017

Dealings in Shares on the Main Board of the Stock Exchange to commence on .9:00 a.m. on Wednesday, April 19, 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 Monday, April 10, 2017, the application lists will not open and close on that day. Further information is set out in "How to Apply for the Hong Kong Offer Shares – Effect of bad weather on the opening of the application lists". If the application lists do not open and close on Monday, April 10, 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 Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for the Hong Kong Offer Shares – Applying by giving electronic application instructions to HKSCC via CCASS" for details.

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

(5) Share certificates for the Hong Kong Offer Shares will become valid certificates of title at 8:00 a.m. on Wednesday, April 19, 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 Monday, April 10, 2017 but in any event, the expected time for determination of the Offer Price will not be later than 6:00 p.m. on Tuesday, April 11, 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 6:00 p.m. on Tuesday, April 11, 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 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have provided all information required on their Application Forms 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 Shop 1712-1716, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, may do so in person from 9:00 a.m. to 1:00 p.m. on Tuesday, April 18, 2017. Applicants being individuals who apply for 1,000,000 Hong Kong Offer Shares or more and are eligible for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Hong Kong Offer Shares or more and are eligible for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations' chop. Identification and (where applicable) authorisation documents acceptable to our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shop 1712-1716, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, must be produced at the time of collection.

(9) Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have provided all information required by their Application Forms 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 Hong Kong Offer Shares via **White Form eIPO** service should refer to the section headed "How to Apply for Hong Kong 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 Hong Kong Offer Shares – Despatch/collection of share certificates and refund monies".

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

IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and 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. Since it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide whether to invest in our Shares.

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

OVERVIEW

We are a leading private formal higher education group in China, as measured by our graduate employment rates in 2013, 2014 and 2015, according to Frost & Sullivan. We provide high quality higher education in a wide selection of fields in applied sciences. Our course offerings are designed to equip our students with practical and readily applicable skills and prepare them for the job market. We have achieved industry-leading graduate employment rates, with approximately 98.7%, 98.6% and 98.3% of our graduates in 2013, 2014 and 2015, respectively, either employed or pursuing further studies by the end of their year of graduation, compared with PRC industry averages of 86.8%, 87.4% and 92.3% for the same years, according to Frost & Sullivan. In addition, approximately 98.3% of the graduates of our Yunnan School and Guizhou School were either employed or pursuing further studies by the end of 2016. Pursuant to the MOE Notice regarding the calculation of graduate employment rate, our graduate employment rate is calculated by including graduates either employed or pursuing further studies, in line with the calculation of PRC industry graduate employment rate. We believe that our highly successful graduate placement record attests to the effectiveness of our educational approach as well as helping to enhance our reputation, raise our profile and attract talented high school graduates.

According to Frost & Sullivan, only approximately 37.1% of the college-aged population in China were enrolled in higher education institutions as of December 31, 2015, compared to an average of approximately 64.0% and 87.0% in developed countries in Europe and North America, respectively. Meanwhile, PRC government spending on higher education as a percentage of its total spending on education declined in recent years, according to Frost & Sullivan. As such, we believe there is significant market potential in China for the growth of private higher education. At the same time, market demand for talent with practical and readily applicable technical skills has grown and is expected to continue to grow, according to Frost & Sullivan. In light of this industry background, we believe that, as a private provider of higher education focusing on applied sciences, we are well-positioned to capitalize on the growth opportunities in the PRC higher education sector.

OUR SCHOOLS

During the Track Record Period and as of the Latest Practicable Date, we operated two schools, the Yunnan School and the Guizhou School, which were controlled by us through the Structured Contracts. As of December 31, 2016, our schools had a total of 33,462 enrolled students. We ranked 12th among the top 15 private group providers of formal higher education group in China and ranked third in Southwest China as measured by the total number of enrolled students at our two schools as of June 30, 2016, according to Frost & Sullivan.

We derive revenue from tuition fees and boarding fees our schools collect from students. We generally require students to pay tuition fees and boarding fees for a full school year in advance at the beginning of each school year, and we recognize revenue from tuition fees and boarding fees proportionately over a nine-month period and a 12-month period, respectively. See "Business – Our Schools" in this prospectus for details of our tuition fees and boarding fees.

The Yunnan School

The Yunnan School is a formal higher education institution, providing undergraduate education and junior college education focused on applied sciences. It was the first private higher education institution in Yunnan Province to obtain the qualification to grant bachelor's degrees. The Yunnan School currently offers over 50 majors (including 24 undergraduate majors and 28 junior college majors) through six colleges. In addition, the Yunnan School has a college of excellence, which provides practical training to selected students in their final year, and a college of continuing education, which helps to organize and prepare junior college students to take the undergraduate exams for self-taught students and other required exams to obtain a bachelor's degree.

The Guizhou School

The Guizhou School is a formal higher education institution, providing junior college education focused on applied sciences. The Guizhou School is the third private higher education institution established in Guizhou Province. The Guizhou School currently offers 30 majors through six colleges. In addition, the Guizhou School has a college of excellence, which provides practical training to selected students in their final year, a college of general education, which teaches general skills such as computing and English, and a college of continuing education, which helps to organize and prepare its students to take the undergraduate exams for self-taught students and other required exams to obtain a bachelor's degree.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and will continue to distinguish us from our competitors: (i) a leading private formal higher education group focused on applied sciences in China in terms of graduate employment rates; (ii) a pioneer in the applied sciences-focused private higher education sector, a sector with high entry barriers; (iii) an employment-oriented private higher education program focused on teaching our students practical and readily applicable skills; (iv) a scalable business model enabling us to replicate our success; and (v) an experienced senior management team and highly qualified teachers dedicated to applied sciences education.

OUR BUSINESS STRATEGIES

We intend to continue to expand our business and school network. To achieve our goals, we plan to pursue the following business strategies: (i) expand our school network coverage and increase our market penetration; (ii) continue to strengthen our market position and enhance our reputation; (iii) continue to attract, incentivize and retain talented teachers and support their professional development; (iv) further expand our educational service offerings to capture growth opportunities; (v) construct additional workplace simulation training studios and further improve our school facilities; and (vi) enhance our profitability by optimizing our sources of revenue and other income.

SUMMARY BUSINESS OPERATING DATA

The following table sets forth the revenue, gross profit margin and average tuition fee and boarding fee for each of our schools for the periods indicated. Our gross profit margin for any interim period may not be indicative of our financial performance for the year because tuition fees and boarding fees from all of our schools are generally paid in advance in September at the beginning of each new school year, while we record payments of (i) tuition fees on a straight-line basis over the course of the relevant program, which is generally from September to June (excluding the winter break), and (ii) boarding fees over a twelve-month period. At the same time, we record cost of sales when incurred. This results in a mismatch between our recognition of revenue and cost of sales in terms of timing. This mismatch also contributes to fluctuations in our gross profit and gross profit margin. See "Business – Our Schools" in this prospectus for details.

School	Revenue			Gross Profit Margin			Average Tuition Fee per student			Average Boarding Fee per student		
	Year ended December 31,			Year ended December 31,			Year ended December 31,			Year ended December 31,		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
		(RMB'000)			*(%)*			*(RMB)*			*(RMB)*	
Yunnan School	148,231	177,922	217,124	51	49	52	8,614.2	9,370.9	10,790.7	823.6	812.0	857.8
Guizhou School	58,264	96,072	123,872	48	53	51	8,911.4	8,748.4	8,597.0	1,255.1	1,227.0	1,133.0
Total	206,495	273,994	340,996	49	50	48	8,693.8	9,149.6	9,900.2	937.8	958.7	969.3

The average tuition fee is calculated by dividing the revenue under tuition fees for a year ended December 31 by the weighted average number of students for such year, not the number of students for a specific school year. As boarding fees are recognized as revenue proportionately over a twelve-month period, average boarding fee is calculated by dividing the revenue under boarding fees for a year ended December 31 by the weighted average number of students for such year, not the number of students for a specific school year.

The following table sets forth information relating to the student enrollment, admission quota and the admission quota utilization rate for our schools for the school years indicated. See "Business – Our Schools" in this prospectus for details.

School Year	Yunnan School			Guizhou School			Group		
	Student Enrollment	Admission Quota	Admission Quota Utilization Rate	Student Enrollment	Admission Quota	Admission Quota Utilization Rate	Student Enrollment	Admission Quota	Admission Quota Utilization Rate
2013-2014	14,616	12,090	120.9%	3,974	6,150	64.6%	18,590	18,240	101.9%
2014-2015	17,082	14,570	117.2%	7,958	11,950	66.6%	25,040	26,520	94.4%
2015-2016	17,965	16,990	105.7%	11,751	16,750	70.2%	29,716	33,740	88.1%
2016-2017	19,490	19,770	98.6%	13,972	19,550	71.5%	33,462	39,320	85.1%

The admission quota utilization rate of the Yunnan School exceeded 100% for certain school years because the admission quotas may be adjusted, from time to time, allowing a school to admit additional students based on the number of students that participated in the National Higher Education Entrance Exam and the number of students who selected the school in their university entrance applications, as permitted by the relevant education authorities. As a result, the number of students actually enrolled at the Yunnan School exceeded the number of students specified in the admission quota. During the Track Record Period, the admission quota utilization rate of the Yunnan School declined because its admission quota increased at a faster pace than its student enrollments. The Education Department of Yunnan Province increased the Yunnan School's admission quota during the Track Record Period in light of its expanded capacity as well as the quality of the education it provided. See "Business – Our Schools" in this prospectus for details.

All of our schools are boarding schools. As a result, the student capacity is limited by the number of beds available in student dormitories at each school. Accordingly, the student capacity is presented as the number of beds available in student dormitories at each school for the relevant school years. The following table sets forth information relating to the student enrollment, capacity and school utilization rate for our schools for the school years indicated:

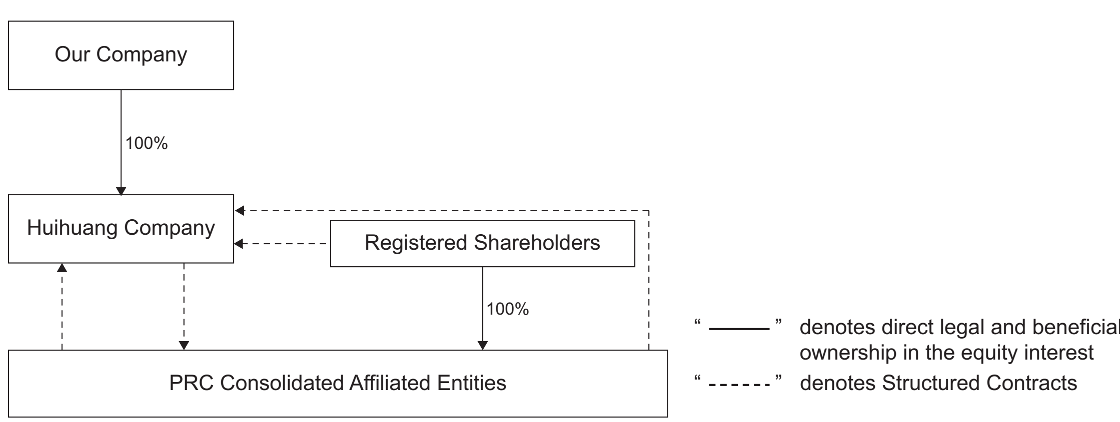
School Year	Yunnan School			Guizhou School			Group		
	Student Enrollment	Student Capacity	School Utilization Rate	Student Enrollment	Student Capacity	School Utilization Rate	Student Enrollment	Student Capacity	School Utilization Rate
2013-2014	14,616	20,224	72.3%	3,974	4,952	80.3%	18,590	25,176	73.8%
2014-2015	17,082	20,224	84.5%	7,958	8,656	91.9%	25,040	28,880	86.7%
2015-2016	17,965	22,000	81.7%	11,751	12,920	91.0%	29,716	34,920	85.1%
2016-2017	19,490	21,688	89.9%	13,972	16,112	86.7%	33,462	37,800	88.5%

CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students. We did not have any single customer who accounted for more than 5% of our revenue for each of the years ended December 31, 2014, 2015 and 2016. Our suppliers primarily consist of construction companies and equipment suppliers. For the years ended December 31, 2014, 2015 and 2016, purchases from our five largest suppliers amounted to RMB66.0 million, RMB84.2 million and RMB96.5 million, respectively, accounting for 65.0%, 87.6% and 75.2% of our total purchases for the corresponding periods.

STRUCTURED CONTRACTS

The following simplified diagram illustrates the flow of economic benefits from our PRC Operating Schools and/or our School Sponsors to our Group stipulated under the Structured Contracts. See "Structured Contracts – Operation of the Structured Contracts" in this prospectus for further details.



THE CONTROLLING SHAREHOLDERS

Immediately after the completion of the Capitalization Issue and the Global Offering, the Controlling Shareholders will together control the exercise of the voting rights of approximately 55.34% of the Shares eligible to vote in the general meeting of our Company (assuming the Over-allotment is not exercised and without taking into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme). The Directors are satisfied that our Group is capable of carrying out its business independently from the Controlling Shareholders and their associates. See "Relationship with our Controlling Shareholders" in this prospectus.

PRE-IPO INVESTMENTS

Pursuant to the Pre-IPO Investment Agreements, Advance Vision, Design Time, Gainful Asset, Aspire Education International and Aspire Education Worldwide subscribed for shares in Aspire Education Group, and after the Corporate Reorganization, will hold 2,222 Shares, 1,310 Shares, 306 Shares, 473 Shares and 573 Shares, respectively. Upon the Listing, Advance Vision, Design Time, Gainful Asset, Aspire Education International and Aspire Education Worldwide will hold approximately 12.42%, 7.33%, 1.71%, 2.64% and 3.20% of the total issued Shares in our Company, respectively (assuming the Over-allotment Option is not exercised). As of the Latest Practicable Date, an aggregate of approximately RMB316.2 million of the total proceeds from the Pre-IPO Investments has been utilized for part of the payment of the acquisition consideration for the Northeast School and the construction of the Central China School. For further details, see "History and Corporate Structure – Pre-IPO Investments".

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF OUR GROUP

The following tables set forth our summary consolidated financial information as of and for the years ended December 31, 2014, 2015 and 2016. You should read this summary together with the consolidated financial information set forth in the Accountants' Report of the Group in Appendix IA to this prospectus, including the related notes, as well as the information set forth in the "Financial Information" section in this prospectus.

Selected Consolidated Statements of Profit or Loss Data

	Year ended December 31,		
	2014	**2015**	**2016**
	(RMB in thousands)		
Continuing operations			
Revenue	206,495	273,994	340,996
Gross profit	100,770	135,627	163,587
Profit before tax	81,028	110,067	112,889
Profit for the year from continuing operations	78,734	104,251	110,531
Profit for the year from discontinued operation	2,574	(430)	1,666
Profit for the year	81,308	103,821	112,197
Adjusted profit for the year(1)	–	–	131,717

Note:

(1) Adjusted profit for the year is derived by adding back the listing expenses we incurred in the year ended December 31, 2016 to profit for the year ended December 31, 2016. Adjusted profit for the year is not prepared in accordance with HKFRS. The amounts included in the adjusted profit for the year calculation, however, are derived from amounts included in the consolidated statements of profit or

loss. We have presented adjusted profit for the year in this prospectus as we believe that adjusted profit for the year is a useful supplement to the consolidated statements of profit or loss because it enables us to measure our profitability without taking into consideration of the one-off listing expenses. We believe adjusted profit for the year is a more accurate indication of our profitability and operating performance for the year ended December 31, 2016 and beyond. However, adjusted profit for the year should not be considered in isolation or construed as an alternative to net income or operating income, or as an indicator of our operating performance or other consolidated operations or cash flow data prepared in accordance with HKFRS, or as an alternative to cash flow as a measurement of liquidity. Potential investors should be aware that the adjusted profit for the year measure presented in this prospectus may not be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

Selected Consolidated Statements of Financial Position Data

	As of December 31,		
	2014	2015	2016
	(RMB in thousands)		
Current assets	356,549	171,815	285,465
Current liabilities	401,456	681,541	563,442
Net current liabilities	(44,907)	(509,726)	(277,977)
Net assets	381,058	381,624	942,516
Total equity	381,058	381,624	942,516

Key Financial Ratios

	As of/for the year ended December 31,		
	2014	2015	2016
Net profit margin	39.4%	37.9%	32.9%
Return on assets	8.6%	8.9%	6.9%
Return on Equity	23.5%	27.2%	16.9%
Current Ratio	0.9	0.3	0.5
Debt to equity ratios	31.1%	96.4%	42.4%
Gearing ratio	109.6%	118.2%	61.4%
Interest coverage ratio	5.1	4.7	4.2

NET CURRENT LIABILITIES AND WORKING CAPITAL SUFFICIENCY

As of December 31, 2014, 2015 and 2016, we had net current liabilities of RMB44.9 million, RMB509.7 million and RMB278.0 million, respectively. We had net current liabilities as of each of these dates primarily because (i) we used a large amount of cash to finance, among others, the expansion of our school facilities at the Yunnan School and the Guizhou School, the acquisition of school sponsorships of the Northeast School, and the investments in Central China School, including the prepayments to fund the construction of facilities at the Central China School. These capital expenditures and prepayments, which are recorded as non-current assets were partially financed by non-current liabilities, such as long-term interest-bearing bank loans and other borrowings and equity, and partially financed by current liabilities, such as short-term interest-bearing bank loans and other borrowings; and (ii) tuition fees and boarding fees from all of our schools were generally paid in advance at the beginning of each school year, and we record payments of tuition fees and boarding fees initially as a current liability under deferred revenue and recognize such amounts received as revenue proportionately over the relevant period of the applicable program. We expect to improve our net current liabilities position with (i) proceeds from the Pre-IPO Investments prior to the Global Offering. See "History and Corporate Structure – Pre-IPO Investments" for details; (ii) the net proceeds from the Global Offering. See "Future Plans and Use of Proceeds – Use of Proceeds" for further information; (iii) funds generated from our business operations; and (iv) debt restructuring to reduce the percentage of the short-term loans in our total borrowings. Following the acquisition or establishment of our planned new schools and the consolidation or inclusion of their results in our results of operations, we expect our total deferred revenue as of December 31 of each year to increase, which will result in an increase in our current liabilities and may cause us to have a net current liabilities position in the future. See "Financial Information – Current Assets and Current Liabilities" for details.

PLANNED ADDITIONAL SCHOOLS

We intend to continue to grow our business and expand our school network to geographical markets that we believe have growth potential. Toward this end, we have entered into agreements to invest in additional schools, including the Northeast School and new campus at Central China School, or establish new schools, including the Northwest School and California School. See "Business – Planned Additional Schools" in this prospectus for details.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Since December 31, 2016 and up to the Latest Practicable Date, our business remained stable 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 formal higher education industry in which we operate that may have a material adverse effect on our business operations and financial position.

The school sponsor of the Yunnan School has elected to require reasonable returns while the school sponsor of the Guizhou School has elected not to require reasonable returns. Pursuant to the 2016 Amendments, the school sponsors of a private school which provides education services other than nine-year compulsory education may choose for the school to be a for-profit private school or a non-profit private school with effect from September 1, 2017. The following table sets forth the key differences between a for-profit private school and a non-profit school under the 2016 Amendments:

Item	For-profit Private School	Non-profit Private School
Receipt of operating profits	School sponsors are allowed to receive operating profits, and the surplus from operations shall be handled in accordance with the provisions of the PRC Company Law and other laws and regulations	School sponsors are not allowed to receive operating profits, and all surplus from operations shall be used for the operation of the school
Fees to be charged	Determined based on school operating costs and market demand, and no prior regulatory approval is required	Determined pursuant to the standards stipulated by the local governments
Tax treatment	Preferential tax treatment as stipulated by the State	Same preferential tax treatment as public schools
Land	Acquired either through land allocation or land transfer	Acquired through land allocation
Public funding	Public funding in the form of purchase of services, student loans, scholarships, lease or acquisition of unused State-owned assets	Public funding in the form of purchase of services, student loans, scholarships, lease or acquisition of unused State-owned assets, and government grants, incentive funds and donations

Item	For-profit Private School	Non-profit Private School
Liquidation	Liquidated in accordance with the provisions of the PRC Company Law. School sponsors can obtain the school's remaining assets after the settlement of the school's indebtedness	School sponsors will be compensated or rewarded when the private school is liquidated. The remaining portion of school assets should continually be used for the operation of a non-profit private school

In addition to the 2016 Amendments, certain implementing rules were jointly promulgated by certain governmental departments at State level in January 2017. The *Implementing Measures on Classification Registration of Private Schools* (《民辦學校分類登記實施細則》) were issued on January 5, 2017, specifying measures for the establishment and classification registration of private schools, procedures to be followed for existing private schools to register as for-profit or non-profit private schools pursuant to provincial rules to be promulgated by local governments. The *Implementing Measures 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》) were issued on January 5, 2017, specifying measures regarding the establishment modification and termination of a for-profit private school, the education and teaching related activities and financial management conducted by a for-profit private school. *Several Opinions on Encouraging Private Entities and Individuals to Operate Schools and Promoting 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》) were issued on January 18, 2017, specifying policies to be followed to promote private education. See "Regulatory Overview – Regulations on Private Education in the PRC – The Proposed Revisions of the Law for Promoting Private Education of the PRC" in this prospectus for details.

As advised by our PRC legal advisors, the 2016 Amendments will only take effect on September 1, 2017, and both the *Implementing Measures on Classification Registration of Private Schools* and the *Implementing Measures for the Supervision and Administration of For-profit Private Schools* promulgated by government authorities at the State level do not have any definitive effective dates. In addition, according to the 2016 Amendments, the detailed rules and regulations regarding the conversion of existing private schools into for-profit or non-profit schools shall be promulgated by the local government authorities. However, as such detailed rules and regulations have not been promulgated by the local governmental authorities, and therefore there are uncertainties involved in interpreting and implementing the 2016 Amendments. Under the existing regulatory environment and based on the current interpretation of the 2016 Amendments and the relevant implementing measures, it is our intention to register the schools we currently own and the schools we invested in or plan to establish as for-profit schools after the 2016 Amendments and its implementing measures become effective, and the detailed local rules and regulations regarding the conversion of existing schools are promulgated by relevant local authorities and take effect. As of the Latest Practicable Date, we had established a special committee to pay close attention to rules and regulations to be promulgated by relevant authorities at all levels regarding interpreting and implementing the 2016 Amendments. The special committee comprises three members and is led by Mr. Zhu Lidong. We will (i) consult with our PRC legal advisors when such rules and regulations are promulgated regarding the potential impact on all aspects of the operations of our schools; and (ii) make announcements when appropriate.

As of the Latest Practicable Date, neither the Yunnan School nor the Guizhou School was required to pay enterprise income tax in respect of revenue from tuition fees and boarding fees. See "Financial Information – Key Components of Our Results of Operations – Taxation" for details. Pursuant to the 2016 Amendments, a non-profit private school may enjoy the same preferential tax treatments as a public school. In addition, pursuant to the 2016 Amendments, a for-profit private school may enjoy preferential tax treatments in accordance with relevant PRC laws and regulations. However, the existing PRC laws and regulations and the 2016 Amendments which will take effect on September 1, 2017 have not set forth any details regarding the preferential tax treatments that may be enjoyed by a for-profit private school, including any restriction on tax exemption amount or preferential tax rate. Our PRC legal advisors are of the view that, in the event that we decide to convert our Yunnan School and Guizhou School to for-profit schools, based on the current legal framework, there is insufficient legal basis to determine that our Yuannan School and Guizhou School will no longer enjoy the existing tax benefits when the two schools become for-profit schools. However, relevant government authorities may promulgate detailed rules and regulations regarding the preferential tax treatments that may be enjoyed by a for-profit private school in the future. There is a possibility that such rules and regulations will reduce or eliminate the preferential tax treatments currently enjoyed by our schools. See "– Risk relating to Our Business and Our Industry – Substantial uncertainties exist regarding the interpretation and application of the 2016 Amendments" and " – Risk relating to Our Business and Our Industry – The unavailability of any preferential tax treatments currently enjoyed by our schools could materially and adversely affect our results of operations" in the "Risk Factors" section of this prospectus.

Our Directors confirm that, except as stated in this prospectus, since December 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 included in the Accountants' Report of the Group set forth in Appendix IA to this prospectus. During the same periods, our results of operations were largely in line with our expectations.

LISTING EXPENSES

We expect to incur a total of RMB73.7 million of listing expenses (assuming an Offer Price of HK$2.89, being the mid-point of the indicative Offer Price range between HK$2.56 and HK$3.22, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, of which RMB19.5 million has been charged to our consolidated statements of profit or loss and other comprehensive income and RMB6.4 million has been capitalized in the year ended December 31, 2016. For the remaining listing expenses, RMB23.1 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending December 31, 2017 and RMB24.7 million is to be capitalized. Listing expenses represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions and discretionary bonus. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK$2.56 per Share	Based on an Offer Price of HK$3.22 per Share
Market capitalization of our Shares	HK$3,663.6 million	HK$4,608.1 million
Unaudited pro forma adjusted net tangible asset value per Share	HK$1.18	HK$1.30

For the calculation of the unaudited pro forma adjusted consolidated net tangible asset value per Share, see "Appendix IIA – Unaudited Pro Forma Adjusted Net Tangible Assets" to this prospectus.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$773.2 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 Offer Price of HK$2.89 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus. If the Over-allotment Option is exercised in full, we estimate that our additional net proceeds from the offering of these additional Shares will be approximately HK$119.4 million, after deducting the underwriting commissions, discretionary bonus and our estimated expenses, assuming an Offer Price of HK$2.89 per Share.

We intend to use the proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 63.0%, or HK$487.1 million, is expected to be used primarily to expand our business, including establishing new schools and acquiring schools that are qualified to grant bachelor's degrees:

  – approximately HK$214.2 million towards acquiring or establishing additional schools in 2017. As of the Latest Practicable Date, we had not identified any acquisition target or engaged in any discussions or negotiations except as disclosed under "History and Corporate Structure – Schools to be Established or Invested in" in this prospectus. However, we had formulated clear strategies for our future acquisitions. See "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus;
  – approximately HK$123.1 million towards constructing school facilities at the Northwest School;
  – approximately HK$149.8 million towards settling a portion of the outstanding consideration for our investment in the Northeast School.

- approximately 27.0%, or HK$208.8 million, is expected to be used primarily to improve our financing structure and repay a portion of our bank loans; and

- approximately 10.0%, or HK$77.3 million, is expected to be used to fund our working capital and general corporate purposes including for teachers training and professional development centers, workplace simulation studios and smart campus construction.

For details, see "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus.

DIVIDEND POLICY

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and, particularly, our PRC Operating Schools, which are primarily incorporated in the PRC. In 2014 and 2015, we declared and paid dividends of RMB12.0 million and RMB137.0 million, respectively, to our shareholders. We did not declare any dividends for the year ended December 31, 2016. The payment and the amount of any future dividends, if any, will be at the sole discretion of our Board of Directors and will also depend on various factors that our Board of Directors deem relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Our Board intends to recommend at the relevant shareholder meetings an annual dividend of no less than 30% of our profits available for distribution generated in each financial year beginning from the year ending December 31, 2017. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. See "Financial Information – Dividend Policy" in this prospectus for details.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. Major risks we face include, among others, the following: (i) our business is heavily dependent on the market recognition of the brand and reputation of each of our schools; (ii) 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; and (iii) if government approvals for the proposed transfers of school sponsorship interests in the Northeast School and the Central China School are not granted, we may not be able to implement our growth strategies or recover our investments relating to these two schools. See "Risk Factors" in this prospectus for details.

PROPERTY VALUATION

According to the property valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer we engaged, as set forth in Appendix III to this prospectus, the market value of the properties we owned and occupied as of January 31, 2017 was approximately RMB1,128.0 million. See "Business – Properties" and Appendix III of this prospectus for details on our properties. For risks associated with the assumptions made in the valuation of our properties, see "Risk Factors – Risk 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 in compliance with certain PRC laws and regulations, primarily including, (i) we had not obtained the construction planning permits, construction commencement permits, building ownership certificates and other requisite certificates for certain buildings at our Guizhou School; and (ii) we breached the relevant requirements for making full contributions to the social insurance plans and the housing provident fund for certain employees. See "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.

"Advance Vision"	Advance Vision Investment Co., Ltd, a company incorporated under the laws of the Cayman Islands on May 18, 2016 and beneficially owned by Ping An Insurance (Group) Company of China, Ltd.* (中國平安保險(集團)股份有限公司), a joint-stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (stock code: 2318) and the Shanghai Stock Exchange (stock code: 601318). Advance Vision is one of our Pre-IPO Investors and one of our substantial shareholders upon the Listing
"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 articles of association of our Company conditionally adopted on March 20, 2017 and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
"Aspire Education Consulting"	Aspire Education Consulting Co., Ltd., a limited liability company established under the laws of the BVI on October 15, 2015 and owned as to 79.20% by Mr. Li, 14.37% by Yang Xuwei (楊旭維), 3.52% by Liu Fengming (劉風明), 0.98% by Pan Yi (潘毅), 0.80% by Qin Hongkang (秦宏康), 0.59% by Wang Lei (汪蕾), 0.40% by Yang Junxiong (楊俊雄) and 0.15% by Yao Li (姚莉). Except for Mr. Li and Yang Xuwei (楊旭維), the sister-in-law of Mr. Li, all are Independent Third Parties. Aspire Education Consulting will be one of our Controlling Shareholders upon the Listing
"Aspire Education Group"	Aspire Education Group Co., Ltd., an exempted company incorporated in the Cayman Islands with limited liability on October 20, 2015. Aspire Education Group was the sole shareholder of our Company prior to the completion of the Corporate Reorganization, and will no longer be a shareholder of our Company upon completion of the Corporate Reorganization

"Aspire Education Holding"	Aspire Education Holding Co., Limited, a limited liability company incorporated in Hong Kong on October 30, 2015 and a wholly-owned subsidiary of our Company
"Aspire Education Information"	Aspire Education Information Co., Ltd., a limited liability company established under the laws of the BVI on October 29, 2015 and a wholly-owned subsidiary of our Company
"Aspire Education International"	Aspire Education International Limited, a limited liability company established under the laws of the BVI on May 6, 2016 and will be one of our Controlling Shareholders upon the Listing
"Aspire Education Management"	Aspire Education Management Co., Ltd., a limited liability company established under the laws of the BVI on October 15, 2015 and wholly owned by Mr. Li. Aspire Education Management will be one of our Controlling Shareholders upon the Listing
"Aspire Education Technology"	Aspire Education Technology Co., Ltd., a limited liability company established under the laws of the BVI on October 15, 2015 and owned as to 53.35% by Mr. Li, 14.23% by Yang Xuwei (楊旭維), 4.85% by Huang Wei (黃煒), 2.74% by Miao Qiongfen (繆瓊芬), 2.93% by Yang Xuyan (楊旭艷), 2.39% by Liu Yun (劉雲), 1.30% by Wang Yan (汪焰), 0.95% by Jiang He (姜河), 0.95% by Yuan Hao (袁蒿), 0.57% by Yang Xufen (楊旭芬), 0.51% by Lv Xuerui (呂雪蕊), 0.48% by Wu Shiyi (吳世義), 0.47% by Fu Zigang (傅子剛) and 14.28% by Li Yaohong (李耀紅). Except for Mr. Li, Yang Xuwei (楊旭維), the sister-in-law of Mr. Li, Yang Xuyan (楊旭艷), the sister-in-law of Mr. Li, Yang Xufen (楊旭芬), the sister-in-law of Mr. Li, and Li Yaohong (李耀紅), the sister of Mr. Li, all are Independent Third Parties. Aspire Education Technology will be one of our Controlling Shareholders upon the Listing
"Aspire Education Worldwide"	Aspire Education Worldwide Limited, a limited liability company incorporated on May 27, 2016 under the laws of the BVI and owned as to 99.995% by Ms. Wang and 0.005% by Mr. Zhao Shuai (趙帥), an executive Director. It is one of our Pre-IPO Investors
"associate(s)"	has the meaning ascribed to it under the Listing Rules

"Ba Mu Pu"	Kunming Bamupu Technology Co., Ltd.* (昆明巴木浦科技有限公司), a limited liability company established under the laws of the PRC on May 24, 2010, which is owned as to 79.19% by Mr. Li, 0.80% by Qin Hongkang (秦宏康), 0.98% by Pan Yi (潘毅), 0.40% by Yang Junxiong (楊俊雄), 0.59% by Wang Lei (汪蕾), 0.15% by Yao Li (姚莉), 3.52% by Liu Fengming (劉風明) and 14.37% Yang Xuwei (楊旭維). Except for Mr. Li and Yang Xuwei (楊旭維), the sister-in-law of Mr. Li, all shareholders of Ba Mu Pu are Independent Third Parties. Ba Mu Pu is one of the Registered Shareholders and holds 5.7305% equity interest of Yun Ai Group
"Bai Fen Bai"	Kunming Baifenbai Property Services Co., Ltd.* (昆明佰分佰物業服務有限公司), a limited liability company established under the laws of the PRC on October 18, 2005. It is wholly owned by an Independent Third Party upon completion of the Corporate Reorganization
"Bei Ai Company"	Beijing Aiyinsheng Education Investment Co., Ltd.* (北京愛因生教育投資有限責任公司), a limited liability company established under the laws of the PRC on October 16, 2012, and wholly owned by Yun Ai Group. Bei Ai Company will act as the school sponsor of the Northwest School upon the official establishment of the Northwest School
"Beijing Lianhe"	Beijing Lianhe Open Education Technology Co., Ltd.* (北京聯合開放教育科技有限公司), a limited liability company established under the laws of the PRC on June 17, 2014, and wholly owned by Daai Management, a wholly-owned subsidiary of Daai Consulting, which is in turn owned by Mr. Li as to 90% and Ms. Yang, the spouse of Mr. Li as to 10%
"BNP Paribas"	BNP Paribas Securities (Asia) Limited
"Board" or "Board of Directors"	the board of Directors of our Company
"BPPE"	California Bureau for Private Postsecondary Education, a unit of the California Department of Consumer Affairs charged with regulation of private postsecondary educational institutions operating in the State of California
"Business Cooperation Agreement"	the business cooperation agreement entered into by and among Huihuang Company, the PRC Consolidated Affiliated Entities and the Registered Shareholders dated September 8, 2016

"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
"California Academy"	California Academy of Business, Inc., a company incorporated in the State of California the United States, with limited liability on July 18, 2016 and a wholly-owned subsidiary of our Company
"California School"	a private higher education institute to be established by our Group in the State of California
"Capitalization Issue"	the issue of 1,144,865,689 Shares upon capitalization of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed "Appendix V – Statutory and General Information – A. Further Information about Our Company – 4. Written resolutions of the then shareholder of our Company passed on March 20, 2017"
"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
"Central China School"	Science and Technology College of Hubei Minzu University* (湖北民族學院科技學院), an institution of higher education established under the laws of the PRC in 2003. The results attributable to students admitted after the completion of the new campus of Central China School will be included in our results of operation

"Central China School Cooperation Agreement"	the cooperation agreement in respect of the Central China School (關於舉辦湖北民族學院科技學院的合作協議) dated April 28, 2014, entered into between Minzu College and Enhao Company, pursuant to which Enhao Company agreed to become a joint school sponsor of Central China School
"Central China School Sponsor Right Transfer Agreement"	the school sponsor right transfer agreement dated August 26, 2015, entered into between Enhao Company, Guo Hui (郭輝) and Enchang Company, pursuant to which Enhao Company and Guo Hui (郭輝) agreed to transfer their rights and obligations under the Central China School Cooperation Agreement to Enchang Company
"Chengxin Investment"	Kashi Daai Chengxin Investment Management Limited Partnership* (喀什大愛誠信投資管理合夥企業(有限合夥)), a limited partner established under the laws of the PRC on December 12, 2015 with Mr. Li as its general partner and ten individuals acting as its limited partners, including Yang Xuwei (楊旭維), the sister-in-law of Mr. Li, and the Principal of Northeast School. Chengxin Investment is one of the Registered Shareholders and holds 1.3177% equity interest of Yun Ai Group
"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
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"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"	China New Higher Education Group Limited (中國新高教集團有限公司) (formerly known as "China New University Group Co., Ltd. (中國新大學集團有限公司)"), an exempted company incorporated in the Cayman Islands with limited liability on July 8, 2016. It is the listing vehicle
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, namely Aspire Education Technology, Aspire Education Management, Aspire Education Consulting, Aspire Education International and Mr. Li
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Reorganization"	the corporate reorganization of our Group conducted in preparation for the Listing, details of which are set out in the section headed "History and Corporate Structure – Corporate Reorganization" in this prospectus
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Daai Company"	Beijing Daai Investment Management Group Co., Ltd.* (北京大愛投資管理集團有限公司) (formerly known as "Beijing Daai Investment Management Co., Ltd.* (北京大愛投資管理有限公司)"), a limited liability company established under the laws of the PRC on September 21, 2015 and wholly owned by an Independent Third Party upon completion of the Corporate Reorganization
"Daai Consulting"	Daai Consulting Management Co., Ltd.* (大愛咨詢管理股份有限公司) (formerly known as "Daai Education Management Co., Ltd.* (大愛教育管理股份有限公司)"), a joint stock company with limited liability established on May 6, 2015 under the laws of PRC, which is owned as to 90% by Mr. Li and 10% by Ms. Yang, the spouse of Mr. Li
"Daai Management"	Beijing Daai Enterprise Management Co., Ltd.* (北京大愛企業管理有限公司), a limited liability company established under the laws of the PRC on September 18, 2015 and wholly owned by Daai Consulting
"Daai Partnership"	Kashi Daai Investment Management Limited Partnership* (喀什大愛投資管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on December 8, 2015 with Ma Chongliang (馬崇亮) acting as the general partner and Mr. Li and Ma Chongliang (馬崇亮) acting as the limited partner. Daai Partnership is one of the Registered Shareholders and holds 22.8102% equity interest of Yun Ai Group

"Daai Zhishang"	Beijing Daai Zhishang Technology Development Co., Ltd* (北京大愛至上科技發展有限公司), a limited liability company established under the laws of the PRC on January 13, 2016 and wholly owned by an Independent Third Party upon completion of the Corporate Reorganization
"Deed of Non-competition"	a deed of non-competition dated March 20, 2017 entered into by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding the non-competition undertaking
"Deed of Indemnity"	a deed of indemnity dated March 20, 2017 entered into by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for our subsidiaries) in respect of, among other things, certain indemnities, further information of which is set out in the section headed "G. Other Information – 1. Deed of Indemnity" in Appendix V to this prospectus
"Design Time"	Design Time Limited, a limited liability company incorporated under the laws of the British Virgin Islands on October 18, 2010. Design Time Limited is indirectly and wholly owned by CCB International (Holdings) Limited (建銀國際(控股)有限公司) ("CCBI"). CCBI is an investment services flagship which is indirectly and wholly owned by China Construction Bank Corporation, a joint-stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (stock code: 939) and the Shanghai Stock Exchange (stock code: 601939). Design Time is one of our Pre-IPO Investors
"Director(s)"	the directors of our Company
"Directors' Powers of Attorney"	the school directors' power of attorney executed by each of the directors of each PRC Operating School dated September 8, 2016
"Disposed Entities" or "Disposed Interest"	collectively, Zhuan Xiu School, Vocational School, Kun Ai Advertising, Kun Ai Consulting, Bai Fen Bai, Si Bo Yuan, 5% equity interest of Peihua Company, Shuren Education, Wuhu Education, Qihang Investment, Beijing Lianhe, Daai Company, Qingchuang Company, Heike Company, Daai Zhishang, Songming Shuren and certain interest in Kunming Guandu Bank, being entities or interests not related to formal higher education and which were disposed of by Yun Ai Group as part of our Corporate Reorganization

"Draft Foreign Investment Law"	the draft version of the Foreign Investment Law* (中華人民共和國外國投資法(草案徵求意見稿)) issued by the MOFCOM on January 19, 2015 for public consultation
"EIT Law"	the PRC Enterprise Income Tax Law* (中華人民共和國企業所得稅法) adopted by the National People's Congress of the PRC on March 16, 2007 and which became effective on January 1, 2008
"Enchang Company"	Enshi Autonomous Prefecture Changqing Education Development Co., Ltd.* (恩施自治州常青教育發展有限責任公司), a limited liability company established under the laws of the PRC on November 13, 2014. It is owned as to 89.2% by Yun Ai Group and 10.8% by Jiang Mingxue (蔣明學). Enchang Company will be a joint school sponsor of Central China School pending final approval of the MOE and registration with the provincial civil affairs authorities
"Enhao Company"	Enshi Autonomous Prefecture Haoyouduo Trading Co., Ltd.* (恩施自治州好又多商貿股份有限公司) (formerly known as "Enshi Autonomous Prefecture Haoyouduo Trading Co., Ltd.* (恩施自治州好又多商貿有限責任公司)"), a joint stock company with limited liability established under the laws of the PRC on November 21, 2000, and wholly owned by Independent Third Parties
"Equity Pledge Agreement"	the equity pledge agreement entered into by and among the Registered Shareholders, Yun Ai Group and Huihuang Company dated September 8, 2016
"Exclusive Call Option Agreement"	the exclusive call option agreement entered into by and among Huihuang Company, our PRC Consolidated Affiliated Entities and the Registered Shareholders dated September 8, 2016
"Exclusive Technical Service and Management Consultancy Agreement"	the exclusive technical service and management consultancy agreement entered into by and among Huihuang Company and our PRC Consolidated Affiliated Entities dated September 8, 2016
"Fangzhou Company"	Yunnan Daai Fangzhou Information Consultancy Co., Ltd.* (雲南大愛方舟信息諮詢有限公司), a wholly-foreign owned enterprise established under the laws of the PRC on March 16, 2016, and a wholly owned subsidiary of our Group
"FIE"	foreign invested enterprise

"Foreign Investment Catalog"	the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄 (2015) 》), which was promulgated jointly by the MOFCOM and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) on March 10, 2015 and became effective from April 10, 2015, which is amended from time to time
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"Frost & Sullivan Report"	an independent market research report dated April 5, 2017, commissioned by our Company on the PRC private education market and prepared by Frost & Sullivan
"Gainful Asset"	Gainful Asset Management Limited, a limited liability company incorporated under the laws of the BVI on February 15, 2016 and wholly owned by Mr. Chen. Gainful Asset is one of our Pre-IPO Investors
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Placing
"**GREEN** Application Form(s)"	the application form(s) to be completed by **WHITE Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "we" or "us"	our Company, its subsidiaries, our PRC Operating Schools 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
"Guizhou Phase I Land"	phase I land occupied by Guizhou School where its 25 buildings are located
"Guizhou Phase II Land"	phase II land occupied by Guizhou School where its eight buildings are located
"Guizhou School"	Guizhou Technology and Business Institute* (貴州工商職業學院), a private institution of formal higher education established under the laws of the PRC on July 3, 2012, of which the school sponsor's interest is wholly owned by Yun Ai Group and a consolidated affiliated entity of our Company

"Haxuan Company"	Harbin Xuande Technology Co., Ltd.* (哈爾濱軒德科技有限公司), a limited liability company established under the laws of the PRC on April 19, 2016 and owned as to 73.91% by Yun Ai Group and as to 26.09% by Ningde Company. Haxuan Company will be the sole school sponsor of the Northeast School pending final approval of the MOE and registration with the provincial civil affairs authorities
"Heike Company"	Heima Technology Co., Ltd.* (黑馬科技有限公司), a limited liability company established under the laws of the PRC on January 20, 2015 and wholly owned by an Independent Third Party upon completion of the Corporate Reorganization
"HK$", "Hong Kong dollar(s)", "HKD" or "cents"	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
"HKFRSs"	the Hong Kong Financial Reporting Standard(s)
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Share(s)"	the 28,622,000 Shares being made available by our Company for subscription pursuant to the Hong Kong Public Offering, subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares in Hong Kong at the Offer Price and on, and subject to, the terms and conditions of this prospectus and the Application Forms, as further described in the section headed "Structure of the Global Offering" in this prospectus
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering

"Hong Kong Underwriting Agreement"	the Hong Kong underwriting agreement dated April 3, 2017, relating to the Hong Kong Public Offering of our Company, entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in "Underwriting" in this prospectus
"Huake Group"	Heilongjiang Huade Jiaoke Group* (黑龍江華德教科集團), a limited partner established under the laws of the PRC
"Huihuang Company"	Tibet Daai Huihuang Information and Technology Co., Ltd.* (西藏大愛輝煌信息科技有限公司), a limited liability company established on August 5, 2016 under the laws of the PRC, which is wholly owned by Aspire Education Holding
"Huihuang Investment"	Kashi Daai Huihuang Investment Management Limited Partnership* (喀什大愛輝煌投資管理合夥企業(有限合夥)), a limited partner established under the laws of the PRC on December 12, 2015 with Mr. Li acting as its general partner and 44 individuals acting as its limited partners, including Mr. Zhao Shuai (趙帥), Mr. Zhang Ke (張柯) and Mr. Zhu Lidong (朱立東), our executive Directors. Huihuang Investment holds 1.2956% equity interest of Yun Ai Group
"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
"International Placing"	the conditional placing by the International Underwriters 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 Underwriting Agreement

"International Placing Share(s)"	the 257,598,000 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 Underwriting Agreement"	the conditional placing and underwriting agreement relating to the International Placing and to be entered into by, among others, the Company, the Controlling Shareholders, the executive Directors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters, on or about the Price Determination Date
"International Underwriters"	the underwriters of the International Placing
"Joint Bookrunners" or "Joint Lead Managers"	BNP Paribas, CCB International Capital Limited, CLSA Limited, China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited and First Capital Securities Limited
"Joint Global Coordinators"	BNP Paribas, CCB International Capital Limited and CLSA Limited
"Kun Ai Advertising"	Kunming Einsun Advertising Co., Ltd.* (昆明愛因森廣告有限公司), a limited liability company established under the laws of the PRC on October 30, 2003, and wholly owned by an Independent Third Party upon completion of the Corporate Reorganization
"Kun Ai Consulting"	Kunming Einsun Enterprise Management Consultancy Co., Ltd.* (昆明愛因森企業管理諮詢有限公司), a limited liability company established under the laws of the PRC on October 18, 2005 and wholly owned by an Independent Third Party upon completion of the Corporate Reorganization
"Kunming Guandu Bank"	Kunming Guandu Rural Cooperation Bank* (昆明官渡農村合作銀行), a cooperation bank wholly owned by Independent Third Parties upon completion of the Corporate Reorganization
"Latest Practicable Date"	March 27, 2017, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication

"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about April 19, 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
"Loan Agreement"	a loan agreement entered into by and among Huihuang Company, the PRC Operating Schools, and Yun Ai Group dated September 8, 2016
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company adopted on March 20, 2017 and as amended from time to time
"Minzu College"	Hubei Minzu University* (湖北民族學院), a state-owned higher education institution established under the laws of the PRC
"MOE"	the Ministry of Education of the PRC
"MOE Notice"	the Notice of the General Office of the MOE on Further Strengthening and Improving the Calculation and Reporting of Graduate Employment Rate of Higher Education Institutions (《教育部辦公廳關於進一步加強和完善高校畢業生就業狀況統計報告工作的通知》) issued by the MOE in 2004
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Chen"	Mr. Chen Weisong (陳偉松), a friend of Mr. Li and an Independent Third Party. Mr. Chen is the sole shareholder of Gainful Asset, which is one of our Pre-IPO Investors
"Mr. Li"	Mr. Li Xiaoxuan (李孝軒), our founder, one of our Controlling Shareholders, chairman of the Board and an executive Director

"Ms. Wang"	Ms. Wang Xueping (王雪萍), a friend of Mr. Li and an Independent Third Party. Ms. Wang owns 99.995% interest in Aspire Education Worldwide, which is one of our Pre-IPO Investors
"Ms. Yang"	Ms. Yang Xuqing (楊旭青), the spouse 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)
"Ningde Company"	Ningbo Meishan Bonded Port Area Deshida Investment Partnership (Limited Partnership)* (寧波梅山保稅港區德士達投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on April 7, 2016, of which the partnership interest is owned by the Principal of the Northeast School and his family members. Ningde Company owns 26.09% equity interest of Haxuan Company
"Northeast School"	Harbin Huade University* (哈爾濱華德學院), an independent institute established under the laws of the PRC in 2004. Northeast School will be a consolidated affiliated entity of our Company pending final approval of the MOE and registration with the provincial civil affairs authorities and following the execution of the structured contracts with Huihuang Company
"Northwest School"	Northwest Technology and Business Institute* (西北工商職業學院), a private institution of higher education college to be established under the laws of the PRC, of which the school sponsor's interest will be wholly-owned by Bei Ai Company after the official establishment of the Northwest School
"Offer Price"	the maximum Hong Kong dollar price per Hong Kong Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offer, to be determined as further described in the section headed "Structure of the Global Offering" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Placing Shares, where relevant including any additional Shares issued pursuant to the exercise of the Over-allotment Option

"Over-allotment Option"	the option granted by our Company to the International Underwriters, exercisable by BNP Paribas (after consultation with the Joint Global Coordinators to the extent practicable) on behalf of the International Underwriters, to require our Company to allot and issue up to an aggregate of 42,933,000 additional Shares at the Offer Price, representing approximately 15% of the initial size of the Global Offering, to cover, among other things, over allocations in the International Placing as described in the section headed "Structure of the Global Offering" in this prospectus
"Pai Dui Pai"	Kunming Paiduipai Economic Information Consultancy Co., Ltd.* (昆明排對排經濟信息諮詢有限公司), a limited liability company established under the laws of the PRC on June 2, 2010, which is owned as to 53.35% by Mr. Li, 14.28% by Li Yaohong (李耀紅), 2.74% by Miao Qiongfen (繆瓊芬), 4.85% by Huang Wei (黃煒), 1.30% by Wang Yan (汪焰), 14.23% by Yang Xuwei (楊旭維), 0.95% by Jiang He (姜河), 0.95% by Yuan Song (袁嵩), 2.39% by Liu Yun (劉雲), 0.51% by Lv Xuerui (呂雪蕊), 0.48% by Wu Shiyi (吳世義), 0.47% by Fu Zigang (傅子剛), 0.57% by Yang Xufen (楊旭芬) and 2.93% by Yang Xuyan (楊旭艷). Except for Mr. Li, Yang Xufen (楊旭芬), the sister-in-law of Mr. Li, Li Yaohong (李耀紅), the sister of Mr. Li, and Yang Xuyan (楊旭艷), the sister-in-law of Mr. Li, all are Independent Third Parties. Pai Dui Pai is one of the Registered Shareholders and holds 20.0568% equity interest of Yun Ai Group
"Peihua Company"	Yunnan Peihua Education Investment Co., Ltd.* (雲南培華教育投資有限公司), a limited liability company established under the laws of the PRC on March 11, 2010, and wholly owned by an Independent Third Party upon completion of the Corporate Reorganization
"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 Consolidated Affiliated Entities"	namely, our School Sponsors and our PRC Operating Schools, each a consolidated affiliated entity of our Company

"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 PRC Laws
"PRC Operating Schools"	our consolidated affiliated entities, namely, Yunnan School and Guizhou School
"Pre-IPO Investments"	the pre-IPO investments made by the Pre-IPO Investors, details of which are set out in the section headed "History and Corporate Structure – Pre-IPO Investments" in this prospectus
"Pre-IPO Investment Agreements"	the series of transaction documents, as amended, entered into, among others, by Advance Vision, Design Time, Gainful Asset, Aspire Education International and Aspire Education Worldwide in connection with the Pre-IPO Investments, details of which are set out in the section headed "History and Corporate Structure – Pre-IPO Investments" in this prospectus
"Pre-IPO Investors"	Advance Vision, Design Time, Gainful Asset, Aspire Education International and Aspire Education Worldwide
"Price Determination Agreement"	an agreement between our Company and the Joint Global Coordinators (on behalf of the Underwriters) to fix the Offer Price
"Price Determination Date"	the date, expected to be on or around Monday, April 10, 2017 and, in any event, not later than 6:00 p.m. on Tuesday, April 11, 2017, on which the Offer Price is to be fixed by agreement between our Company and the Joint Global Coordinators (on behalf of the Underwriters) to determine the Offer Price
"Principal of Northeast School"	Mr. Gu Deku (顧德庫), the current principal of the Northeast School
"Qihang Investment"	Gansu Qihang Education Investment Co., Ltd.* (甘肅起航教育投資有限責任公司), a limited liability company established under the laws of the PRC on November 12, 2014 and wholly owned by an Independent Third Party upon completion of the Corporate Reorganization

"Qingchuang Company"	Yunnan Qingchuang Investment Management Co., Ltd.* (雲南青創投資管理有限公司), a limited liability company established under the laws of the PRC on July 22, 2015, and wholly owned by an Independent Third Party upon completion of the Corporate Reorganization
"Registered Shareholders"	the shareholders of Yun Ai Group, namely Mr. Li, Pai Dui Pai, Ba Mu Pu, Daai Partnership, Huihuang Investment, Chengxin Investment, Shanghai Taifu and Zhongyi Company
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Education Authorities"	together, the Education Department of Yunnan Province, the Education Department of Guizhou Province, the Education Department of Hubei Province, the Education Department of Heilongjiang Province and the Education Department of Gansu Province
"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)
"School Sponsors"	the current school sponsor, Yun Ai Group, and the future school sponsors, Haxuan Company, Enchang Company and Bei Ai Company
"School Sponsors' and Directors' Rights Entrustment Agreement"	the school sponsors' and directors' rights entrustment agreement entered into by and among Yun Ai Group, Bei Ai Company, the PRC Operating Schools, the directors of each PRC Operating School and Huihuang Company dated September 8, 2016
"School Sponsors' Powers of Attorney"	the school sponsors' power of attorney executed by the School Sponsors in favor of Huihuang Company dated September 8, 2016

"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
"Shanghai Taifu"	Shanghai Taifu Xiangyi Equity Investment Fund Limited Partnership* (上海太富祥屹股權投資基金合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on December 15, 2015 with Shenzhen Pingan Decheng Investment Co., Ltd. (深圳市平安德成投資有限公司) acting as its general partner. Shenzhen Pingan Decheng Investment Co., Ltd.* (深圳市平安德成投資有限公司) is wholly owned by Shenzhen Pingan Financial Technology Consulting Co., Ltd.* (深圳平安金融科技諮詢有限公司), which in turn is owned as to 96.52% by Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司), a joint-stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (stock code: 2318) and the Shanghai Stock Exchange (stock code: 601318) and as to 6.38% by Shenzhen Pingan. Shanghai Taifu is one of the Registered Shareholders and owns 15.5265% equity interest of Yun Ai Group
"Share(s)"	ordinary share(s) of US$0.0001 each in the share capital of our Company
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on March 20, 2017, the principal terms of which are summarized under the paragraph headed "F. Share Option Scheme" in Appendix V to this prospectus
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders' Agreement"	the shareholders' agreement dated July 29, 2016, entered into by, among others, Aspire Education Management, Aspire Education Technology, Aspire Education Consulting, Aspire Education International, Advance Vision, Design Time, Gainful Asset and Aspire Education Worldwide in relation to Aspire Education Group
"Shareholders' Powers of Attorney"	the shareholders' power of attorney executed by the Registered Shareholders and Yun Ai Group in favor of Huihuang Company dated September 8, 2016

"Shareholders' Rights Entrustment Agreement"	the shareholders' rights entrustment agreement entered into by and among the Registered Shareholders, the School Sponsors and Huihuang Company dated September 8, 2016
"Shenzhen Pingan"	Shenzhen Ping An New Capital Investment Co., Ltd.* (深圳市平安創新資本投資有限公司), a limited liability company established under the laws of the PRC on November 24, 1992. Shenzhen Pingan was one of the shareholders of Yun Ai Group until December 28, 2015. It is indirectly held as to 99.88% by Ping An Insurance (Group) Company of China, Ltd. (中國平安保險（集團）股份有限公司), a joint-stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (stock code: 2318) and the Shanghai Stock Exchange (stock code: 601318)
"Shuren Education"	Shuren Education Investment Co., Ltd.* (樹人教育投資有限公司), a limited liability company established under the laws of the PRC on January 20, 2015, and wholly owned by an Independent Third Party upon completion of the Corporate Reorganization
"Si Bo Yuan"	Guizhou Siboyuan Education Investment Co., Ltd.* (貴州思博遠教育投資有限責任公司), a limited liability company established under the laws of the PRC on November 12, 2010 and wholly owned by an Independent Third Party upon completion of the Corporate Reorganization
"Sino-Foreign Regulation"	the Regulation on Sino-Foreign Cooperation in Operating Schools (中華人民共和國中外合作辦學條例), promulgated by the State Council in 2003 and amended on July 18, 2013
"Sole Sponsor"	BNP Paribas
"Songming Shuren"	Songming Shuren Education Management Consultancy Co., Ltd.* (嵩明樹人教育管理諮詢有限公司), a limited liability company established under the laws of the PRC on July 28, 2016 and wholly owned by an Independent Third Party upon completion of the Corporate Reorganization
"Songming Zhonghe"	Songming Zhonghe Enterprise Management Consultancy Co., Ltd.* (嵩明眾合企業管理諮詢有限公司), a limited liability company established under the laws of the PRC and wholly owned by an Independent Third Party

"Southwest China"	comprises Sichuan, Guizhou and Yunnan Provinces and Chongqing Municipality
"Spouse Undertakings"	the spouse undertakings executed by Ms. Yang, the spouse of Mr. Li, dated September 8, 2016
"Stabilizing Manager"	BNP Paribas
"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 Aspire Education Management and the Stabilizing Manager (or its agents) on or around the Price Determination Date
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Structured Contracts"	collectively, the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreement, the Shareholders' Rights Entrustment Agreement, the School Sponsors' and Directors' Rights Entrustment Agreement, the School Sponsors' Powers of Attorney, the Directors' Powers of Attorney, the Shareholders' Powers of Attorney, the Loan Agreement and the Spouse Undertakings, further details of which are set out in the section headed "Structured Contracts" in this prospectus
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules. For the avoidance of doubt, the Subsidiaries include the PRC Operating Schools and the School Sponsors in this prospectus
"substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Track Record Period"	the three years ended December 31, 2014, 2015 and 2016
"Training Station"	Yunnan Einsun Computer Vocational Training Station* (雲南愛因森計算機職業培訓站), which was the school sponsor of Yunnan School at the time of the establishment of Yunnan School
"Underwriters"	the Hong Kong Underwriters and the International Underwriters

"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"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
"Vocational School"	Kunming Einsun Science and Technology Vocational College* (昆明愛因森科技中等職業學校), a private education institution established under the laws of the PRC in August 2014, of which the school sponsor's interest is wholly owned by an Independent Third Party upon completion of the Corporate Reorganization
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** – **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Wuhu Education"	Wuhu Education Investment Co., Ltd.* (五湖教育投資有限公司), a limited liability company established under the laws of the PRC on December 19, 2014, and wholly owned by an Independent Third Party upon completion of the Corporate Reorganization
"Yun Ai Group"	Yunnan Einsun Education Investment Group Co., Ltd.* (雲南愛因森教育投資集團有限公司) (formerly known as "Yunnan Einsun Investment Co., Ltd.* (雲南愛因森投資有限公司)" and "Yunnan Einsun Investment Group Co., Ltd.* (雲南愛因森投資集團有限公司)"), a limited liability company established under the laws of the PRC on September 19, 2005, which is owned as to 29.8806% by Mr. Li, 20.0568% by Pai Dui Pai, 5.7305% by Ba Mu Pu, 22.8102% by Daai Partnership, 1.2956% by Huihuang Investment, 1.32% by Chengxin Investment, 15.5265% by Shanghai Taifu and 3.3822% by Zhongyi Company. It is the school sponsor of the Yunnan School and the Guizhou School

"Yunnan School"	Yunnan Technology and Business University* (雲南工商學院) (formerly known as Yunnan Einsun Software Vocational College* (雲南愛因森軟件職業學院) ("Software College")), a private institution of formal higher education established under the laws of the PRC on September 29, 2005, of which the school sponsor's interest is wholly owned by Yun Ai Group and a consolidated affiliated entity of our Company
"Zhongyi Company"	Songming Zhongyi Enterprise Management and Consulting Services Co., Ltd.* (嵩明中益企業管理咨詢服務有限公司), a limited liability company established under the laws of PRC on July 12, 2016 and is wholly owned by Ms. Wang. Zhongyi Company is one of the Registered Shareholders and owns 3.3822% equity interest in Yun Ai Group
"Zhuan Xiu School"	Yunnan Einsun Science and Technology College* (雲南愛因森科技專修學院), a private education institution established under the laws of the PRC on December 31, 2011, of which the school sponsor's interest is wholly owned by an Independent Third Party upon completion of the Corporate Reorganization
"%"	per cent
"2016 Amendments"	*the Decision on Amending 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》) approved by the Standing Committee of the National People's Congress on November 2016, which will take effect on September 1, 2017

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 RMB0.8846 = HK$1.00 or RMB6.8701 = 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 technical terms used in this prospectus in connection with our Group and our business. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"AUAS"	Association of Universities (Colleges) of Applied Science (應用技術大學(學院)聯盟)
"CAGR"	compound annual growth rate
"degree"	an academic degree that recognizes completion of required length of study at an institution that is eligible to award such degree
"EBITDA"	earnings before interest expenses, taxation, depreciation and amortization
"employment rate"	a rate calculated by dividing the number of students who are able to find employment within six months after their graduation (including students who find employment in business entities, start own businesses or pursue further studies) by the total number of students graduated from the school for the relevant school year, unless the context indicates otherwise
"formal education"	an education system which provides students with the opportunity to earn official certificates recognized by the PRC government. The formal education system can be divided into two stages, fundamental education and higher education
"high schools"	schools that provide education for students in grade ten through grade twelve
"higher education"	education provided by higher education institutions. Higher education typically consists of junior college education, undergraduate education and graduate education. To pursue higher education by enrolling at a higher education institution, a student needs to possess a high school or equivalent degree and pass China's National Higher Education Entrance Examination
"IELTS"	International English Language Testing System, a standardized test of English language proficiency for non-native English language speakers wishing to enroll in colleges and universities in the United Kingdom, Canada, Australia, New Zealand and the United States

"independent college"	a PRC higher educational institution that is run by non-government institution(s) or individual(s) based on cooperation with a public university or college, which is permitted to offer undergraduate and junior college courses
"informal education"	an education system through which students can only obtain completion certificates that are not officially recognized
"junior college education"	a three-year post-high school formal education upon completion of which, a junior college degree will be granted. Junior college students may continue their education by enrolling in a two-year program and transferring some or all of the credit earned at the junior college toward the degree requirements of the undergraduate degree
"LIBOR"	the London Interbank Offered Rate, which is the average interest rate for short-term interbank loans that is calculated on any business day by the ICE Benchmark Administration
"middle schools"	schools that provide education for students in grade seven through nine
"National Higher Education Entrance Exam"	a national academic examination held annually in the PRC, which is a prerequisite for entrance into almost all higher education institutions at the undergraduate level in the PRC
"National Higher Education Entrance Exam for Adults"	a national academic examination for adults held annually in the PRC. Upon achieving required grades in this examination and completion of required courses within specified period after the examination, an adult may apply for an undergraduate degree diploma
"nine-year compulsory education"	grade one to grade nine education, which all citizens in the PRC are required to receive under relevant laws and regulations
"primary education"	typically the first stage of compulsory education, which refers to a period of education that is required of persons as imposed by law, coming between early childhood education and secondary education
"private schools"	schools which are not administered by local, provincial or national governments

"public schools"	schools administered by local, provincial or national governments
"school sponsor"	the individual(s) or entity(ies) that funds or holds interests in an educational institution
"secondary education"	normally takes place after primary education and may be followed by higher education or vocational training
"365 cloud education platform"	an online education platform operated and owned by Beijing Lianhe, allowing its users to access to online courses for free

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

- our business operations and prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to implement such strategies, plans, objectives and goals;
- our ability to maintain or increase student enrollment;
- our ability to maintain or raise tuition fees;
- our ability to maintain or increase our school utilisation;
- 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 declaration;
- 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. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition, future prospects or on the trading price of our Shares, and could cause you to lose all or part of your investment.

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

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

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

We were among the first movers in China to provide private formal higher undergraduate education focused on applied sciences according to Frost & Sullivan. We believe that each of our schools has gained wide recognition in the region where it is located and continues to attract students and qualified teaching staff. We believe that our success is heavily dependent on the market recognition of the brand and the reputation of each of our schools.

Numerous factors can potentially impact the reputation of a school, including, but not limited to, levels of student and parent satisfaction with the school's curriculums, teachers and teaching quality, the number of graduates being able to find satisfactory employment, accidents on campus, negative press, disruptions to the school's educational services, failure to pass an inspection by a government educational authority, loss of certifications and approvals that enable the school to operate in the manner it is currently operated, and unaffiliated parties using its brand without adhering to its standards of education. If the reputation of a school is damaged, students' and parents' interest in the school may decrease and our business could be materially and adversely affected.

Our schools have developed their student bases primarily through word-of-mouth referrals. We also promote our brands by conducting certain marketing activities. However, we cannot assure you that our marketing efforts will be successful or sufficient in further promoting our schools' brands or in helping us to remain competitive. If any of our schools is unable to further enhance its reputation and increase market awareness of its programs and services, or if it is required to incur additional promotional expenses in order to remain competitive, our business, financial condition and results of operations may be materially and adversely affected. If our schools are unable to maintain or sustain their brand reputation and recognition, they may also be unable to maintain or increase student enrollment, which may have a material adverse effect on our business, financial condition and results of operations.

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

One of the most significant factors affecting our profitability is the tuition fees we charge at our schools. For the years ended December 31, 2014, 2015 and 2016, tuition fees constituted 90.3%, 90.6% and 91.1% of our total revenue from continuing operations, respectively, while boarding fees accounted for the remainder. Under the *Interim Measures for the Management of the Collection of Private Education Fees* promulgated by the PRC government authorities on March 2, 2005, the types and amounts of fees charged by a private school providing educational qualifications must be approved by the relevant governmental pricing authority. In practice, each province has its own implementation measures. On July 12, 2016, the Development and Reform Commission of Yunnan Province, the Education Department of Yunnan Province and the Department of Human Resources and Social Security of Yunnan Province jointly issued *the Circular on Issues concerning the Determination of Fees By Private Schools in the Yunnan Province* (《關於我省民辦學校收費實行自主定價有關問題的通知》), according to which, private schools in Yunnan Province may determine the fee rates to be charged by taking consideration of a variety of factors, such as costs of school operations, local economic development status, school development needs and other factors. The private schools shall notify the relevant authorities of the fee rates to be charged before issuing their admission brochures which include such fee rates. On December 17, 2015, the Development and Reform Commission of Guizhou Province, the Education Department of Guizhou Province and the Department of Human Resources and Social Security of Guizhou Province jointly issued the *Interim Measures for the Management of the Collection of Private Education Fees* (《規範民辦教育收費行為暫行辦法》), according to which, the private schools providing academic education are entitled to determine their fee rates in accordance with the principle of fairness, openness, legitimacy and good faith. According to our PRC legal advisors, since January and July 2016, respectively, private schools in Guizhou Province and Yunnan Province are no longer subject to approval requirements or pre-set fee limits from relevant government authorities when they make adjustments to the tuition fees and boarding fees they charge. Instead, private schools in Guizhou Province and Yunnan Province are required to make a filing with the relevant local authorities in the event they make any adjustments to the tuition fees and boarding fees they charge. See "Business – Our Schools" for details. We determine our tuition rates and boarding fees primarily based on the demand for our educational programs, our cost of operations, the geographic markets where we operate our schools, the tuition rates of our competitors, our pricing strategy to gain market share and general economic conditions in China. During the Track Record Period, both the Yunnan School and the Guizhou School raised their tuition rate for certain majors at the beginning of the 2015-2016 school year. However, there can be no assurance that we will be able to maintain or raise the tuition and/or boarding fee levels we charge at our schools in the future at the same levels as historically, or at all, or even if we are able to maintain or raise tuition fees or boarding fees, we cannot assure you that we will be able to attract prospective students to apply for our schools at such increased fee rates at the same levels as historically, or at all.

In addition, some of our students are unable to pay their tuition fees in full for various reasons, such as financial difficulties. We will make bad debt provisions to write off any tuition fees that have not been fully paid by these students when they graduate from our school. Please see "Financial Information – Key Components of Our Results of Operations – Other Expenses" for details. Our business, financial position and results of operations may be materially and adversely affected if we fail to maintain or raise the tuition rates or attract sufficient prospective students or there are an increasing number of students who graduate from our schools without having paid off their tuition fees.

Our business and results of operations depend on the number of students we may admit, which in turn is subject to the admission quotas approved by relevant education authorities and limited by the capacity of our school facilities.

Each year the education authorities specify a quota for the number of new students each of our schools may admit, which is subject to adjustment by the education authorities. The number of students we may admit at each of our schools is therefore subject to the quota set by the local education authorities on a year by year basis, as adjusted by the education authorities. The maximum number of new students each of our schools may admit each year is therefore beyond our control. To the best of the Directors' knowledge, to determine the admission quota to be granted to each school, the local education authorities take into account factors including the number of students enrolled and number of applications received by the school, quality of education, social recognition and reputation of the school and the overall regional economic and educational conditions and policies. In addition, the number of students we are able to admit at each of our schools is also constrained by the education facilities and number of beds for students of our schools, which are limited in space and size.

As we charge tuition fees and boarding fees for each enrolled student, the total number of enrolled students determines our total revenue. Our overall student enrollment grew from 18,590 as of June 30, 2014 to 29,716 as of June 30, 2016, and further to 33,462 as of December 31, 2016. If our admission quotas do not increase or even decrease in the future, which in turn, result in a decrease in the total number of our enrolled students, our total revenue may not grow as expected or may decline, which in turn will have a material and adverse impact on our business, financial condition and results of operations.

In addition, there can be no assurance that students who have received our offer letters would decide to register with us, for various reasons. For example, some university applicants who have been admitted for a junior college program may choose not to register with the Guizhou School, and decide to re-take the National Higher Education Entrance Exam the following year. If the number of such students increase, which will impact the number of our enrolled students, our business, financial position and results of operations may in turn be materially and adversely affected.

Our business relies on our ability to attract and retain our senior management and other dedicated and qualified teachers and school personnel.

We depend on our senior management and school administrators for the smooth operation of our schools and execution of our business plans. In addition, we rely significantly on our teachers to deliver our educational services to students. Our teachers are critical to maintaining the quality of our programs and services and to upholding our reputation.

The continuing services of our executive Directors, senior management team and the principals of our schools are crucial to our future success. If one or more of our executive Directors or members of senior management as set out in "Directors and Senior Management" in this prospectus and the principals of our schools 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, which may result in material adverse changes to our established brand image, reputation, service quality or standards, and in turn, may disrupt our business, and materially and adversely affect our business, results of operations and financial condition.

Furthermore, to maintain the quality of our educational services and further grow our business, we need to continue to attract and retain qualified teachers who share our educational philosophy and meet our high standards. We seek to hire teachers who have expertise in their respective subject areas, and in particular, possess industry experience in relevant areas and are capable of delivering innovative and inspirational classroom instruction that focuses on the application of knowledge. There are a limited number of teachers with the necessary experience and qualifications who meet our standards to teach our courses. Similarly, the pool of qualified school personnel, such as presidents, vice presidents and other school administrators, all of whom are crucial to the efficient and smooth running of the schools we operate or intend to acquire and/or establish, is relatively limited in China. There is no guarantee that we can recruit and retain such personnel in the future. As a result, we believe we will need to provide competitive compensation and benefits packages to attract and retain qualified teachers and school administrative personnel. In addition, criteria such as work ethic, commitment and dedication are difficult to ascertain during the recruitment process, particularly as we continue to expand and add teachers and other school personnel quickly in order to meet rising student enrollment.

We 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 entity, our business, results of operations and financial condition may be materially and adversely affected. In addition, we may not be able to hire and retain a sufficient number of qualified teachers and qualified school administrative personnel 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 administrative personnel, the quality of our services or overall education programs may decrease or be perceived to decrease in one or more of our schools, which may have a material and adverse effect on our reputation, business and results of operations.

We may not be able to execute our growth strategies or manage our growth effectively, which may hinder our ability to capitalize on new business opportunities, or successfully integrate businesses that we acquire or invest in, which may cause us to lose the anticipated benefits from such acquisitions and investments and to incur significant additional expenses.

We have experienced steady growth and expansion that has placed, and continues to place, pressure on our management and resources. We plan to leverage our brand name to establish, invest in or acquire new schools in provincial capital cities in Northwest, Southwest, Central and Northeast China, where we believe there exists significant growth potential compared with economically more developed regions in China. However, we may not be able to find suitable acquisition targets at valuations that are acceptable to us, or at all. Further, we have not acquired or invested in any schools in the past other than the Yunnan School and the Guizhou school, which were established by us. In addition, we believe we may face challenges in integrating business operations and management philosophies of acquired or invested schools including retaining qualified teaching staff of any acquired or invested school, consolidating educational services offered by the acquired or invested school and integrating educational and administrative systems and philosophies. The integration of acquired or invested schools is a complex, time-consuming and costly process that, without proper planning and implementation, could significantly disrupt our business operations and reputation. We may not successfully integrate the operations of newly acquired or invested schools with our existing operations in a timely manner, or at all, and we may not realize the anticipated benefits or synergies of the acquisitions or investments to the extent, or in the timeframe we anticipated, or at all, which may have a material adverse effect on our business, financial condition and results of operations.

We also plan to expand our network abroad by establishing a higher education institution in the State of California in the United States. In July 2016, we filed an application with the BPPE to establish a private higher education institution. We expect the review by BPPE will take around 12 months. See "History and Corporate Structure – Schools to be Established or Invested In – California School" for further information. However, we have no prior experience establishing and/or operating schools outside China, in particular, in the United States, and we may encounter barriers and challenges upon entering into such markets, including the failure to obtain relevant regulatory approvals, which may result in delays or our inability to carry out our overseas expansion plans. In addition, we may need to make significant investments in developing schools overseas and may not be able to effectively manage our costs or generate sufficient revenue to justify the investments we make. We cannot assure you we will be able to successfully establish and/or operate schools overseas. If we are unable to do so, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to successfully implement our business model to replicate the success of our first two schools in our planned additional schools.

We have a scalable business model, comprising our unified educational approach and our centralized operational management system. We believe that this scalable business model has enabled us to replicate the success of our first school, the Yunnan School, in our second school, the Guizhou School. Student enrollment at the Guizhou School increased from approximately 1,200 at its inception in 2012 to approximately 11,750 as of June 30, 2016 and further to approximately 13,970 as of December 31, 2016. We plan to further replicate this successful business model in the Northeast School, to which we currently provide exclusive technical and management consultancy services prior to the receipt of MOE approval regarding the transfer of school sponsorship to us. As we began providing services to this school only recently, we may need time to understand its students' needs and adjust our services accordingly. During this process, we may make errors, which may cause the school's students and their parents to become dissatisfied with us. If we are unable to ensure that the students of this school and their parents are satisfied with the education provided at the school, the school's reputation may be negatively affected and we may have difficulty to grow its student enrollment, which, in turn, may have a material and adverse effect on our business, financial condition and results of operations and on our ability to achieve our expected returns from our investment in the Northeast School. We also plan to further replicate our business model in schools that are to be established, acquired or invested in by us in the future. The implementation of such strategy requires overall planning and implementation, increased capital expenditures and additional administrative and management personnel. We may not be able to successfully replicate our business model in our planned additional schools in an efficient and effective manner. Any failure to do so may have a material adverse effect on our business, financial condition and results of operations.

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

Our educational services primarily focus on teaching students readily applicable and practical skills in a variety of industries to help them gain employment and succeed in their future careers. Generally, we design our curriculums based on market trends and employer preferences. If we fail to provide courses that adequately prepare our students for the evolving demands of the job market, our students may not be able to successfully find employment or the students' employment after graduation may not be satisfactory to their parents and our graduates' performance may not be satisfactory to employers. As a result, our programs and services may become less attractive to students and parents. In addition, a student may not experience their expected academic improvement or acquire desired skills and his or her performance may otherwise decline significantly due to reasons beyond our control. There is no assurance that we can provide school learning experiences that are satisfactory to all of our students. As a result, we may also experience negative publicity or a decrease in word-of-mouth referrals. Any such negative developments could result in students' withdrawal from or unwillingness to apply for our schools, and therefore have an adverse impact on our reputation. Furthermore, if we fail to timely develop and introduce new education services and programs in our schools based on changing economic conditions and government policies, our ability to attract students and our reputation could be materially and adversely affected, which may have a material adverse impact on our business, financial condition and results of operations.

We face competition in the PRC higher education industry.

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

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

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

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

We experienced significant growth in revenue during the Track Record Period. Our historical growth was primarily driven by the increase in the number of students enrolled at our schools. Our business, financial condition and results of operations may fluctuate due to a number of other factors, many of which are beyond our control, such as public perception of the private higher education industry in China and our ability to maintain and increase student enrollment at our schools and maintain and raise tuition and boarding fees. We also may not be successful in continuing to increase the number of students admitted to the schools we operate due to our limited capacity, and we may not be successful in carrying out our growth strategies and expansion plans. In addition, we were not required to pay any PRC income tax in respect of the tuition fees and boarding fees we received for providing formal higher education during the Track Record Period, according to the confirmation letters issued by the PRC local tax bureau and the local offices of State Administration of Taxation, respectively. However, after the Corporate Reorganization, our WFOE, Huihuang Company, is initially subject to a PRC income tax rate of 9%, and will also be subject to value-added tax, which was 3% as of the Latest Practicable Date but may be subject to change in the future, according to our PRC legal advisors and our tax consultant. If the applicable enterprise income tax rate and/or value-added tax rate increase in the future, our profitability may be adversely impacted.

Moreover, we may not sustain our past growth rates in future periods, and we may not sustain profitability on a quarterly, interim or annual basis in the future. We generally require students to pay tuition fees and boarding fees for the entire school year upfront prior to the commencement of the school year, and recognize revenue for the tuition fees received from the delivery of educational services on a straight-line basis over the course of the relevant periods in a school year (usually from September to June, excluding the winter break), and for the boarding fees over a twelve-month period. However, the timing of our recording of our costs and expenses do not necessarily correspond with the timing of our recognition of revenue. Our interim results, growth rates and profitability may not be indicative of our annual results or our future results, and our historical interim and annual results, growth rates and profitability may not be indicative of our future performance for the corresponding periods. Our Shares could be subject to significant price volatility should our earnings fail to meet the expectations of investors. Any of these events could cause the price of our Shares to materially decrease.

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

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

We recorded net current liabilities during the Track Record Period.

We had net current liabilities of RMB44.9 million, RMB509.7 million and RMB278.0 million, respectively, as of December 31, 2014, 2015 and 2016. See "Financial Information – Current Assets and Current Liabilities" for details. We cannot assure you that we will not experience periods of net current liabilities in the future. We may continue to record net current liabilities after the Global Offering and in future periods as we continue to expand. The Northeast School also had net current liabilities of RMB88.7 million, RMB69.8 million and RMB25.2 million, respectively, as of December 31, 2014, 2015 and 2016. Following the acquisition of the Northeast School and consolidation of its financial results with our results of operations, the net current liability position of the Northeast School will be consolidated with ours, which may result in an increase in our consolidated net current liabilities. A net current liabilities position could expose us to liquidity risks, constrain our operational flexibility and adversely affect our ability to obtain financing and expand our business. There can be no assurance that we will always be able to generate sufficient cash flow from our operations or obtain necessary funding to meet our present and future financial needs, including to repay our loans upon maturity and finance our capital commitments. If we fail to meet our financial obligations, our business, liquidity, financial position and prospects could be materially and adversely affected.

If government approvals for the proposed transfers of school sponsorship interests in the Northeast School and the Central China School are not granted, we may not be able to implement our growth strategies or recover our investments relating to these two schools.

The Northeast School is a private institution of formal higher education focused on applied sciences. Through a series of agreements entered into in January, April and July 2016, Haxuan Company agreed to acquire the entire sponsor interest of the Northeast School from the current school sponsors, which are Independent Third Parties, and we agreed to invest in the Northeast School for a total capital commitment of RMB381.9 million, of which RMB120.0 million will be contributed to the Northeast School for its further construction after the Listing. As of the Latest Practicable Date, RMB156.9 million has been settled. As of the Latest Practicable Date, the application to transfer the school sponsorship from the current school sponsors to Haxuan Company is pending the final approval of the MOE and the registration with the provincial civil affairs authorities. Upon completion, the transfer of the school sponsorship of the Northeast School to Haxuan Company will be officially completed and the Northeast School will enter into the structured contracts with Huihuang Company, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects, after which the Northeast School's results of operations will be consolidated into our Group's results of operations.

On August 26, 2015, Enchang Company entered into an agreement with Enhao Company to take over Enhao Company's rights and obligations in Enhao Company's agreement with Minzu College to become a joint school sponsor for the Central China School and make investments to establish a new campus at the Central China School. On September 1, 2015, we subscribed for 68% of the registered capital in Enchang Company by way of a capital increase and Enchang Company became our non-wholly owned subsidiary. On November 21, 2016, our shareholding in Enchang Company was increased to 82% following an equity transfer. On January 12, 2017, our shareholding in Enchang Company further increased to 89.2% following a capital increase. Beginning in August 2015, Enchang Company has made prepayments to fund the construction of the new campus, which has been put into use from August 31, 2016. As of the Latest Practicable Date, the application to change the school sponsorship of the Central China School and add Enchang Company as a joint school sponsor is pending the final approval of the MOE and the registration with the provincial civil affairs authorities. Upon completion, Enchang Company will become a joint sponsor of the Central China School.

If for any reason the MOE does not approve the applications to transfer the school sponsorships of the Northeast School and the Central China School to Haxuan Company and Enchang Company, respectively, we will not be able to operate these schools as planned, or at all. In this case, we may not be able to implement our expansion plan or growth strategies. In addition, we had paid RMB156.9 million toward the total consideration for the investment in the Northeast School. Furthermore, we had made prepayments amounting to approximately RMB522.6 million to fund the construction of a new campus at the Central China School. We may not be able to recover all or any part of the investments we have already made in relation to these schools if we are unable to obtain relevant MOE approvals and register with the provincial civil affairs authorities. Our capital increase agreement in relation to Enchang Company provides that if Enchang Company is not registered as a joint school sponsor for the Central China School within two years following the date of the agreement, we have the right to sell our interest in Enchang Company, at a price equal to 136% of our total investments in the new campus of the Central China School, to two individuals who are parties to the agreement. See "History and Corporate Structure – History of Our School Sponsors – Future School Sponsors – (2) Enchang Company" for details. We cannot assure you, however, that we will be able to enforce this right or that the two individuals will have the financial resources to compensate us in accordance with the terms of the agreement. If we lose our investment in establishing the new campus of the Central China School, our business, financial condition and results of operations would be materially and adversely affected.

The business operations and prospects of the new campus of Central China School may be materially and adversely affected as a result of liabilities or negative publicity arising in respect of the students admitted prior to the establishment of the new campus of the Central China School.

Pursuant to a series of contractual arrangements, we subscribed for and acquired an aggregate 89.2% of the registered capital in the Enchang Company, which, subject to the approval of the MOE and registration with the provincial civil affairs authorities, will become a joint school sponsor of the Central China School. See "History and Corporate Structure – Schools to be Established or Invested in – New Campus at Central China School" for details. According to these contractual arrangements, Enchang Company, as a joint school sponsor, will establish a new campus with Minzu College, the other joint school sponsor, under the name of Central China School. Separate financial accounts will be maintained for the business operations relating to students admitted prior to and after the establishment of the Central China School. Our PRC legal advisors advised us that pre-existing or future creditors of the Central China School, if any, may make a claim on the assets of the new campus contributed by us. Our due diligence may not have uncovered all of the potential liabilities or potential issues. If any material claim against the Central China School should be made, the assets of the new campus may be implicated and we may incur legal and other costs defending against such claim. If we are unsuccessful, we may lose part or all of our investment in the new campus of the Central China School, which, in turn, will materially and adversely affect our business, financial condition and results of operations. Even if we may have a contractual right to claim for any such loss from Minzu College, we may not be successful in any such claim and may not be able to recover all or any part of our investment.

As there will also be continuing education business operations for students admitted prior to the commencement of operation of the new campus until they graduate, if any accidents or any events resulting in negative publicity occur in this regard, the reputation of the Central China School may be adversely affected, which, in turn, may negatively affect the business operations of the new campus of the Central China School and thereby have a material and adverse affect on our business, financial position and results of operation.

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, and may be subject to severe penalties if the operation of business in China does not comply with applicable PRC laws and regulations.

The PRC education industry, including the private higher education sector, is highly regulated by, among other, authorities, the MOE and other local education authorities. As a private higher education provider, we are subject to extensive laws and regulations in China, such as the *Education Law* (《中華人民共和國教育法》), the *Higher Education Law* (《中華人民共和國高等教育法》), the *Law for Promoting Private Education of* the PRC (《中華人民共和國民辦教育促進法》), and the *Implementation Rules for the Law for Promoting Private Education* (《中華人民共和國民辦教育促進實施條例》). We are required to obtain, renew and maintain various approvals, licenses and permits and fulfill registration and filing requirements in order to conduct our operations. For instance, to establish and operate a school, we are required to obtain a private school operating license 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.

While we intend to obtain, using our best efforts, all requisite permits and complete the necessary filings, renewals and registrations on a timely basis for our schools, there is no assurance that we will be able to obtain all required permits in a timely manner or at all given the significant amount of discretion relevant regulatory authorities may have in interpreting, implementing and enforcing relevant rules and regulations, as well as other factors beyond our control and anticipation. If we fail to receive or obtain required permits or renew any permits and certificates in a timely manner, or at all, or the contractual agreements that establish the structure for operating our PRC business are found to be in violation of any PRC laws and regulations in the future, we may be subject to fines, confiscation of the gains derived from our non-compliant operations, the suspension of our non-compliant operations or the 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.

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

The private higher education industry in the PRC is subject to various laws and regulations. Relevant laws and regulations could be changed to accommodate the development of the education industry, in particular, the private education markets from time to time. For example, 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 and will take effect from September 1, 2017. Pursuant to the new amendments, (i) school sponsors of a private school which provides education services other than nine-year compulsory education may choose for the school to be a for-profit private school or a non-profit private school; (ii) school sponsors of a for-profit private school are allowed to receive operating profits while school sponsors of a non-profit private school are not allowed to do so; (iii) a non-profit private school shall enjoy the same preferential tax treatment as public schools while a for-profit private school shall enjoy the preferential tax treatment as stipulated by the State; and (iv) a for-profit private school may determine the fees to be charged by taking into account factors such as the school operation costs and market demand and no prior approval from government authorities is required for such fees, while a non-profit private school shall collect fees pursuant to the measures stipulated by the relevant local government. See "Regulatory Overview – Regulations on Private Education in the PRC – The Proposed Revisions of the Law for Promoting Private Education of the PRC" in this prospectus for details. Uncertainties exist with respect to the interpretation and enforcement of new and existing laws and regulations. We cannot assure you that we will be in compliance with the new laws and regulations, interpretation of which may remain uncertain, or that we will be able to efficiently change our business practice in line with the new regulatory environment. Any such failure could materially and adversely affect our business, financial condition and results of operations.

We maintain limited insurance coverage.

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

We outsource food and meal catering services and medical care services for our schools to Independent Third Parties and, as a result, we cannot guarantee the quality and price of the food or the medical care provided to our students. We may be exposed to potential liabilities if we cannot maintain food or medical care quality standards.

During the Track Record Period, our schools leased out part of their premises to various Independent Third Parties, which provide catering and food retail services to our students. We cannot assure you that we will be able to ensure the quality of food, monitor the meal preparation process to ensure its quality or ensure the Independent Third Party service providers adhere to our food quality standards. In the event poor food quality results in any serious health violations or medical emergencies, such as mass food poisoning, our business and reputation could be adversely affected.

We require these catering service providers to provide meals within a price range which we believe is affordable to all of our students. In the event that there is a sudden and significant increase in food prices for any reason, such as weather conditions, the general economic conditions and any increase of the cost of operations of our catering service providers, these catering service providers may want to increase the meal prices accordingly. In order to maintain the agreed price range, we may need to reduce the rent and management fees that we charge these catering service providers to lower their costs. In the event food prices experience substantial increases in the future resulting in our reducing the rent we charge such catering service providers, our profitability could therefore be adversely affected.

During the Track Record Period, we also leased out part of the premises of our schools to Independent Third Parties who provide medical care services for our students at each of our schools for a fee. We cannot assure you that we will be able to ensure the quality of the medical care provided or that the medical service personnel engaged by such medical care providers will perform their duties to professional standards with due care and diligence. In the event of any medical malpractice, we may be subject to legal claims by students and their families, and, as a result, our reputation may be tarnished, and our business may be materially and adversely affected.

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 III to this prospectus with respect to the appraised value of our properties in Yunnan and Guizhou Provinces is based on various assumptions, which are subjective and uncertain in nature. The assumptions that Jones Lang LaSalle Corporate Appraisal and Advisory Limited used in the property valuation report include: the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

Certain of the assumptions used by Jones Lang LaSalle Corporate Appraisal and Advisory Limited in reaching the appraised value of our properties may be inaccurate or unreasonable and the value of our property interests in the property valuation report could be different from their market value. Hence, the appraised value of our properties should not be taken as their actual realizable value or a forecast of their realizable value. Unexpected changes to our properties 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 determined by Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

We are subject to extensive governmental approvals and compliance requirements for constructing and developing campuses and school premises.

For campuses and school premises constructed and developed for our schools, we are required to obtain various permits, certificates and other approvals from relevant administrative authorities at various stages of their property development, including, for example, planning permits, construction permits, land use rights certificates, passing environmental assessments, passing fire control assessments and passing construction completion inspections. During the Track Record Period, we did not obtain certain requisite certificates and permits for certain of the buildings located on the campus of the Yunnan School and the Guizhou School before these buildings were put into use. See "Business – Properties – Owned Properties – Buildings – Property Defects" and "Business – Legal Proceedings and Compliance – Material Non-compliance" for details. As of the Latest Practicable Date, all property defects had been rectified. However, our rights to use these buildings historically during the Track Record Period may still be challenged by the relevant government authorities and we may also be subject to administrative fines or other penalties. However, except for a building located on the land occupied by the Yunnan School, which has been demolished in January 2017, we have obtained confirmation letters from the relevant governmental authorities in respect of the historical non-compliances of the buildings on the Guizhou Phase I Land and the Guizhou Phase II Land confirming that we will not be held liable for the historical use of such buildings without obtaining certain requisite permits and certificates. Therefore, according to our Directors, the maximum penalty for the historical property defects in respect of a building located on the land occupied by the Yunnan School, which has been demolished in January 2017, is approximately RMB0.6 million.

As of the Latest Practicable Date, no fine or penalty had been imposed on us by the relevant authorities. If our rights to these buildings, or our use of such buildings were to be limited, or we are restricted from occupying and using such buildings, or any fines are imposed on us, these may result in disruptions to our school operations and materially and adversely affect our business, financial condition and results of operations.

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

We enjoy certain favourable regulatory treatment, particularly government grants, which are offered by relevant governmental authorities. For the years ended December 31, 2014, 2015 and 2016, we recorded government grants in the total amount of approximately RMB1.1 million, RMB4.4 million and RMB2.9 million, respectively. See "Financial Information – Results of Operations – Other Income and Gains" in this prospectus for further details.

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

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

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

We failed to make adequate contributions to various employee plans and housing provident fund required by PRC laws and regulations may subject us to penalties.

Pursuant to PRC laws and regulations, we are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and the housing provident fund, and contribute to these plans and funds at the levels specified by the relevant local government authorities from time to time at locations where we operate our business. During the Track Record Period, we did not make full contributions to the social insurance plans and the housing provident funds as required under the relevant 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, 2014, 2015 and 2016 was approximately RMB4.1 million, RMB7.2 million and RMB11.2 million, respectively. If any competent PRC government authority considers that we breached relevant laws and regulations, we may be required to pay a late fee of 0.05% of the total outstanding balance per day. If we fail to do so within the prescribed period, we may be subject to a fine ranging between one and three times of the total outstanding balance. As of the Latest Practicable Date, we had obtained confirmation letters from relevant government authorities and no administrative action had been initiated against, and no fine or penalty had been imposed on us by such authorities with respect to this. See "Business – Legal Proceedings and Compliance" for details. However, we cannot assure you that the relevant local government authorities will not require us to pay the outstanding amount within a prescribed time or impose late fees or fines on us, which may materially and adversely affect our business, financial condition and results of operations.

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.

We believe that our success is heavily dependent on the brand and the reputation of each of our schools. Unauthorized use of any of our intellectual property may adversely affect our business and reputation. We rely on a combination of copyright, trademark and trade secrets laws to protect our intellectual property rights. Nevertheless, third parties may obtain and use our intellectual property without due authorization. The practice of intellectual property rights enforcement action by Chinese regulatory authorities is in its early stage of development and is subject to significant uncertainty. We may also need to resort to litigation and other legal proceedings to enforce our intellectual property rights. Any such action, litigation or other legal proceedings could result in our incurring costs and the 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 had not encountered any material claims for intellectual property infringement. However, there is no guarantee in the future that third parties will not claim that we have infringed 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 any 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 adversely affect our educational programs and therefore our operations. Any such claim against us, even if 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.

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

According to the *PRC Security Law and the PRC Property Law*, mortgages, pledges or other encumbrances should not be created on properties which are used for public welfare facilities. The buildings that 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. Even if pledge 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 and outstanding interest immediately, which may cause the business operations of the relevant schools and our financial condition to be materially and adversely affected.

Failure to register lease arrangements with relevant PRC authorities may subject us to penalties.

Under relevant PRC laws and regulations, an executed lease needs to be registered and filed with the relevant authorities. According to our PRC legal advisors, the lack of registration will not affect the validity and enforceability of the lease agreements. However, a fine ranging from RMB1,000 to RMB10,000 for each such lease agreement may be imposed on the parties to an unregistered lease. As of the Latest Practicable Date, we had 104 lease agreements (mainly including the lease agreements entered into between our schools and catering service providers, store operators and medical care providers) which had not been registered with relevant PRC government authorities. See "Business – Properties – Lease Arrangements" for details. Among the 104 lease agreements, four agreements were entered into regarding the lease of land use right of four parcels of land occupied by the Yunnan School and the Guizhou School. Our PRC legal advisors advised us that under PRC laws, there is no specific penalty for failing to register a lease agreement for the lease of land use right with the relevant government authorities. Therefore, according to our PRC legal advisors, the maximum penalties for not registering the 104 lease agreements with relevant government authorities is approximately RMB1.0 million. As of the Latest Practicable Date, no fine or penalty had been imposed on us by the relevant PRC authorities. However, we cannot assure you that the relevant government authorities will not require us to register all such lease agreements or impose fines on us, which may materially and adversely affect our business, financial condition and results of operations. In addition, for three existing lease agreements under which we lease three premises with a total gross floor area of approximately 606.9 sq.m. for office use, the relevant lessors did not provide us with any title certificates or other requisite construction permits for such premises. The absence of such certificates or permits may affect the validity of the lease agreements and our rights to use the premises under such lease agreements. If these three leases terminate due to this reason, we may need to seek alternative premises for certain of our offices and incur additional costs relating to relocations.

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.

We possess sensitive and private information about our students and teachers. 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 students' personal information and 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.

The private higher education business has a relatively short history in China and may need time to gain wide acceptance.

Our future success is highly dependent on the acceptance, development and expansion of the market for private higher education services in China. The private higher educational services market started to develop in the early 1980s and experienced rapid growth in the 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 higher 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 higher institutions. Uncertainty remains in China as to public acceptance of this business model. In addition, there is substantial uncertainty relating to the application and interpretation of PRC law as it relates to the promotion of the private for-profit education industry. For example, certain favorable policies referred to in relevant PRC law are available to private schools, such as preferential tax treatment. See "Regulatory Overview – Regulations on Private Education in the PRC" in this prospectus for further details. If the private higher 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 face risks related to natural disasters, health epidemics or terrorist attacks in China.

Our business could be materially and adversely affected by natural disasters, such as earthquakes, floods, landslides, outbreaks of health epidemics such as avian influenza and severe acute respiratory syndrome, or SARS, and Influenza A virus, such as H5N1 subtype and H5N2 subtype flu viruses, as well as terrorist attacks, other acts of violence or war or social instability in the region in which we operate or those generally affecting China. In particular, as all of our 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 OUR STRUCTURED CONTRACTS

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

We entered into a series of agreements in which our wholly-owned subsidiary, Huihuang Company receives economic benefits from our PRC Operating Schools pursuant to relevant clauses under the agreements. See "Structured Contracts" in this prospectus for more information.

Foreign investment in the education industry in China is extensively regulated and subject to numerous restrictions. Under the *Foreign Investment Catalog* (《外商投資產業指導目錄》), higher education is a restricted industry for foreign investors, and foreign investors are only allowed to invest in the higher education industry 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* (《關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), which was issued by the MOE on June 18, 2012, the foreign portion of the total investment in a Sino-foreign joint venture educational institution should be below 50%. According to relevant regulations, the foreign investors invested in higher education must be foreign education institutions, with relevant qualifications and experience. See "Regulatory Overview" in this prospectus for more information. Accordingly, although foreign investment in the higher education is not prohibited, we are still ineligible to operate such schools by the way of share control. See "Structured Contracts – Background of the Structured Contracts" in this prospectus for further information. Accordingly, we have been and are expected to continue to be dependent on the Structured Contracts to operate our education business.

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

- revoking the business and operating licenses of our PRC subsidiaries;
- discontinuing or restricting the operations of any related-party transactions among our PRC subsidiaries;
- imposing fines or other requirements with which we or our PRC subsidiaries may not be able to comply;
- requiring us to restructure our operations in such a way as to compel us to establish new entities, re-apply for the necessary licenses or relocate our businesses, staff and assets;
- imposing additional conditions or requirements with which we may not be able to comply; or
- restricting the use of proceeds from our additional public offering or financing to finance our business and operations in China.

If any of the above penalties are imposed on us, our business, financial condition and results of operations 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, such as our business, and our compliance with the Draft Foreign Investment Law depends on the compliance by Mr. Li with the undertaking given by him, which the Stock Exchange has limited power to enforce.

On January 19, 2015, MOFCOM published a draft of the *PRC Law on Foreign Investment (Draft for Comment)* (《外國投資法(徵求意見稿) 》), or the Draft Foreign Investment Law. At the same time, MOFCOM published an accompanying explanatory note of the Draft Foreign Investment Law, or the Explanatory Note, which contains important information about the Draft Foreign Investment Law, including its drafting philosophy and principles, main content, plans to transition to the new legal regime and treatment of business in the PRC controlled by foreign invested enterprises, or 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* (《中外合資經營企業法》), the *Sino-Foreign Cooperative Joint Venture Enterprise Law* (《中外合作經營企業法》) and the *Wholly Foreign-Invested Enterprise Law* (《外資企業法》), as well as detailed implementing rules. The Draft Foreign Investment Law proposes significant changes to the PRC foreign investment legal regime and introduced the concept of "actual control" determined by the identity of the ultimate natural person or enterprise that controls the domestic enterprise. If an enterprise is actually controlled by a foreign investor through structured contracts or contractual arrangements, such enterprise may be regarded as a FIE. Such FIE is restricted or prohibited from 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 for 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 had been released for consultation purpose, there is substantial uncertainty regarding the Draft Foreign Investment Law, including, among others, what the actual content of the law will be as well as the adoption timeline or effective date of the final form of the law. While Mr. Li is currently of Chinese nationality and indirectly interested in more than 30% of the issued share capital of our Company, we cannot assure you that our Company will be deemed as controlled by a Chinese investor and the Structured Contracts will be deemed as domestic investment under the Draft Foreign Investment Law. Furthermore, the issues as to the level of "actual control" for being qualified as a domestic enterprise, how existing domestic enterprises which are operated by foreign investors under contractual arrangements are to be handled and what business will be respectively classified as "restricted business" or "prohibited business" in the negative list, are yet to be clarified at this stage. While such uncertainty exists, we cannot determine whether the new foreign investment law, when it is adopted and becomes effective, will have a material impact on our corporate structure and business. In the event that the Structured Contracts under which we operate our education business are not treated as a domestic investment and/or our education business is classified as "prohibited business" in the Prohibited List under the Draft Foreign Investment Law, such Structured Contracts may be deemed as invalid and illegal and we may be required to unwind the Structured Contracts and/or dispose of such education business. We primarily conduct education business and operate in the PRC, and the occurrence of such event could have a material and adverse effect on our business, financial condition and results of operations as the financial results of our PRC Operating Schools would no longer be consolidated into our Group's financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. An investment loss would be recognized as a result of such derecognition.

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

Furthermore, the undertakings given by Mr. Li may require him to exercise his influence over our Company to prevent us from issuing additional Shares (or securities convertible into Shares) if the effect of any such issuance was to dilute his interest below a level sufficient to represent "control" under the Draft Foreign Investment Law. This may, in turn, impact our ability to raise funds by issue of securities which may cause dilution effect or use Shares as consideration for acquisitions or as a form of equity incentive for our management and employees.

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

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

In addition, while each of the Registered Shareholders pursuant to the Structured Contacts pledged and granted first priority security interests over all of his/its equity interest in Yun Ai Group together with all related rights thereto to Huihuang Company as collateral security for performance of the Structured Contracts and all such loss and expenses incurred to Huihuang Company as a result of any events of defaults on the part of the Registered Shareholders, Yun Ai Group or each of our PRC Operating Schools, there is no equity pledge arrangement between our Company and Yun Ai Group in respect of the school sponsors' interest of our PRC Operating Schools held by Yun Ai

Group or its subsidiaries. As advised by our PRC legal advisors, any equity pledge arrangement where Yun Ai Group or any of its subsidiaries pledges its school sponsor's interest in each of our PRC Operating Schools in favour of us would be unenforceable under the PRC laws and regulations.

If the parties under such Structured Contracts refuse to carry out our directions in relation to everyday business operations, we will be unable to maintain effective control over the operations of our PRC Operating Schools. If we were to lose effective control over our PRC Operating Schools, certain negative consequences would result, including our being unable to consolidate the financial results of our PRC Operating Schools with our financial results. Given that revenue from our PRC Operating Schools constituted all of the total revenue in our consolidated financial statements during the Track Record Period, our financial position would be materially and adversely impacted if we were to lose effective control over our PRC Operating Schools. In addition, losing effective control over our PRC Operating Schools may negatively impact our operational efficiency and brand image. Further, losing effective control over our PRC Operating Schools may impair our access to their cash flow from operations, which may reduce our liquidity.

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

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

We may not be able to meet the Qualification Requirement.

Pursuant to the Foreign Investment Catalog and the Sino-Foreign Regulation, the foreign investor in a Sino-foreign joint venture private school offering high school and higher education institution must be a foreign educational institution with relevant qualification that provides high quality education (the "Qualification Requirement"), holds less than 50% of the capital investment in the Sino-foreign joint venture private school ("Foreign Ownership Restriction") and the domestic party shall play a dominant role ("Foreign Control Restriction"). According to our consultation with the Relevant Education Authorities, there are no implementing measures or specific guidance on the Qualification Requirement and therefore the Relevant Education Authorities will not accept an application to convert the PRC Operating Schools or the schools to be newly established or invested by us into Sino-Foreign Joint Venture Private Schools at this stage. However, the Relevant Education Authorities confirmed that it is possible that approval may be granted to an investor that is an education institution that legally awards diploma certificates in a foreign country, which gradually accumulates education experience and reputation overseas to be stipulated in the implementing measures or guidance, in order to qualify for approval as a foreign investor of a Sino-Foreign Joint Venture Private School. As of the Latest Practicable Date, while we do not meet the Qualification Requirement as we have no experience in operating schools outside of the PRC, we have taken concrete steps to comply with the Qualification Requirement. See "Structured Contracts – Background of the Structured Contracts – Plan to Comply with the Qualification Requirement" for further details on our plans to comply with the Qualification Requirement.

We cannot assure you that we will meet the Qualification Requirement in the future and the plan we have adopted will be sufficient to satisfy the Qualification Requirement. If the Foreign Ownership Restriction and Foreign Control Restriction are lifted, we may be unable to unwind the Structured Contracts by acquiring the school sponsors' interests in our PRC Operating Schools before we are in a position to comply with the Qualification Requirement. If we otherwise attempt to unwind the Structured Contracts by acquiring the school sponsors' interests in our PRC Operating Schools before we satisfy the Qualification Requirement, we may be considered by the regulatory authorities as ineligible for operating schools and forced to cease operation of our PRC Operating Schools, which could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

The principal regulations governing private education in China are the *Law for Promoting Private Education* (《中華人民共和國民辦教育促進法》), which became effective as of 2003 and was revised in 2013, and the *Implementation Rules for the Law for Promoting Private Education* (《中華人民共和國民辦教育促進法實施條例》) (the "Implementation Rules"). Under these regulations, a private school may elect to be a school that does not require reasonable returns or a school that requires reasonable returns. A private school that does not require reasonable returns cannot distribute dividends to its school sponsors. At the end of each year, every private school is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. For a private school that requires reasonable returns, this amount is at least 25% of the annual net income of the school, while in the case of a private school that does not require reasonable returns, this amount is at least 25% of the annual increase in the net assets of the school, if any. During the Track Record Period, our PRC Operating Schools have made a total contribution of approximately RMB21.3 million, RMB25.0 million and RMB47.2 million for the year ended December 31, 2014, 2015 and 2016. The school sponsor of the Yunnan School has elected to require reasonable returns, while the school sponsor of the Guizhou School has elected not to require reasonable returns. A private school shall consider factors such as the school's tuition, ratio of the funds used for education-related activities to the course fees collected, admission standards and educational quality when determining the percentage of the school's net income that would be distributed to the investors as reasonable returns. However, the current PRC laws and regulations do not provide a formula or guidelines for determining what constitutes a "reasonable return." In addition, the current PRC laws and regulations do not set forth different requirements or restrictions on a private school's ability to operate its education business based on such school's status as a school that requires reasonable returns or a school that does not require reasonable returns. Pursuant to the 2016 Amendments, school sponsors of a private school which provides education services other than nine-year compulsory education may choose for the school to be a for-profit private school or a non-profit private school. School sponsors of a for-profit private school are allowed to receive operating profits while school sponsors of a non-profit private school are not allowed to do so. According to the 2016 Amendments, private schools will no longer be categorized as schools the school sponsors of which require reasonable returns and schools the school sponsors of which do not require reasonable returns. As the detailed rules and regulations regarding the conversion of existing private schools into for-profit or non-profit Schools have not been promulgated by local governmental authorities, there are uncertainties involved in interpreting and implementing the 2016 Amendments with respect to various aspects of the operations of a private school. Therefore, we cannot assure that the detailed rules and regulations to be promulgated by local governmental authorities would not impose restrictions on our ability to operate private schools or to make payments to Huihuang Company under the Structured Contracts, which may have a material adverse impact on the Group's business operations and prospects.

Our ability to distribute dividends to our Shareholders may be limited due to the unclear definition of "reasonable returns" under PRC laws and regulations.

As a holding company, our ability to pay dividends and other cash distributions to our Shareholders mainly depends on our ability to receive dividends and other distributions from Huihuang Company. The amount of dividends and other distributions paid to us by Huihuang Company depends on the service fees received by Huihuang Company from our PRC Operating Schools and our School Sponsors. Our PRC legal advisors advise us that Huihuang Company's right to receive the service fees from our PRC Operating Schools and our School Sponsors does not contravene any PRC laws and regulations. Our PRC legal advisors also advise us that the 2016 Amendments will not affect the legality and effectiveness of these Structured Contracts. If relevant PRC government authorities take a different view to our PRC legal advisors, they may seek to confiscate any or all of the service fees that have been paid by our PRC Operating Schools and our School Sponsors to Huihuang Company, including retrospectively, to the extent that such service fees are paid in the name of "reasonable returns" to our School Sponsors in violation of PRC laws and regulations. As a result, our ability to pay dividends and other cash distributions to our Shareholders may be substantially limited.

Substantial uncertainties exist regarding the interpretation and application of the 2016 Amendments.

Our Yunnan School and Guizhou School which provide formal higher education may choose to become for-profit schools or non-profit schools pursuant to the 2016 Amendments. However, as the detailed rules and regulations regarding the conversion of existing private schools into for-profit or non-profit schools have not been promulgated by local governmental authorities, there are uncertainties involved in interpreting and implementing the 2016 Amendments, such as (i) when should we notify the relevant authorities regarding our decision for our schools to be for-profit or non-profit school; (ii) specific procedures to be completed for a school to become a for-profit school or non-profit school; (iii) the respective preferential tax treatments that may be enjoyed by a for-profit school and a non-profit school, respectively; (iv) respective public fundings can be obtained by a for-profit school and a non-profit school; and (v) respective costs for a for-profit and non-profit school to obtain land use right. Consequently, we are unable to accurately evaluate the potential impact on our operations at this stage, such as tax liabilities our schools may be exposed to if we choose for our schools to be for-profit private schools, public fundings our schools are able to receive or extra costs that may be incurred to obtain land use rights for the school site of the Northwest School through land transfer. In order to assess the potential impact of the 2016 Amendments on our school operations, we established a special committee to pay close attention to any rules and regulations to be promulgated by relevant authorities at all levels regarding interpreting and implementing the 2016 Amendments. The special committee comprises three members and is led by Mr. Zhu Lidong. We will consult with our PRC legal advisors when such rules and regulations are promulgated regarding the potential impact on all aspects of the operations of our schools; and make announcements when appropriate. As the detailed rules and regulations regarding the conversion of existing private schools into for-profit schools or non-profit schools have not been promulgated by local governmental authorities, there can be no assurance that the conversion of our schools into for-profit or non-profit schools will not materially and adversely affect our business, financial condition and results of operations.

The unavailability of any preferential tax treatments currently enjoyed by our schools could materially and adversely affect our results of operations.

Pursuant 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 treatments as public schools. As a result, private schools providing formal higher education are entitled to the same preferential tax treatments as public schools if the school sponsors of such schools do not require reasonable returns. The preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the relevant authorities. To date, no separate regulations or policies have been promulgated in this regard, as advised by our PRC legal advisors. Our schools did not pay enterprise tax in respect of revenue from tuition fees and boarding fees during the Track Record Period.

Pursuant to the 2016 Amendments, a non-profit private school may enjoy the same preferential tax treatments as a public school. In addition, pursuant to the 2016 Amendments, a for-profit private school may enjoy preferential tax treatments in accordance with relevant PRC laws and regulations. However, the existing PRC laws and regulations and the 2016 Amendments which will take effect on September 1, 2017 have not set forth any details regarding the preferential tax treatments that may be enjoyed by a for-profit private school, including any restriction on tax exemption amount or preferential tax rate. Our PRC legal advisors are of the view that, in the event that we decide to convert our Yunnan School and Guizhou School to for-profit schools, based on the current legal framework, there is insufficient legal basis to determine that our Yuannan School and Guizhou School will lose the tax benefits currently enjoyed by them. However, relevant government authorities may promulgate detailed rules and regulations regarding the preferential tax treatments that may be enjoyed by a for-profit private school in the future. There is a possibility that such rules and regulations will reduce or eliminate the preferential tax treatments currently enjoyed by our schools. The unavailability of any favorable tax treatments currently available to our schools would cause our effective tax rate to increase, which would increase our tax expenses and reduce our net profit.

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

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

RISKS RELATING TO DOING BUSINESS IN CHINA

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

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

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

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

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

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

- changes in the rate or method of taxation; and
- these factors are affected by a number of variables which are beyond our control.

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

In utilizing the proceeds of the Global Offering in the manner described in the section "Future Plans and Use of Proceeds" in this prospectus as an offshore holding company of our PRC subsidiary, we may (i) make loans to our PRC Operating Schools, (ii) make additional capital contributions to our PRC subsidiary, (iii) establish new subsidiaries and make additional new capital contributions to these new PRC subsidiaries, and (iv) acquire offshore entities with business operations in China in an offshore transaction. However, most of these uses are subject to PRC regulations and approvals. For example:

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

We expect that PRC laws and regulations may continue to limit our use of net proceeds from the Global Offering or from other financing sources. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, or 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 the PRC 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 the PRC was 1.6% in December 2015. The PRC's overall economy and the average wage in the PRC are expected to continue to grow. Future increases in the PRC'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 the PRC of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

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

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

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

According to the *Implementation Rules for the Law for Promoting Private Education*, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The school sponsor of the Yunnan School has elected to require reasonable returns, while the school sponsor of the Guizhou School has not elected to require reasonable returns. Preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the relevant authorities. To date, however, no separate regulations or policies have been promulgated in this regard. We have obtained confirmation letters from the local tax bureaus in the areas where we operate our schools, which confirmed, among other things, that our schools are exempt from PRC income tax historically and up to 2015. However, there is a possibility that the PRC government may promulgate relevant tax regulations that will eliminate such preferential tax treatment, or the local tax bureaus may change their policy, in each such case, we will be subject to PRC income tax going forward. Pursuant to the 2016 Amendments, school sponsors of a private school which provides education services other than nine-year compulsory education may choose for the school to be a for-profit private school or a non-profit private school. A non-profit private school shall enjoy the same preferential tax treatment as public schools while a for-profit private school shall enjoy the preferential tax treatment as stipulated by the State. As the ancillary rules regarding the different tax policies which are applicable to a for-profit private school and a non-profit private school have not been promulgated, there are uncertainties with respect to the preferential tax treatment that our schools are eligible to enjoy. In addition, following the execution of the Structured Contracts, Huihuang Company will initially be subject to an income tax rate of 9% and value-added tax in China. These preferential tax treatments may be subject to change and we cannot provide any assurance that the preferential tax rate applicable to Huihuang Company will continue to apply in the future, and Huihuang Company may therefore be required to pay a higher rate of income tax in the future. The discontinuation of any preferential tax treatment currently available to us or the determination of any of the relevant tax authorities that any of the preferential tax treatment we have enjoyed or currently enjoy is not in compliance with the PRC laws would cause our effective tax rate to increase, which would increase our tax expenses and reduce our net profit.

RISKS RELATING TO THE GLOBAL OFFERING

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

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

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

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

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we operate and 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 the PRC education industry;
- 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$1.18 per Share and HK$1.30 per Share, respectively, assuming an Offer Price of HK$2.56 per Offer Share and HK$3.22 per Offer Share, respectively 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 1,431,100,000 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 24.91% 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 55.34% 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.

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, to expand our business, improve our financing structure and repay short-term bank loans, and fund our working capital and general corporate purpose. See "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.

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 Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, 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, 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.

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

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since our principal business operations are primarily located in the PRC and will continue to be based in the PRC, our executive Directors and senior management members are and will continue to be based in the PRC. At present, none of our executive Directors is ordinarily resident in Hong Kong. We have applied to the Stock Exchange for, and have 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. Zhang Ke (張柯), our executive Director, and Ms. Wang Xin (王馨), a joint company secretary, respectively. 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 fax numbers to the Stock Exchange;

(c) Our Company has, in accordance with Rule 3A.19 of the Listing Rules, also appointed Haitong International Capital 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 period. 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 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.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, Companies Ordinance, Companies (WUMP) Ordinance, and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Ms. Wang Xin (王馨) and Ms. Wong Wai Ling (黃慧玲) as the joint company secretaries of our Company. Ms. Wong Wai Ling is a member of the Hong Kong Institute of Chartered Secretaries, and is qualified to act as a joint company secretary of our Company. On the other hand, while Ms. Wang Xin obtained the qualification of the Chinese Institute of Certified Public Accountant, she is not a certified public accountant as defined in the Professional Accountants Ordinance, a member of the Hong Kong Institute of Chartered Secretaries, nor a solicitor or barrister as defined in the Legal Practitioners Ordinance, as required under Rules 3.28 and 8.17 of the Listing Rules. However, the Directors consider that Ms. Wang Xin, by virtue of her background and experience, is capable of discharging the functions of a joint company secretary. Ms. Wang Xin joined the Group in October 2014 and has served as the vice general manager of the finance department and the general manager of the capital operation department. She is also currently the joint chief financial officer and the general manager of investor relations of our Company. Ms. Wang Xin is therefore experienced in business management and has a thorough understanding of the daily operations, internal administration and finance of our Group. Ms. Wang Xin has been actively involved in the Listing of our Company since the preparatory period, hence she is familiar with the legal and Listing Rules' requirements and has been assisting the Board on governance matters. Ms. Wang Xin also attended the training seminar regarding responsibility of directors of listed companies delivered by our Company's legal advisors as to Hong Kong laws to the Directors and senior management of our Company.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date. The waiver is granted on condition that we engage Ms. Wong Wai Ling, who possesses all the requisite qualifications required under Rule 3.28 of the Listing Rules, as a joint company secretary, to assist Ms. Wang Xin in the discharge of her duties as a company secretary and in gaining the "relevant experience" as required under Rule 3.28 of the Listing Rules. The waiver will be revoked immediately if Ms. Wong Wai Ling during the three-year period, ceases to provide assistance to Ms. Wang Xin. At the end of the three-year period, our Company has to liaise with the Stock Exchange. Our Company should then be able to demonstrate to the satisfaction of the Stock Exchange that Ms. Wang Xin, having had the benefit of Ms. Wong Wai Ling's assistance for three years, would have acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

For further details about Ms. Wong Wai Ling's qualifications and experience, see "Directors and Senior Management" in this prospectus.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

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

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

DEALINGS IN SHARES PRIOR TO LISTING

Pursuant to Rule 9.09(b) of the Listing Rules, there must be no dealing in the Shares by a core connected person of our Company from the date which is four clear Business Days before the expected hearing date until listing is granted.

On September 7, 2016, Aspire Education Group, Aspire Education Management, Aspire Education Technology, Aspire Education Consulting, Aspire Education International, Advance Vision, Design Time, Gainful Asset and Aspire Education Worldwide entered into a conditional share repurchase agreement pursuant to which Aspire Education Group agreed to repurchase from each of Aspire Education Management, Aspire Education Technology, Aspire Education Consulting, Aspire Education International, Advance Vision, Design Time, Aspire Education Worldwide and

Gainful Asset (together, the "Share Repurchase Shareholders") their 6,276 shares, 2,450 shares, 700 shares, 473 shares, 2,222 shares, 1,310 shares, 573 shares and 306 shares in Aspire Education Group (representing 43.86%, 17.12%, 4.89%, 3.31%, 15.53%, 9.15%, 4.00% and 2.14% of the then total issued share capital of Aspire Education Group), respectively (the "Share Repurchase"). In consideration of the Share Repurchase, Aspire Education Group agreed to transfer to Aspire Education Management, Aspire Education Technology, Aspire Education Consulting, Aspire Education International, Advance Vision, Design Time, Aspire Education Worldwide and Gainful Asset 6,277 Shares, 2,450 Shares, 700 Shares, 473 Shares, 2,222 Shares, 1,310 Shares, 573 Shares and 306 Shares in our Company (representing 43.86%, 17.12%, 4.89%, 3.31%, 15.53%, 9.15%, 4.00% and 2.14% of the then total issued share capital of our Company), respectively, and which together represented the then total issued shares of our Company. Such Share Repurchase is expected to be completed upon the Underwriting Agreements becoming unconditional and effective but before Capitalization Issue and Listing. Upon completion of the above Share Repurchase, Aspire Education Management, Aspire Education Technology, Aspire Education Consulting, Aspire Education International, Advance Vision, Design Time, Aspire Education Worldwide and Gainful Asset will hold 43.86%, 17.12%, 4.89%, 3.31%, 15.53%, 9.15%, 4.00% and 2.14% of the total issued Shares in our Company, respectively prior to the Global Offering. See "History and Corporate Structure – Corporate Reorganization – 11. Repurchase by Aspire Education Group of its shares from its shareholders in consideration of our Shares" in this prospectus for details of the Share Repurchase.

Our Company intends to proceed with the Share Repurchase prior to the prescribed period as specified under Rule 9.09(b) of the Listing Rules and will complete the Share Repurchase before Listing. The completion of the Share Repurchase is conditional upon, amongst others, the Underwriting Agreements becoming unconditional and effective. As such, our Company does not contemplate that it will satisfy the strict requirement under Rule 9.09(b) of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement of Rule 9.09(b) of the Listing Rules on the following grounds:

(a) the Share Repurchase constitutes a part of the Corporate Reorganization;

(b) each of the Share Repurchase Shareholders (including any person who will be entitled to exercise, or control the exercise of 10% or more of the voting power at any general meeting of our Company) and their respective ultimate beneficial owners will continue to be the ultimate beneficial owners of the Shares then held by Aspire Education Group immediately before the Listing Date. Our Controlling Shareholders will continue to be subject to the relevant lock-up undertakings pursuant to Rule 10.07 of the Listing Rules;

(c) the transfer of the Shares and the completion of the Share Repurchase will not result in the Share Repurchase Shareholders (including any person who will be entitled to exercise, or control the exercise of 10% or more of the voting power at any general meeting of our Company) reducing their respective effective interests in our Company or our Group. The Share Repurchase is to enable each of the Share Repurchase Shareholders to become a direct Shareholder of our Company upon Listing; and

(d) the Share Repurchase involves the disposal (and not acquisition) of Shares by Aspire Education Group which will not acquire any direct benefit from such disposal of Shares.

Our Company further agreed and confirmed that our Directors and senior management of our Company, and their associates, will not deal in the Shares from four clear business days before the expected hearing date until Listing is granted.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION ON THE GLOBAL OFFERING

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Sole Sponsor, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

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

UNDERWRITING

For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The listing of, and permission to deal in, the Shares on the Stock Exchange is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Placing is expected to be fully underwritten by the International 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, see "Underwriting" in this prospectus.

RESTRICTIONS ON OFFERS AND SALES OF SHARES

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

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

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

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

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on April 19, 2017, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on April 19, 2017. The Shares will be traded in board lots of 1,000 Shares each, the stock code of the Shares will be 2001.

PROFESSIONAL TAX ADVICE RECOMMENDED

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

HONG KONG BRANCH REGISTER AND STAMP DUTY

Our register of members holding Shares will be maintained by our Cayman Island share registrar, Conyers 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.

STABILIZATION 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.

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 Xiaoxuan (李孝軒)	No. 501, Unit 1, Building 66, Yinghuayuan, Beichen Estate Beichen Middle Road Panlong District, Kunming Yunnan Province PRC	Chinese
Mr. Zhao Shuai (趙帥)	No. 1606, Unit 2, Building A Shijijunyuan, Lianmeng Road Panlong District, Kunming Yunnan Province PRC	Chinese
Mr. Zhang Ke (張柯)	No. 10, Building 7, Jiashuyuan Xi'an Qiche Zhizaochang Lianhu District, Xi'an Shaanxi Province PRC	Chinese
Mr. Zhu Lidong (朱立東)	#1-5-1, No. 25, Zhongcui Street Zhongshan District, Dalian Liaoning Province PRC	Chinese
Non-executive Directors		
Mr. Chen Shuo (陳爍)	30B, No. 6, Fuluju, Donghai Garden Futian District, Shenzhen Guangdong Province PRC	Chinese
Mr. Wan Yuan (萬元)(1)	#4-5-502, Feng Hui Yuan Xicheng District Beijing PRC	Chinese

Note:

(1) Mr. Wan will cease to be a Director one day prior to the Listing Date.

Name	Address	Nationality
Independent non-executive Directors		
Mr. Wong Man Chung Francis (黃文宗)	Flat G, 14/F, Tower 23 Mei Hin Court South Horizons, Phase 3 Ap Lei Chau Hong Kong	Chinese
Mr. Chung Yue Ping Stephen (鍾宇平)	7D Elegant Court Pictorial Garden II On King Street Shatin, New Territories Hong Kong	Chinese
Mr. Kwong Wai Sun Wilson (鄺偉信)	Flat A, 2/F Hau Yuen 51 Shouson Hill Road Hong Kong	Chinese

See "Directors and Senior Management" for more information.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	BNP Paribas Securities (Asia) Limited 59/F-63/F, Two International Finance Centre 8 Finance Street Central Hong Kong
Joint Global Coordinators	BNP Paribas Securities (Asia) Limited 59/F-63/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	CCB International Capital Limited 12/F CCB Tower 3 Connaught Road Central Central Hong Kong
	CLSA Limited 18/F One Pacific Place 88 Queensway Hong Kong
Joint Bookrunners and Joint Lead Managers	BNP Paribas Securities (Asia) Limited 59/F-63/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	CCB International Capital Limited 12/F CCB Tower 3 Connaught Road Central Central Hong Kong
	CLSA Limited 18/F One Pacific Place 88 Queensway Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong

	Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	First Capital Securities Limited Unit 4512, 45/F., The Center 99 Queen's Road Central Hong Kong
Co-manager	Pacific Foundation Securities Limited 11/F, New World Tower Two 16-18 Queen's Road Central Hong Kong
Stabilizing Manager	BNP Paribas Securities (Asia) Limited 59/F-63/F, Two International Finance Centre 8 Finance Street Central Hong Kong
Legal advisors to our Company	*As to Hong Kong laws:* Luk & Partners Unit 2001, Level 20 One International 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 Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

Legal advisors to the Sole Sponsor and the Underwriters	*As to Hong Kong law and U.S. law:* Herbert Smith Freehills 23rd Floor, Gloucester Tower The Landmark 15 Queen's Road Central Central Hong Kong *As to PRC law:* Commerce & Finance Law Offices 6/F NCI Tower A12 Jianguomenwai Avenue Beijing, PRC
Reporting accountant	Ernst & Young Certified Public Accountant 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Property valuer	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6/F Three Pacific Place 1 Queen's Road East Hong Kong
Receiving bank	Standard Chartered Bank (Hong Kong) Limited 15/F, Standard Chartered Tower 388 Kwun Tong Road Hong Kong
Compliance adviser	Haitong International Capital Limited 8/F Li Po Chun Chambers 189 Des Voeux Road Central 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	9/F, Jinze Building East Financial Street Beijing PRC
Principal place of business in Hong Kong	18/F, Tesbury Centre 28 Queen's Road East, Wan Chai Hong Kong
Company's website	**http://www.xingaojiao.com** *(information contained in this website does not form part of this prospectus)*
Joint company secretaries	Ms. Wong Wai Ling (黃慧玲) *(a member of the Hong Kong Institute of Chartered Secretaries)* 18/F, Tesbury Centre 28 Queen's Road East, Wan Chai Hong Kong Ms. Wang Xin (王馨) #2-2-303, South-Area Dongya Aobei Center Tangli Road, Chaoyang District Beijing PRC
Authorized representatives	Mr. Zhang Ke (張柯) No. 10, Building 7, Jiashuyuan Xi'an Qiche Zhizaochang Lianhu District, Xi'an Shaanxi Province PRC Ms. Wang Xin (王馨) #2-2-303, South-Area Dongya Aobei Center Tangli Road, Chaoyang District Beijing PRC
Audit committee	Mr. Wong Man Chung Francis (黃文宗) *(Chairman)* Mr. Chung Yue Ping Stephen (鍾宇平) Mr. Kwong Wai Sun Wilson (鄺偉信)

Remuneration committee	Mr. Chung Yue Ping Stephen (鍾宇平) *(Chairman)* Mr. Li Xiaoxuan (李孝軒) Mr. Kwong Wai Sun Wilson (鄺偉信)
Nomination committee	Mr. Li Xiaoxuan (李孝軒) *(Chairman)* Mr. Wong Man Chung Francis (黃文宗) Mr. Kwong Wai Sun Wilson (鄺偉信)
Principal Banks	China Minsheng Bank Beijing Wangjing Technology Park Sub-branch 1-2/F, Building No. 502-503 Area #5, Wangjing Park Chaoyang District, Beijing PRC
	Kunming Guandu Rural Cooperative Bank Liujia Sub-branch W530, Rose Bay Commercial District Guan Nan Road, Guandu District Kunming, Yunnan Province PRC
	Industrial and Commercial Bank of China Guizhou Branch, Qingzhen Sub-branch 25, Fuqiang Road Qingzhen County, Guiyang City Guizhou Province PRC
Cayman Islands share registrar and transfer office	Conyers 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 and other sections of this prospectus contain information relating to and statistics on the PRC economy and the industry in which we operate. The information and statistics contained in this section have been derived partly from publicly available government and official sources. Certain information and statistics set forth in this section have been extracted from a market research report by Frost & Sullivan (the "Frost & Sullivan Report"), an Independent Third Party which we commissioned. We believe that the sources of such information and statistics are appropriate sources and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information and statistics have not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, advisors, agents or representatives or any other party involved in the Global Offering and no representation is given as to its accuracy. Accordingly, the official information provided by the government and other third-party sources as contained herein may not be accurate and should not be unduly relied upon.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research consulting firm which is engaged in the provision of market research consultancy services, to conduct a detailed analysis of the PRC higher education market, the China private higher education market, the China higher education focused on applied sciences, the China's employment market and other related economic data. Frost & Sullivan is a global consulting company and an independent third party. Founded in 1961, it has 40 offices worldwide with over 2,000 industry consultants, market research analysts and economists. We have agreed to pay a total of RMB980,000 in fees for the preparation of the Frost & Sullivan Report. Figures and statistics provided in this prospectus and attributed to Frost & Sullivan or the Frost & Sullivan Report have been extracted from the Frost & Sullivan Report and published with the consent of Frost & Sullivan.

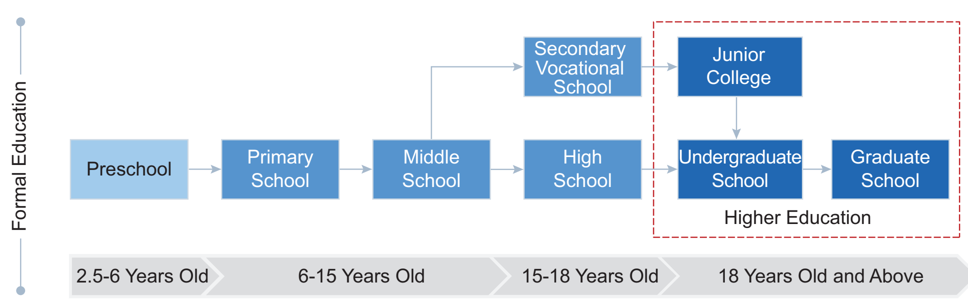
During the preparation of the market research report, Frost & Sullivan performed both primary research which involves discussions of industry status with leading industry participants and industry experts, and secondary research which involves review of company reports, independent research reports and data from Frost & Sullivan's own research database. Frost & Sullivan's market research report was compiled based on the following assumptions: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic, and political environment is likely to remain stable in the forecast period; and (iii) market drivers like great attention on children's education, support from central and local governments, improved investment in private education and an increase in household income and wealth are likely to drive the Chinese private higher education market over the forecast period from 2016 to 2020. Total market size projection was obtained from historical data analysis plotted against macroeconomic data as well as related industry drivers by Frost & Sullivan.

OVERVIEW OF THE EDUCATION SYSTEM IN CHINA

Overview of the Education System and Development of Higher Education in China

The China formal education system comprises of fundamental education (K-12) and higher education (our core business). Higher education in China refers to education service provided by higher education institutions, which include (i) public higher education institutions that are operated by national or local governments and supported with public expenditure; and (ii) private higher education institutions, comprising private higher education institutions that are operated and funded by non-governmental institutions or individuals, and independent colleges that are operated and funded by non-governmental institutions or individuals in cooperation with public universities and colleges. Upon graduating from a higher education institution, a student is able to obtain certificates from such institution which are recognized by the PRC government. The key difference between the formal and informal education system is that the formal system enables students to obtain official certificates from the PRC government, whereas the informal system, which includes different kinds of training and learning courses, merely enables students to obtain completion certificates, which may not be officially recognized by the PRC government.

China Formal Education System



Source: Frost & Sullivan Report.

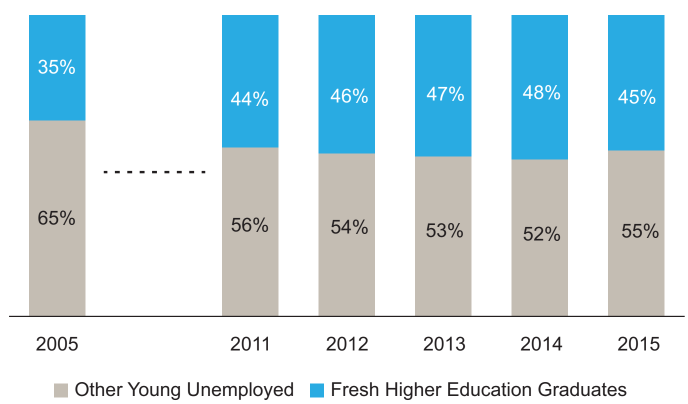
Note: Within the formal education system, the illustration only covers regular formal education, while adult education, which belongs to formal education according to Ministry of Education's classification, is not specifically covered.

The China higher education industry has experienced three major stages of development.

- **Initial stage (Elite higher education)**: Higher education was firstly recognized as a development platform to focus on educating the country's elite talents since the PRC was established, mainly due to limited education resources and the social structure at that time.

- **Mass market higher education**: The China higher education industry underwent a massive enrollment expansion in 1998-2008 amid the development of the economy, helping students to locate better jobs when the market is seeking a higher level of skillsets and talents. Private higher education particularly benefited from this trend due to the rapid growth of the PRC economy from the beginning of the 1990s, and further benefited from the market demand expansion in the 2000s. However, such trend was affected during the economic downturn when a mismatch between labour supply and demand existed. The higher education graduates were not willing to engaged in low-skilled jobs, nor were they capable of taking up more technical jobs, hence enhancing the oversupply issue of higher education graduates. According to Frost & Sullivan Report, the young unemployed constitutes a stable proportion of overall talent supply in China at around 25% of total unemployed job seekers from 2011 to 2015. Among the young unemployed, fresh higher education graduates represented around 45% from 2011 to 2015, increased from around 35% in 2005, showing the increasing challenges for fresh higher education graduates to seek employment. The following chart sets forth the proportion of fresh higher education graduates among overall young unemployed from 2005 to 2015.

Young unemployed breakdown (China), 2005-2015



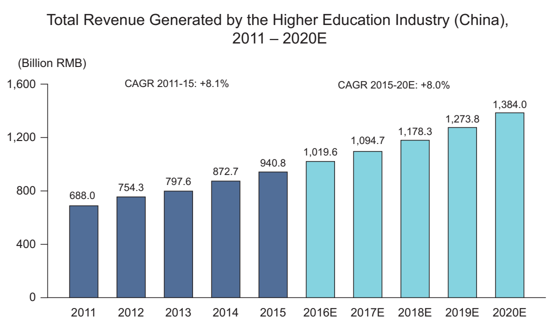
Source: Frost & Sullivan Report.

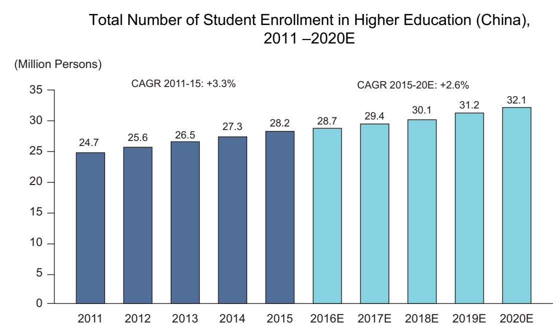
Note: The young unemployed (新成長失業青年) refers to people among the registered unemployed who are looking for employment opportunities, and this group of people consist of graduates of middle schools, high schools, secondary vocational schools, junior colleges, undergraduate schools and graduate schools who have never joined the military, pursuit further study, or been employed.

- **Reform of higher education**: The PRC government is taking action to improve the structural unemployment issue and encourage universities to transform into applied sciences focused universities (i.e. focusing on work training). The government has introduced policies to encourage the development of higher vocational education which provides training directly suitable for post graduate job searching, for example, The Opinions on Guiding the Transformation of Certain Local Universities to Higher Education Institutions Focused on Applied Sciences 《關於引導部分地方高校向應用型轉變的指導意見》 issued by MOE, NDRC and MOF in Oct 2015 and Decision of State Council on Acceleration of Modern Occupation Education in China 《國務院關於加快發展現代職業教育的決定》by the State Council in May 2014. Frost & Sullivan expects that by the year 2020 there will be approximately 500 to 700 private higher education institutions in China that are focused on applied sciences and qualified to provide undergraduate education with over 7.0 to 9.0 million enrolled students.

Market Size and Student Enrollment in the China Higher Education Industry

The China higher education industry has experienced strong growth over the past few years, primarily driven by the rising expenditure from both public expenditure and private investment. Total revenue generated by the China higher education industry has increased from RMB688.0 billion in 2011 to RMB940.8 billion in 2015 and is expected to increase to RMB1,384.0 billion in 2020, while the total revenue generated by China's private higher education sector increased from RMB64.6 billion in 2011 to RMB92.6 billion in 2015, and is expected to further increase to RMB156.3 billion in 2020, according to Frost & Sullivan. The difference between the total revenue generated by the higher education industry and the total revenue generated by the private higher education sector refers to the total revenue generated by the public higher education sector in the PRC, according to Frost & Sullivan. Despite the growing trend, China still lags behind developed countries in terms of public expenditure on education as a percentage of GDP, according to Frost & Sullivan. For example, public expenditure on education was approximately 4.3% of GDP in China in 2015, lower than 6.0% in the US, and per capita public expenditure on education in China in 2015 is US$336.7, much lower than that in the US which is US$3,348.3.

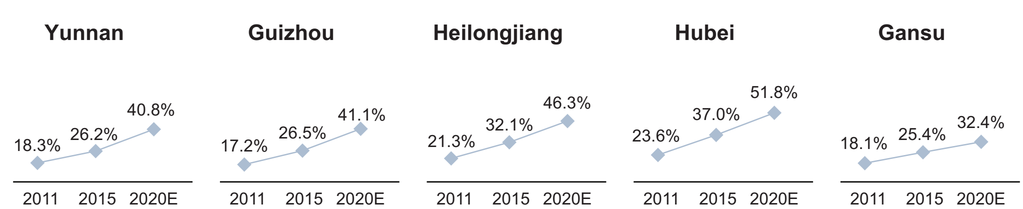




Source: Frost & Sullivan Report, Ministry of Education.

According to the Frost & Sullivan Report, the total number of students enrolled in higher education institutions increased steadily from 24.7 million in 2011 to 28.2 million in 2015, and is expected to further increase to 32.1 million in 2020. In the meantime, the higher education enrollment rate experienced rapid growth over the years, increasing from 24.3% in 2011 to 37.1% in 2015. However, the enrollment rate is still low compared to an average of approximately 64.0% and 87.0% enrollment rate in developed countries in Europe and North America, respectively, in 2015. Frost & Sullivan estimated the enrollment rate in the China higher education industry to increase to approximately 52.5% by 2020. According to Frost & Sullivan Report, the enrollment rate varies in each province in China due to the difference of economic development and education resources allocation. The following charts set forth the provincial higher education enrollment rate in each province where the Group operates or has plans to operate.

Provincial Higher Education Enrollment Rate (China), 2011-2020E



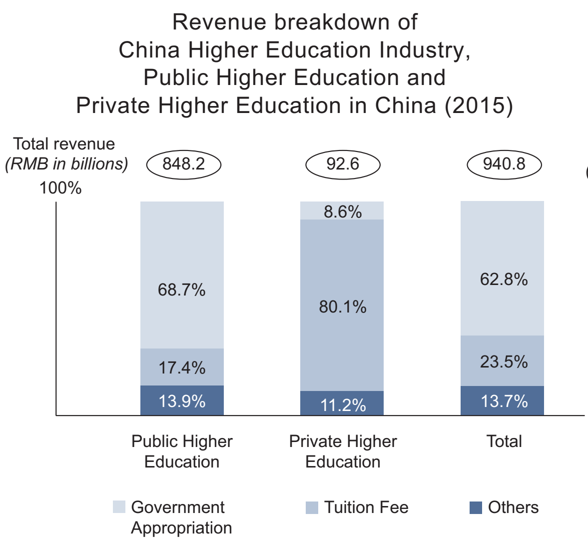
Source: Frost & Sullivan Report, Ministry of Education

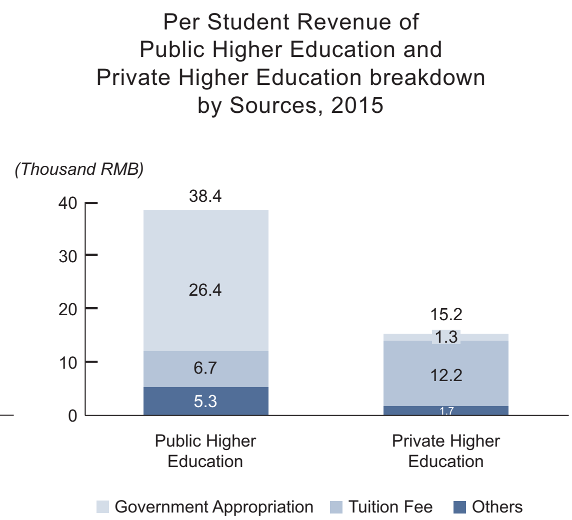
While the student enrollment in higher education continues to increase, the total student population who is eligible to apply for higher education only represents a portion of the entry-college-age population. According to Frost & Sullivan, the college-entry-age population was approximately 15.7 million but only 9.42 million students participated in National Higher Education Entrance Exam in 2015. Among the participants, only 7.0 million were admitted into higher education, including 3.66 million into undergraduate schools and 3.34 million into junior college. Hence it is generally expected that the population eligible to apply for higher education could be further increased with the continued improvement of the economy and urbanization.

It is noted that the PRC government has been allocating a larger proportion of resources towards compulsory primary and secondary education. Government spending on higher education as a percentage of total government spending on education at all levels declined from approximately 21.6% for 2011 to 20.3% for 2015, according to Frost & Sullivan. Private providers of higher education are therefore expected to fill in the gap created by market demand and government expenditure on higher education.

Sources of Revenue of the China Higher Education Industry

Government appropriation and tuition fees are the two major sources of revenue generated by the higher education industry in China. However, the percentage of their respective contribution to the revenue varies significantly between the public higher education industry and the private higher education industry. In 2015, government appropriation accounted for approximately 68.7% of the total revenue of the public higher education sector, whereas, approximately 80.1% of the total revenue of the private sector was contributed by tuition fees while only 17.4% of the total revenue of the public sector was contributed by tuition fees in 2015. Public higher education institutions and private higher education institutions have some different roles and social responsibilities in China. Private higher education institutions, especially those focused on applied sciences primarily focus on teaching students practical and readily applicable skills and fostering technical-skilled talents, while public higher education institutions, besides teaching activities, have to take more scientific research tasks and national R&D missions. Therefore, the revenue achieved from government appropriation for public higher education is mostly allocated to research field such as building laboratories and funds for scientific research. Even though the average annual tuition fees per student for private schools are higher than those for public schools, per student revenue achieved from government appropriation for public schools is significantly higher than that for private schools. As a result, the public sector generates significantly more revenue per student compared to the private sector.





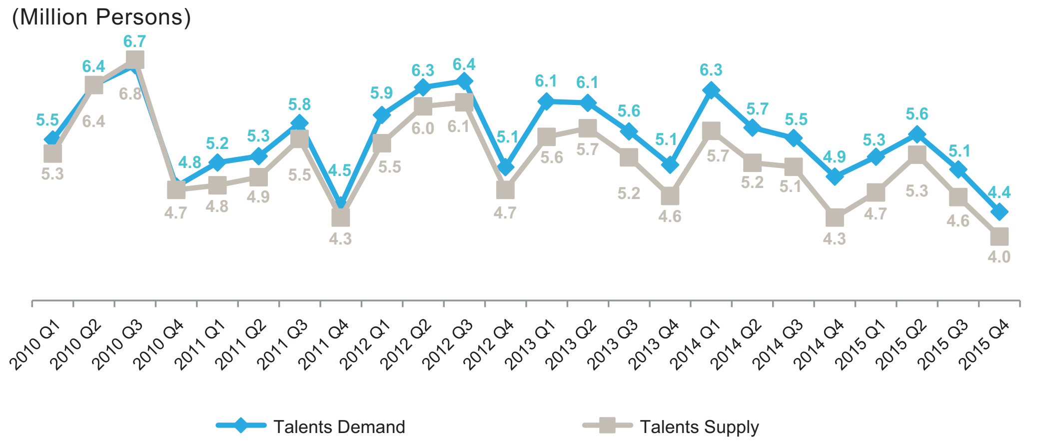
Source: Frost & Sullivan Report

Graduate Employment in the China Higher Education Industry

The graduate employment rate is one of the key parameters to measure the quality of education offered by a higher education institution. China's overall higher education graduate employment rate was approximately 86.8%, 87.4% and 92.3%, in 2013, 2014 and 2015, respectively. According to the Frost & Sullivan Report, graduate employment rates of graduate education, undergraduate education and junior college education were approximately 95.3%, 92.2% and 91.2% in 2015, respectively, with average monthly salaries of RMB4,777.9, RMB3,676.8 and RMB2,939.0 in the same period, respectively.

In terms of the overall employment market, China's employment market has been experiencing a slight imbalance between talent and market demand since 2011. In 2015 Q4, talent demand was 4.4 million while supply was only 4.0 million.

Talent Demand and Supply of the Overall Employment Market (China), 2010-2015



Source: Frost & Sullivan Report, Ministry of Human Resources and Social Security.

Note: The data analysis is conducted by Ministry of Human Resources and Social Security, based on the regular update from governmental talent service agencies in 44 selected provinces and cities.

While talent demand exceeds supply, youth unemployment is continuing, accounting for approximately 25% of the total unemployed job seekers in recent years in China, demonstrating the mismatch between talent cultivation and market demand.

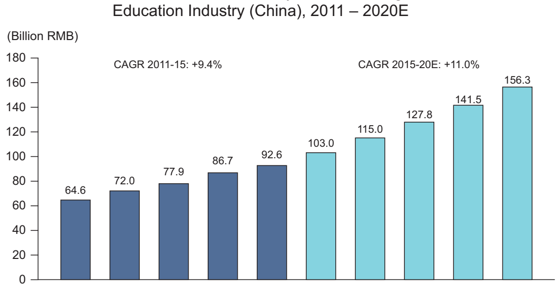
OVERVIEW OF THE PRIVATE EDUCATION INDUSTRY IN CHINA

China's private higher education industry emerged in the early 1980s, and experienced rapid growth from the beginning of 1990s. From 2011 to 2015, the total number of private higher education institutions increased from 698 to 734. The penetration of private higher education was 21.7% in 2015 in terms of student enrollment. Compared to public higher education institutions, private higher education institutions have more flexibility in determining their degree and curriculum offerings, and enjoy greater flexibility in terms of the tuition rates they charge.

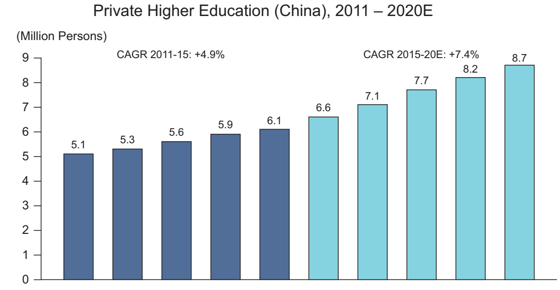
Market Size and Student Enrollment in the China Private Higher Education Industry

According to the Frost & Sullivan Report, total revenue generated by China's private higher education industry increased from RMB64.6 billion in 2011 to RMB92.6 billion in 2015, and is expected to increase to RMB156.3 billion in 2020. The following diagrams illustrate the total revenue generated by the China private higher education industry and the total student enrollment from 2011 to 2015, and a forecast of revenue from 2016 to 2020.

Total Revenue Generated by the Private Higher Education Industry (China), 2011 – 2020E



Total Number of Student Enrollment in Private Higher Education (China), 2011 – 2020E

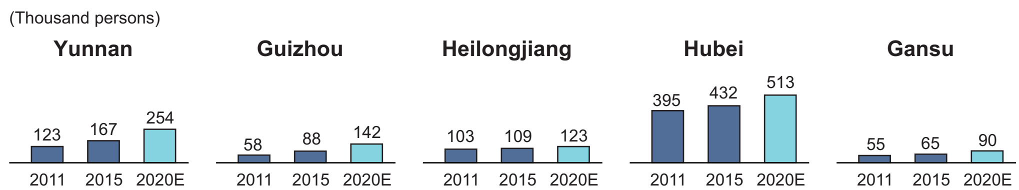


Source: Frost & Sullivan Report, Ministry of Education.

In line with the increase in student enrollment in higher education, the total number of students enrolled in private higher education also experienced steady growth. The total number of students enrolled in private higher education increased from 5.1 million in 2011 to 6.1 million in 2015, and is expected to further increase to 8.7 million in 2020, according to the Frost & Sullivan Report.

The following charts set forth the number of student enrollment of the private higher education industry of each province where the Group operates or has plans to operate.

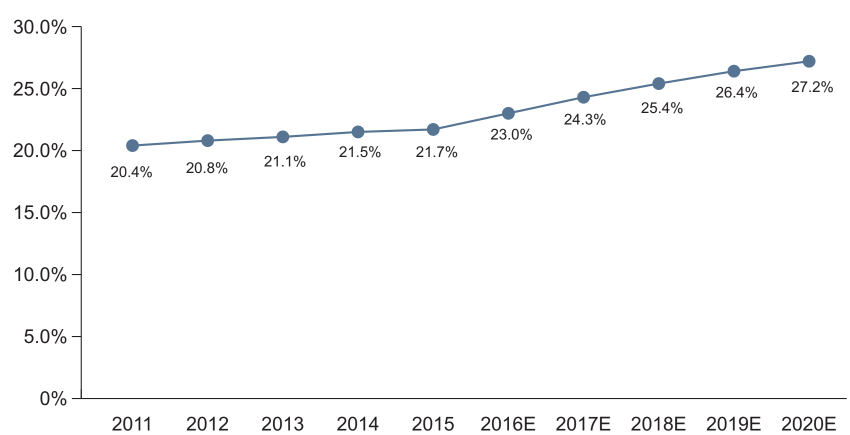
Number of Student Enrollment in
Private Higher Education of Each Province (China),
2011-2020E



Source: Frost & Sullivan Report, Ministry of Education

The penetration rate of private higher education in the overall higher education also increased steadily over the past five years, from 20.4% in 2011 to 21.7% in 2015, and is expected to further increase to 27.2% in 2020. This indicates that the importance and the recognition of private education continues to increase as more students choose to go to private universities or colleges in China. The following diagram sets forth the penetration rate of private higher education from 2011 to 2015, and a forecast of penetration rate from 2016 to 2020.

Penetration Rate[(1)] of Private Higher Education by Number of Student Enrollments (China), 2011 – 2020E



Source: Frost & Sullivan Report

(1) Penetration rate of private education refers to the proportion of the student enrollment in private education of the relevant education phase (i.e. higher education) among the total student enrollment, including both public and private education in the same phase.

Tuition Fees of the China Private Higher Education Industry

According to the Frost & Sullivan Report, China's average tuition fees of higher education per student per school year increased from RMB7,327 in 2011 to RMB7,862 in 2015, which correlated to the increase in per capita GDP. As China's economy continues to develop and per capita GDP continues to increase, China's average tuition fees for higher education is expected to grow. In 2015, the average tuition fee of private higher education institutions was approximately RMB12,153, much higher than that of public higher education institutions, which was RMB6,674. In addition, China's average tuition fees of higher education as a percentage of per capita GDP is 16.3% in 2015, compared to 32.3% and 31.9% in the U.S. and U.K., respectively, indicating that it has room to grow further.

Competitive Landscape of the China Private Higher Education Industry

According to the Frost & Sullivan Report, the China private higher education industry is highly fragmented on a nationwide basis and none of the players has a sizable market share as higher education institution operators tend to focus on a particular location rather than on a cross location or cross province basis. There are 734 private higher education institutions in total (including 275 independent private colleges of public universities) in 2015, compared to 698 in 2011, and the number of private education institutions is expected to increase to 795 by 2020.

Despite a highly fragmented market on a nationwide basis, we have leading position in the regions that we operate in terms of number of student enrollment in the private higher education industry. In the 2015-2016 school year, our Yunnan school was the largest private higher education institution in Yunnan Province, in terms of student enrollment with a market share of approximately 10.7% of a total of approximately 167,000 students enrolled. Our Guizhou School is among the top 5 players in Guizhou Province with a market share of approximately 13.4% of a total of approximately 88,000 students enrolled. The Northeast School that we invested in is also among the top 5 players in Heilongjiang Province with a market share of approximately 8.8% of a total of approximately 109,000 students enrolled. We ranked twelfth among the top 15 private providers of formal higher education group in China and ranked third in Southwest China as measured by the total number of enrolled students at our two schools as of June 30, 2016, according to Frost & Sullivan. Assuming the Northeast School had been consolidated into our Group as of December 31, 2016, our total number of enrolled students would have been approximately 42,980 based on student enrollments as of December 31, 2016. The following diagrams illustrate the top five private higher education institutions in the provinces of Yunnan, Guizhou and Heilongjiang in terms of the total number of enrolled students as of June 30, 2016, respectively:

Top Five Private Higher Education Institutions in Yunnan Province

School	Market Share
The Yunnan School	**10.7%**
School A	9.6%
School B	9.0%
School C	8.7%
School D	7.8%

Top Five Private Higher Education Institutions in Guizhou Province

School	Market Share
School E	17.1%
School F	13.7%
The Guizhou School	**13.4%**
School G	10.8%
School H	8.0%

Top Five Private Higher Education Institutions in Heilongjiang Province

School	Market Share
School I	10.8%
School J	10.4%
School K	9.2%
School L	9.0%
The Northeast School	**8.8%**

Source: Frost & Sullivan Report

Growth drivers of the Private Higher Education in China

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

- ***Increasing household income and demand for higher education***: According to Frost & Sullivan Report, the per capita disposable income of Chinese urban households has increased rapidly to approximately RMB31,195 in 2015 from approximately RMB21,810 in 2011, and is forecasted to increase to approximately RMB44,290 in 2020. Rising disposable income has become a key driver of demand for education and people tend to spend more on education and are able to afford higher education fees. The China per capita consumption expenditure on education, culture and recreation articles and services of urban households increased from RMB1,852 in 2011 to RMB2,722 in 2015, representing a CAGR of 10.1%, and is forecasted to further increase to RMB3,921 in 2020, according to Frost & Sullivan. As the demand for higher education has consistently exceeded supply, the demand for private higher education has increased and is likely to continue to increase, despite the fact that the tuition fees for private schools are usually higher than those of public schools;

- ***Growing demand for talent with practical and readily applicable technical skills***: As technical innovations and economic developments have made industry sectors in China more and more specialized, market demand for talent with practical and readily applicable technical skills has grown and is expected to continue to grow rapidly. Consequently, the demand for higher education focused on applied sciences is expected to grow;

- ***Enhanced quality of education***: The quality of education offered by private higher education institutions is continuously improving. The emergence of a batch of leading private universities with comparable resources and education quality as first-tier public universities demonstrated the improved quality of education provided by such universities and enhanced social recognition of these universities. Compared to the general universities, universities focused on applied sciences tend to offer more differentiated and specialized courses that are tailored to providing practical training to prepare their students for employment after graduation. In addition, the relatively high graduate employment rates and average starting salary of graduates from private formal higher education institutions is expected to attract more students and parents to consider private higher education, which in turn, will drive the growth of the private formal higher education industry; and

- ***Support from government***: Since 1980s, the central and local governments in China have launched a series of policies to encourage the development of private education. For example, the PRC government public expenditure on private higher education increased from RMB4.3 billion in 2011 to RMB8.0 billion in 2015, representing a CAGR of 16.8%. The government not only continues to increase investment in private education, but also encourages private capital to invest in the education sector, which will accelerate the development of the private education sectors including the private higher education.

OVERVIEW OF THE DEVELOPMENT OF HIGHER EDUCATION INSTITUTIONS FOCUSED ON APPLIED SCIENCES

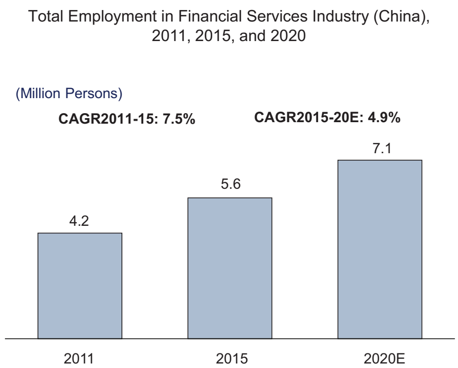
Overview

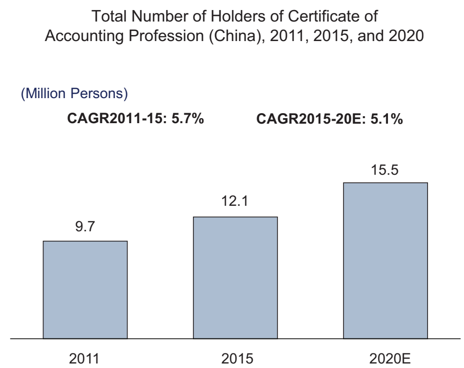
As the industry sectors in China become more and more specialized, market demand for talent with practical and readily applicable technical skills has grown and is expected to continue to grow rapidly. To meet this demand, the MOE, NDRC and MOF promulgated *Opinions on Guiding the Transformation of Certain Local Universities to Higher Education Institutions Focused on Applied Sciences* (《關於引導部分地方高校向應用型轉變的指導意見》) in October 2015, aiming to provide support for local universities that intend to transform themselves from focusing on research-oriented programs to applied sciences-focused programs.

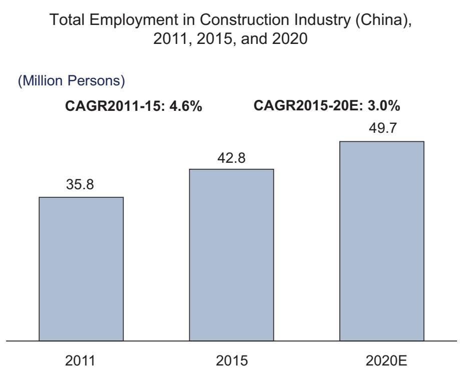
In addition, with the support of the MOE the Association of Universities (Colleges) of Applied Science (應用技術大學(學院)聯盟), or, the AUAS, was founded in 2013 as a non-government association which includes 35 public and private higher education institutions. As of December 31, 2015, 154 higher education institutions had joined this association, among which approximately 100 are public higher education institutions and over 50 are private higher education institutions. These higher education institutions are devoted to providing higher education focused on applied sciences and positioning themselves as the cradles of technical talents and specialists. The demand for higher education focused on applied sciences continues to grow. According to Frost & Sullivan, total number of higher education institutions is forecast to increase from 2,560 in 2015 to 2,650 by 2020. By 2020, there will be approximately 500 to 700 higher education institutions that are focused on applied sciences with over 7.0 to 9.0 million enrolled students, among which approximately 300 to 400 will be private higher education institutions with 3.5 to 4.5 million enrolled students.

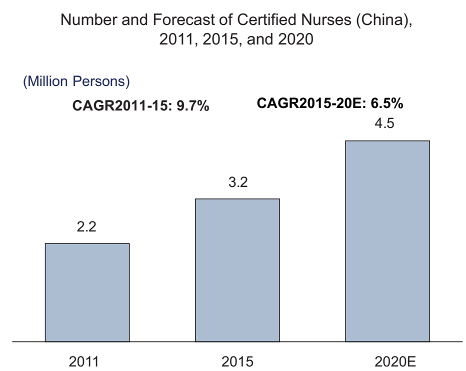
The development of higher education institutions focused on applied sciences in China lags behind developed countries in Europe. For example, there are 246 universities focused on applied sciences among a total of 405 universities in Germany.

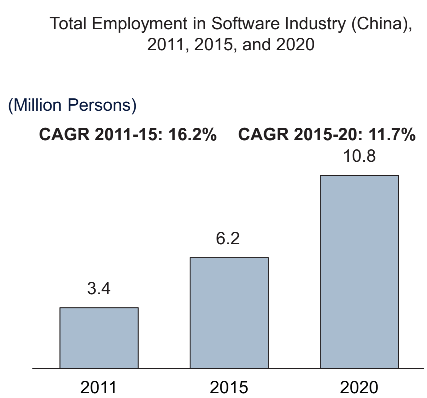
Regarding the employment trends of the key programs of the Group, the following charts set forth the talent demand situation:

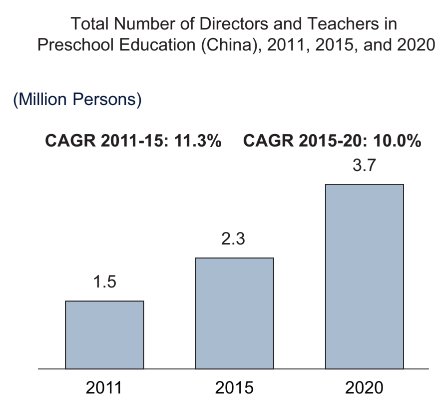












Source: Frost & Sullivan Report.

- Financial services: China's financial service industry experienced rapid growth over the past decades. From 2011 to 2015, total employment in China's financial service industry increased from 4.2 million to 5.6 million, and is expected to increase to 7.1 million in 2020, according to Frost & Sullivan.

- Accounting: China's accounting sector experienced significant growth. The number of holders of certificate of accounting profession increased from 9.7 million in 2011 to 12.1 million in 2015, and is expected to reach 15.5 million in 2020, according to Frost & Sullivan.

- Construction: Driven by the economic development and urbanization in the PRC, the construction industry in the PRC witnessed a steady growth over the past five years. The total employment in the construction industry increased from 35.8 million in 2011 to 42.8 million in 2015, and is expected to increase to 49.7 million in 2020.

- Nursing: As a result of the rapidly developing healthcare industry, nurses are in high demand in China. In China, the number of certified nurses increased from 2.2 million in 2011 to 3.2 million in 2015, and is expected to increase to 4.5 million in 2020, according to Frost & Sullivan. In 2015, China's doctor nurse ratio was 1:1.4, compared to 1:6 in Canada, 1:4 in Japan and 1:3 in the U.S.

- Software industry: China's software industry experienced rapid growth from 2011 to 2015 due to favorable government policies, with an average annual growth rate of 27% in terms of the total revenue. In the meantime, the employed population of this industry increased from 3.4 million to 6.2 million from 2011 to 2015, and is expected to increase to 10.8 million in 2020. Among the 6.2 million of employed population in 2015, approximately 3.4 million were undergraduate graduates.

- Preschool education: Preschool education is one of the key segments for growth in China's education market, driving the growing demand for preschool education employment. Key growth drivers include: (i) forecast increasing enrollment rate of preschool from 73.5% in 2015 to 86.3% in 2020; (ii) the effect of the Two-Child Policy which is expected to keep China's birth rate at a stable level and is likely to affect the size of the school-age population in the coming years; and (iii) teacher student ratio of around 1 to 19 at preschools in 2015 in China, which is low compared to the average ratio of around 1 to 8 in major developed countries such as the US, the UK and Japan.

According to the Frost & Sullivan Report, the increasing demand for talent with practical and readily applicable technical skills provides great opportunities for higher education institutions that provide higher education focused on applied sciences.

ENTRY BARRIERS FOR HIGHER EDUCATION INSTITUTIONS FOCUSED ON APPLIED SCIENCES IN CHINA

According to the Frost & Sullivan Report, the higher education institutions focused on applied sciences in China have fairly high entry barriers, including:

- ***Regulatory approvals***: In China, school operators are required to obtain and maintain various approvals, licenses and permits issued by the relevant government authorities, and to comply with specific registration and filing requirements in order to provide education services.

- ***Capital requirements***: The establishment of a school in China requires a large initial capital investment for the acquisition of land use rights and the construction of a campus and school facilities, as well as other related expenses. To meet various requirements of teaching and extracurricular activities, schools need at least 500 Mu (equivalent to 333,335 sq.m.) land use rights to construct teaching and ancillary buildings and facilities. The availability of land and relevant facilities remains a challenge for new market entrants as a result of the increasing tight supply of available land in certain cities and regions in the PRC and the rising land transfer fees. The establishment of a school also requires an on-going long-term investment in addition to the initial capital outlay. This sets high capital barriers for new industry participants;

- ***Brand awareness and source of students***: Brand awareness is essential for higher education institutions focused on applied sciences because it is one of the most important factors that parents and students consider when choosing schools. A private school with a long operating history and well-established reputation is more attractive to parents and students compared to new schools. Establishing brand awareness and reputation needs time and years of experience, which would be difficult for new entrants in the early years of their operations;

- ***Extensive Experience***: Extensive experience in the education planning and school management of higher education institutions focused on applied science is essential:

  - ***Diversified employment-oriented major offerings and education plan***: To provide higher education focused on applied sciences, a school operator needs assign specific research and development personnel to analyze the market demand for talent with practical and readily applicable technical skills, and determine its major offerings by establishing new majors or integrating and modifying existing majors. In addition, to equip its students with the skill set required for a specific position and enable them to adapt to the working environment immediately upon their graduation, a school operator needs to design and formulate curriculums aiming to train their students to meet the job requirements;

  - ***Highly qualified teachers***: The quality of education is largely dependent on the quality of teachers. To provide education focused on applied sciences and equip its students with skill sets sought by potential employers, a school operator needs to retain a large number of teachers with extensive working experience and expertise in various industries, and who are passionate about teaching and helping students improve their practical skills;

  - ***Long-term stable cooperation with business entities***: To achieve the educational goals to cultivate talent with practical and readily applicable technical skills, a school operator needs to provide its students with opportunities to practice their skills and techniques by working on projects similar to those they will encounter in the workplace. To achieve this, a school operator needs to maintain long-term stable cooperation with a variety of business entities, and work with these business entities regarding curriculum formulation, internship arrangements and on-the-job training.

FOREIGN INVESTMENT IN EDUCATION IN THE PRC

Regulations on Foreign Investment

The establishment procedures, examination and approval procedures, registered capital requirement, foreign exchange restriction, accounting practices, taxation and labor matters of a wholly foreign-owned enterprise are governed by the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法, the "Wholly Foreign-owned Enterprise Law"), which was promulgated on April 12, 1986 and amended on October 31, 2000. The implementation regulations under the Wholly Foreign-owned Enterprise Law was promulgated on December 12, 1990 and newly amended on February 19, 2014, which took effective as from March 1, 2014.

The Wholly Foreign-owned Enterprise Law has been further revised by the NPC Standing Committee on September 3, 2016 and has become effective from October 1, 2016. According to the amendments, for wholly foreign-owned enterprise which the special entry management measures does not apply to, its establishment, operation duration and extension, separation, merger or other major changes shall be reported for record. The special entry management measures stipulated by the State shall be promulgated or approved to be promulgated by the State Council. Pursuant to a notice issued by NDRC and MOFCOM on October 8, 2016, the special entry management measures shall be implemented with reference to the relevant regulations as stipulated in the Foreign Investment Catalog in relation to the restricted foreign-invested industries, prohibited foreign-invested industries and encouraged foreign-invested industries which have requirements as to shareholding and qualifications of senior management. Pursuant to the Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法) promulgated by MOFCOM on October 8, 2016, establishment and modifications of foreign-invested enterprises not subject to the approval under the special entry management measures shall be filed with the delegated commercial authorities. To further clarify the scope of special access administrative measures for foreign investment, the NDRC and the MOFCOM jointly issued an announcement (國家發展改革委商務部公告2016年第22號) on October 8, 2016, stated that upon approval of the State Council, such scope shall be subject to relevant provisions on equity and executives requirements in the categories of restricted, prohibited and encouraged industries as stipulated in the Foreign Investment Catalog.

Foreign Investment Industries Guidance Catalog (2015)

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

Sino-foreign cooperation in operating schools or training programs is specifically governed by the Regulations on 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**"), the Occupational Education Law of the PRC (中國人民共和國職業教育法) 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 the Implementing Rules for the Regulations on Operating Sino-foreign Schools (中華人民共和國合作辦學條例實施辦法), or the Implementing Rules.

The Sino-Foreign Regulation and its Implementing Rules apply to the activities of educational institutions established in the PRC cooperatively by foreign educational institutions and Chinese educational institutions, 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 educational institution with relevant qualifications and experience at the same level and in the same category of 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 obtain the Permit for Sino-foreign Cooperation in Operating School. 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, while a Sino-foreign cooperation program established without such approval or permit may also be banned and be ordered to refund the fees collected from its students.

On June 18, 2012, the MOE issued the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Field 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 education institute 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**"). 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 institution of education in accordance with PRC laws and regulations. However, 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 took effect on June 1, 2016. The NPC Standing Committee narrowed the provision prohibiting the establishment or operation of schools or other educational institutions for commercial purposes to only restricting a school or other educational 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 institution of education, and the establishment, modification or termination of a school or any other institution of education shall, in accordance with the relevant PRC laws and regulations, go through the procedures of examination, verification, approval, registration or filing.

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

The Law for Promoting Private Education of the PRC (中華人民共和國民辦教育促進法) became effective on September 1, 2003 and was amended on June 29, 2013, and the Implementation Rules for the Law for Promoting Private Education of the PRC (中華人民共和國民辦教育促進法實施條例) became effective on April 1, 2004. Under these regulations, "private schools" are defined as schools established by 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 examinations 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 an executive council, a 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 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 conform 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 "school sponsors" instead of "owners" or "shareholders." The economic substance of "school sponsorship" with respect to private schools is substantially similar to that of ownership with regard to legal, regulatory and tax matters. The main differences between school sponsorship and equity ownership can be found in the specific provisions of the laws and regulations applicable to school sponsors and owners, as follows:

- Right to receive a return on investment. Please see "School Sponsor's Reasonable Returns" below.

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

Sponsor's Reasonable Returns

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

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

At the end of each fiscal year, every private school is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. In the case of a private school the school sponsor 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 school 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 school sponsor of which does not require reasonable returns shall be entitled to the same preferential tax treatment as public schools, while the preferential tax treatment policies applicable to private schools the school sponsor of which requires 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 school sponsor of a private school has the obligation to make capital contributions to the school in a timely manner. The contributed capital can be in the form of tangible or non-tangible assets such as materials in kind, land use rights or intellectual property rights. The capital contributed by the school sponsor becomes assets of the school and the school has independent legal person status. In addition, the school sponsor of a private school has the right to exercise ultimate control over the school by becoming the member of and controlling the composition of the school's decision making body. Specifically, the school sponsor has control over the private school's constitutional documents and has the right to elect and replace the private school's decision making bodies, such as the school's board of directors, and therefore controls the private school's business and affairs.

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

On November 7, 2016, the 2016 Amendments were reviewed and passed by the Standing Committee of the NPC and will take effect from September 1, 2017.

In accordance with 2016 Amendments, as long as the school does not involve in the provision of compulsory education, school sponsors of the private school are allowed to register and operate the school as for-profit 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 school and the balance of running such schools shall be only used for the operation of the 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 private schools.

Further, pursuant to 2016 Amendments, for-profit private schools are entitled to make their own decisions about the fees collection in accordance with the market situations 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 tax preferential policies and land policies in accordance with the PRC laws, with the emphasis that non-profit private schools shall enjoy the tax preferential 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 2016 Amendments 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 2016 Amendments and continue the school operation pursuant to such revised articles of association. And 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 schools from the remaining assets of the 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 2016 Amendments 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 renewing their 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 Private Entities and Individuals to Operate Schools and Promote the Healthy Development of Private Education

According to the Several Opinions on Encouraging Private Entities and Individuals to Operate Schools 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 the PRC on January 18, 2017, innovative institutional mechanisms shall be implemented in the field of private education, which include but are not limited to: (i) Classification registration and management shall be applicable to private schools and the sponsors of private schools shall, at their own discretion, choose to run non-profit private schools or for-profit private schools. (ii) Differential Support Policies shall be applicable to private schools. The people's governments at all levels are responsible for formulating and perfecting 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 schools by ways including but not limited to government procurement services and preferential tax treatments in accordance with the economic and social development and the request for public service. (iii) Broaden the financing channels for private schools, 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 income in the future or intellectual property rights. While individual persons or entities are encouraged to make donation to non-profit private schools.

Local people's governments at various levels should perfect support policies for private schools, which include but are not limited to: (i) Implementing the same subsidy policies for private schools, such as that students of private schools and public schools shall enjoy student loans, scholarships and other state funding policies equally. (ii) Implementing incentive policies regarding taxes and fees for private schools. Private schools shall enjoy preferential tax treatments in accordance with national regulations while non-profit private schools enjoy the same tax preferential treatments as public schools. Private schools shall be entitled to the same price policies for use of electricity, water, gas and heat as public schools. (iii) Implementing differential land supply policies. Non-profit private schools enjoy the same land policy as public schools and may get land by way of land allocation; for-profit private schools shall get land in accordance with national regulations and policies.

Implementing Measures on Classification Registration of Private Schools

According to the Implementing Measures on Classification Registration of Private Schools (《民辦學校分類登記實施細則》), which was issued jointly by the Ministry of Education, 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 but which does not yet specify any definite effective date, the establishment of a private school is subject to approval. Private Schools approved to be established shall apply for the registration certificate or business license in accordance with the classification registration regulations after they are granted with the license for school operation by the competent governmental authorities.

The Classification Registration Rules shall apply to private schools. Non-profit private schools which 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 which 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 relevant administrative authority for registration as public institutions. For-profit private schools 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 private schools which were established before the promulgation of the 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 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, carry out their re-registration and continue their school operation. The provincial people's government is responsible for formulating the detailed measures on the alteration registration of the private schools in accordance with national laws and the local situation.

Implementing Measures for the Supervision and Administration of For-profit Private Schools

According to the Implementing Measures 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 Ministry of Education, the Ministry of Human Resources and Social Security and the State Administration for Industry and Commerce on January 5, 2017 but yet with any definite effective time, social organizations or individuals are permitted to run for-profit private colleges and universities and other higher education institutions, high schools and kindergartens, but are prohibited from running for-profit private schools implementing compulsory education.

According to the implementation regulations, a social organization or individual running a for-profit private school shall have the 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 costs of the school construction and development. Furthermore, the social organization running the for-profit private school shall be a legal person who 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 of laws or be dishonest. Individuals running for-profit private schools should be PRC citizens who reside in China, be in good credit standing without any criminal record and enjoy political rights and complete civil capacity.

For-profit private schools shall establish a board of directors, boards of supervisors (or supervisors), administrative organs, organizations of the Communist Party of China, an employee representatives' assembly as well as a labor union. The Secretary of the Communist Party of China shall be a member of the board of directors and of the administrative organs of the school and no less than 1/3 of the members of the board of supervisors of the school shall be the employee representatives.

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 into their financial accounts and issue legal invoices and other documents as required by 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 in their duration. The sponsors of for-profit private schools shall neither withdraw his/her share of the registered capital nor mortgage the teaching facilities for loans or guarantees. And the balance of the school operation 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 information that has been made public by the school, the social organizations or individuals could make a written application to the school for additional information.

Any division, merger, termination and other major changes of for-profit schools shall be subject to the approval of the board of the school, the approval of the relevant governmental authorities as well as the registration requirements set by the industry and commerce departments. Any division, merger, termination or change of name of for-profit private undergraduate colleges and universities shall be subject to the approval of the Ministry of Education while other alteration matters shall be approved by the relevant provincial government.

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") is 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 the 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 discloses such information. If a school raises its tuition levels without obtaining the proper approval or making the relevant filing with the relevant government pricing authorities, the school would be required to return the additional tuition fees obtained through the raise and become liable for compensation of any losses caused to the students in accordance with relevant PRC laws.

According to the Notice regarding Cancellation of the Fee Charge Permit System and Strengthening the Supervision in process and afterwards (國家發展改革委、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), or Circular 36, which was issued jointly by the NDRC and the Ministry of Finance on January 9, 2015, the fee charge permit system was cancelled nationwide from January 1, 2016.

On October 12, 2015, the State Council and the Central Committee of CPC jointly issued the Several 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 determine their prices 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 and based on the local conditions.

On July 12, 2016, the Yunnan Provincial Development and Reform Commission and Yunnan Provincial Education Department and Yunnan Provincial Department of Human Resources and Social Security jointly issued the Circular on Issues concerning the Implementation of Yunnan Private Schools to Price on their Own (關於我省民辦學校收費實行自主定價有關問題的通知), according to which, the private schools in Yunnan are entitled to determine their price of their academic education tuition and accommodation fee standard on their own considering the costs of the school, the conditions of running schools, the level of local economic development, the social tolerance and school development needs and other factors. Private schools shall notify the approval education administrative department or the department of human resources and social security and the pricing departments at the same level of the standard of education tuition and accommodation fees before issuing their enrollment brochures in the current year.

On December 17, 2015, the Guizhou Provincial Development and Reform Commission and the Guizhou Provincial Education Department and the Guizhou Provincial Department of Human Resources and Social Security jointly issued the Interim Measures for the Management of the Collection of Private Education Fees (規範民辦教育收費行為暫行辦法), according to which, the private schools providing academic education are entitled to determine the price of their tuition on their own in accordance with the principles of fairness, open, legitimacy and good faith. Private schools may charge students boarding at the school boarding fees.

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 the health condition of students, carrying out health education among students, helping students to develop good health habits, improving the health environment and health conditions for teachers, strengthening prevention and treatment of infectious disease and common diseases among students.

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 regular course education and above shall be subject to examination and approval by the administrative department for education under the State Council, the ones for special course education shall be subject to examination and approval by the people's governments of provinces, autonomous regions and municipalities directly under the 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 Central Government. Higher education for academic qualifications includes special course education, regular course 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 regular course education and education at a still higher level. Specialized higher education schools shall conduct special course 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 regular course 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 was amended on November 10, 2015, pursuant to which the conditions for running non-state-operated 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 non-state-operated college or university shall, under the Non-State-operated Education Promotion Law and the Regulation for the Implementation thereof, timely and fully perform the capital contribution obligation. No non-state-operated college or university may engage in educational and teaching activities in any place other than that as specified in the license for running non-state-operated education, or establish any branch, or rent or lend to others its license for running non-state-operated education. The president of a non-state-operated 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 president shall be 4 years in principle.

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 on 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.

A social organization applying to be the school sponsor of an independent college shall be qualified as a legal person, with its registered capital no less than RMB50 million, its total assets no less than RMB0.3 billion, net assets no less than RMB120 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. An application for the establishment of an independent college shall be subject to the approval of 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 organizations who are school sponsors of the independent colleges, the president, 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 reported to 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 colleges hall 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 a temporary 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 executives or directors of an independent college. Material matters such as the appointment or dismissal of the president, the modification of the articles of association of the independent college, the preparation of development plans, the review and approval of the 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 2/3 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 makes utilization of the management resources, teachers, curriculums and other education resources of the colleges and universities who act as its school sponsors, the payment made by the independent college to its school sponsors is permitted to be deemed and calculated as the running cost of the independent college in accordance with the cooperation agreement among the school sponsors and/or the relevant PRC regulations. And the school 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 8, 2010, the PRC central government promulgated the Outline of China's National Plan for Medium- and Long-Term Education Reform and Development (2010-2020) (國家中長期教育改革和發展規劃綱要), (2010-2020) which for the first time announced the policy that the government will implement a reform to divide private education entities into two categories: (1) For-profit private education entities and (2) 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 (關於開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. The Standing Committee of the PRC National People's Congress, or the NPC Standing Committee, published Package Amendments to Education Laws (Draft) (教育法律一攬子修正案(草案), the "Package Amendments") on September 7, 2015. Under the Pilot Notice and Drafted Amendments and the Package Amendments, the PRC government plans to implement a for-profit and not-for-profit classification 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 ONLINE EDUCATION PLATFORM

Regulations on the Online Education Platform

Pursuant to the Administrative Regulations on Educational Websites and Online and Distance Education Schools (教育網站和網校暫行管理辦法) issued by the MOE on July 5, 2000, educational websites and online education schools may provide educational services in relation to higher education, elementary education, pre-school education, teaching education, occupational education, adult education, other education and public educational information services. "Educational websites" refer to organizations providing education or education-related information services to website visitors by means of a database or online education platform connected via the Internet or an educational television station through an Internet Service Provider, or ISP. "Online education schools" refer to educational websites providing academic education services or training services with the issuance of various certificates. Setting up education websites and online education schools is subject to approval from relevant education authorities, depending on the specific types of education. Any educational website and online education school shall, upon the receipt of approval, indicate on its website such approval information as well as the approval date and file number.

On June 29, 2004, the State Council promulgated the Decision on Setting Down Administrative Licenses for the Administrative Examination and Approval Items Really Necessary to be Retained (國務院對確需保留的行政審批項目設定行政許可的決定), pursuant to which the administrative license for "online education schools" was retained, while the administrative license for "educational websites" was not retained. On January 28, 2014, the State Council promulgated the Decision on Abolishing and Delegating Certain Administrative Examination and Approval Items (國務院關于取消和下放一批行政審批項目的決定), pursuant to which the administrative approval for "online education schools" of higher education was abolished.

Notwithstanding these decisions formulated by the State Council, as the Administrative Regulations on Educational Websites and Online Education Schools were not explicitly abolished, in practice, certain local authorities continue to implement the approval requirement for setting up education websites and online education schools. On February 3, 2016, the State Council promulgated the Decision on Cancelling the Second Batch of 152 Items Subject to Administrative Examination and Approval by Local Governments Designated by the Central Government (國務院關於第二批取消152項中央指定地方實施行政審批事項的決定), which explicitly cancelled the approval requirements for operating educational websites and online education schools that are provided by the Administrative Regulations on Educational Websites and Online Education Schools, and reiterated the principle that administrative approval requirements may only be imposed in accordance with the Administrative Licensing Law.

Licenses for Value-Added Telecommunications Services

On September 25, 2000, the State Council issued the Regulations on Telecommunications of the PRC (中華人民共和國電信條例) to regulate telecommunications activities in China. The Telecommunications Regulations divide telecommunications services into two categories, namely "infrastructure telecommunications services" and "value-added telecommunications services". Pursuant to the Telecommunications Regulations, operators of value-added telecommunications services must first obtain a Value-added Telecommunications Business Operating License, or VAT License, from the Ministry of Industry and Information Technology, or MIIT, or its provincial level counterparts. On March 1, 2009, the MIIT promulgated the Administrative Measures on Telecommunications Business Operating Licenses (電信業務經營許可管理辦法), which set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses.

According to the Catalog of Classification of Telecommunications Businesses (電信業務分類目錄) effective from April 1, 2003, internet information services, also called internet content services, or ICP services, are deemed as a type of value-added telecommunications services. On December 28, 2015, the MIIT published a revised Catalog of Classification of Telecommunication Business (電信業務分類目錄), or the 2016 MIIT Catalog, which took effect on March 1, 2016. According to the 2016 MIIT Catalog, internet information services, which include information release and delivery services, information search and query services, information community platform services, information real-time interactive services, and information protection and processing services, continue to be classified as a category of value-added telecommunication services. The Administrative Measures on Internet Information Services (互聯網信息服務管理辦法), or ICP Measures, also promulgated by the PRC State Council on September 25, 2000, set forth more specific rules on the provision of ICP services. According to the ICP Measures, any company that engages in the provision of commercial ICP services shall obtain a sub-category VAT License for Internet Information Services, or ICP license, from the relevant government authorities before providing any commercial internet content services within the PRC, and when the ICP services involve areas of news, publication, education, medical treatment, health, pharmaceuticals and medical equipment, and if required by law or relevant regulations, specific approval from the respective regulatory authorities must be obtained prior to applying for the ICP License from the MIIT or its provincial level counterpart. Pursuant to the above-mentioned regulations, "commercial ICP services" generally refers to the provision of specific information content, online advertising, web page construction and other online application services through the internet for profit making purpose. Operating an online platform to provide information and services is classified as commercial ICP services.

Foreign Investment in Value-Added Telecommunication Services

The Regulations on Administration of Foreign-Invested Telecommunications Enterprises (外商投資電信企業管理規定), or the FITE Regulations, which took effect on January 1, 2002 and amended on September 10, 2008 and then on February 2, 2016, are the key regulations that regulate foreign direct investment in telecommunications companies in China. The FITE Regulations stipulate that the foreign investor of a telecommunications enterprise is prohibited from holding more than 50% of the equity interest in a foreign-invested enterprise that provides value-added telecommunications services. In addition, for a foreign investor to acquire any equity interest in a business providing value-added telecommunications services in China, it must demonstrate a positive track record and experience in providing such services.

On July 13, 2006, the MIIT issued the Circular on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Services (關於加強外商投資經營增值電信業務管理的通知), or the MIIT Circular 2006, which requires that (i) foreign investors can only operate a telecommunications business in China through establishing a telecommunications enterprise with a valid telecommunications business operation license; (ii) domestic license holders are prohibited from leasing, transferring or selling telecommunications business operation licenses to foreign investors in any form, or providing any resource, sites or facilities to foreign investors to facilitate the unlicensed operation of telecommunications business in China; (iii) value-added telecommunications services providers or their shareholders must directly own the domain names and registered trademarks they use in their daily operations; (iv) each value-added telecommunications services provider must have the necessary facilities for its approved business operations and maintain such facilities in the geographic regions covered by its license; and (v) all value-added telecommunications services providers should improve network and information security, enact relevant information safety administration regulations and set up emergency plans to ensure network and information safety. The provincial communications administration bureaus, as local authorities in charge of regulating telecommunications services, (i) are required to ensure that existing qualified value-added telecommunications service providers will conduct a self-assessment of their compliance with the MIIT Circular 2006 and submit status reports to the MIIT before November 1, 2006; and (ii) may revoke the value-added telecommunications business operation licenses of those that fail to comply with the above requirements or fail to rectify such non-compliance within specified time limits. Due to the lack of any additional interpretation from the regulatory authorities, it remains unclear what impact MIIT Circular 2006 will have on us or the other PRC internet companies with similar corporate and contractual structures. After the MOFCOM and NDRC amended the Catalog in March 2015, MIIT also issued the Circular on Removing the Restrictions on Shareholding Ratio Held by Foreign Investors in Online Data Processing and Transaction Processing (Operating E-commerce) Business on June 19, 2015, which amended the relevant provision in FITE Regulations by allowing foreign investors to own more than 50% of the equity interest in an operator of e-commerce business. However, foreign investors continue to be prohibited from holding more than 50% of the equity interest in a provider of other category of value-added telecommunications services except for e-commerce.

Regulation Relating to Internet Culture Activities

On February 17, 2011, the Ministry of Culture, or MOC, promulgated the Interim Administrative Provisions on Internet Culture (互聯網文化管理暫行規定), or the Internet Culture Provisions, which became effective on April 1, 2011. The Internet Culture Provisions require ICP services providers engaging in commercial "internet culture activities" to obtain a permit from the MOC. "Internet cultural activities" is defined in the Internet Culture Provisions as an act of provision of Internet cultural products and related services, which includes (i) the production, duplication, importation, and broadcasting of the Internet cultural products; (ii) the online dissemination whereby cultural products are posted on the Internet or transmitted via the Internet to end-users, such as computers, fixed-line telephones, mobile phones, television sets and games machines, for online users' browsing, use or downloading; and (iii) the exhibition and comparison of the Internet cultural products. In addition, "Internet cultural products" is defined in the Internet Culture Provisions as cultural products produced, broadcast and disseminated via the Internet, which mainly include internet cultural products specially produced for the Internet, such as online music entertainment, online games, online shows and plays (programs), online performances, online works of art and online cartoons, and internet cultural products produced from cultural products such as music entertainment, games, shows and plays (programs), performances, works of art, and cartoons through certain techniques and duplicate those to internet for dissemination.

Regulation Relating to Online Transmission of Audio-Visual Programs

The Measures for the Administration of Publication of Audio-Visual Programs through Internet or Other Information Network (互聯網等信息網絡傳播視聽節目管理辦法), or the Audio-Visual Measures, promulgated by the State Administration of Press, Publication, Radio, Film and Television, or the SAPPRFT (formerly known as the State Administration of Radio, Film and Television, or SARFT), on July 6, 2004 and put into effect on October 11, 2004, apply to the activities relating to the opening, broadcasting, integration, transmission or download of audio-visual programs using internet or other information network. Under the Audio-Visual Measures, to engage in the business of transmitting audio-visual programs, a license issued by SAPPRFT is required, and "audio-visual programs (including audio-visual products of films and televisions)" is defined as the audio-visual programs consisting of movable pictures or sounds that can be listened to continuously, which are shot and recorded using video cameras, vidicons, recorders and other audio-visual equipment for producing programs. Foreign invested enterprises are not allowed to carry out such business. On April 13, 2005, the State Council promulgated the Certain Decisions on the Entry of the Non-state-owned Capital into the Cultural Industry. On July 6, 2005, five PRC governmental authorities, including the SAPPRFT, jointly adopted the Several Opinions on Canvassing Foreign Investment into the Cultural Sector. According to these regulations, non-state-owned capital and foreign investors are not allowed to engage in the business of transmitting audio-visual programs through information networks. However, the Audio-Visual Measures will be repealed according to the Administrative Provisions on Audio-Visual Program Service through Special Network and Directed Transmission (專網及定向傳播視聽節目服務管理規定) that promulgated by the ASPPRFT on May 4, 2016 as of June 1, 2016.

To further regulate the provision of audio-visual program services to the public via the internet, including through mobile networks, within the territory of the PRC, the SAPPRFT and the MIIT jointly promulgated the Administrative Provisions on Internet Audio-Visual Program Service (互聯網視聽節目服務管理規定), or the Audio-Visual Program Provisions, on December 20, 2007, which came into effect on January 31, 2008. Under the Audio-Visual Program Provisions, "internet audio-visual program services" is defined as activities of producing, redacting and integrating audio-visual programs, providing them to the general public via the internet, and providing service for other people to upload and transmit audio-visual programs, and providers of internet audio-visual program services are required to obtain a License for Online Transmission of Audio-Visual Programs issued by SAPPRFT, or complete certain registration procedures with SAPPRFT. In general, providers of internet audio-visual program services must be either state-owned or state-controlled entities, and the business to be carried out by such providers must satisfy the overall planning and guidance catalog for internet audio-visual program service determined by SAPPRFT.

On April 1, 2010, SAPPRFT promulgated the Provisional Implementation of the Tentative Categories of Internet Audio-Visual Program Services (互聯網視聽節目服務業務分類目錄(試行)), or the Categories, which clarified the scope of Internet audio-video programs services. According to the Categories, there are four categories of Internet audio-visual program services which are further divided into seventeen sub-categories. The third sub-category to the second category covers the making and editing of certain specialized audio-video programs concerning, among other things, educational content, and broadcasting such content to the general public online. However, there are still significant uncertainties relating to the interpretation and implementation of the Audio-Visual Program Provisions, in particular, the scope of "internet audio-video programs".

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 may 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 (中國互聯網絡域名管理辦法), 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 (社會保險費徵繳暫行條例), the Regulations on Work Injury Insurance (工傷保險條例), the Regulations on Unemployment Insurance (失業保險條例) and the Trial Measures on Employee Maternity Insurance of Enterprises (企業職工生育保險試行辦法), enterprises in the PRC shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees. The Law on Social Insurance 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 law, with the social insurance premiums to be contributed respectively by the employers and foreigner employees as required. In accordance with such Interim Measures, the social insurance administrative agencies shall exercise their right to supervise and exam the legal compliance of foreign employees and employers and the employers who do not pay social insurance premium in conformity with the laws shall be subject to the administrative provisions provided in the Social Insurance Law and the relevant regulations and rules mentioned above.

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

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

LEGAL REGULATIONS OVER TAX IN THE PRC

Income Tax

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

According to Notice of the Ministry of Finance and the State Administration of Taxation on Tax Policies Relating to Education (財政部國家稅務總局關於教育稅收政策的通知, the "Circular 39") and Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Strengthening the Administration over the Collection of Business Tax on Educational Services (財政部、國家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 shall be exempt from enterprise income tax on fees they have collected upon approval and have incorporated under the fiscal budget management or the special account management of the funds outside the fiscal budget. Schools shall be exempt from enterprise income tax on the financial allocations they have received and special subsidies they have obtained from their administrative departments or institutions at higher levels.

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

Income Tax In Relation To Dividend Distribution

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

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (國家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") which 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 promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and was amended on November 10, 2008, and the Detailed Implementing Rules on the Temporary Regulations on Business Tax (營業稅暫行條例實施細則), which was promulgated by the MOF and the SAT and came into effect on December 25, 1993, was amended on May 22, 1997, December 18, 2008 and further amended on October 28, 2011, business tax is imposed on income derived from the furnishing of specified services and transferring of immovable property or intangible property at rates ranging from 3% to 20%, depending on the activity.

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

Value-added Tax

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

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

Pursuant to the 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徵增值稅試點的通知), which was promulgated by the MOF and the SAT on March 23, 2016 and will come into effect on May 1, 2016, since May 1, 2016, the government will collect VAT in lieu of business tax on a trial basis within the territory of the PRC, and in industries such as construction industries, real estate industries, financial industries, and living service industries.

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 governmental authorities (if necessary).

According to the Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (Hui Fa [2014] 37) (the "Circular No. 37"), which is promulgated on July 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 registration formality for offshore investment. The SPV is defined as "offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and individual resident) with their legally owned assets and equity of the domestic enterprise, or legally owned offshore assets or equity, for the purpose of investment and financing"; "Round Trip Investments" refer to "the direct investment activities carried out by a domestic resident directly or indirectly via an SPV, i.e., establishing a foreign-invested enterprise or project within the PRC through a new entity, merger or acquisition and other ways, while obtaining ownership, control, operation and management and other rights and interests". In addition, according to the procedural guidelines as attached to the Circular No. 37, the principle of review has been changed to "the domestic individual resident is only required to register the SPV directly established or controlled (first level)".

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

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

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

REGULATIONS ON PRIVATE POSTSECONDARY EDUCATION IN THE STATE OF CALIFORNIA

California Private Postsecondary Education Act

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

Approval to Operate Private Postsecondary Educational Institution

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

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

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

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

Voluntary Non-Governmental Accreditation Process

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

OUR HISTORY AND DEVELOPMENT

Overview

We are a leading private formal higher education group in China, as measured by our graduate employment rates in 2013, 2014 and 2015, according to Frost & Sullivan. The graduate employment rate in the PRC is calculated by including graduates either employed or pursuing further studies pursuant to the MOE Notice regarding the calculation of graduate employment rate in the PRC. Our history can be traced back to 1999 when Mr. Li established the Training Station to engage in the provision of computer training in the PRC using his personal funds.

Our first school, the Yunnan School (formerly known as Software College), a vocational college, was established in 2005 by the Training Station. We set up the Guizhou School in 2012. Further, in 2015 and 2016, we began to expand into the northwestern, central and northeastern of China by either newly establishing a school or investing into existing schools. Mr. Li has accumulated over 18 years of experience in education. See "Directors and Senior Management" in this prospectus for details.

Business Milestones

The following illustrates our major development milestones:

Year	Event
2005	Software College was established
2009	Expanded into Guizhou Province and started the preparation for the construction of the Guizhou School
2011	Software College was transformed into the Yunnan School, a higher education institution and one of the first established private universities in Yunnan Province
2012	The Guizhou School was established
2014	The Yunnan School was recognized as the model employment experience college and universities * (全國畢業生就業典型經驗高校)
2015	Expanding into northwestern China with the approval being obtained for the establishment of the Northwest School and expanding into central China through agreeing to invest in the Central China School
2016	Expanding into northeastern China through agreeing to invest in the Northeast School

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

HISTORY OF OUR SCHOOL SPONSORS

CURRENT SCHOOL SPONSORS

(1) Yun Ai Group

Yun Ai Group is the school sponsor of the Yunnan School and the Guizhou School.

Establishment of Yun Ai Group

Yun Ai Group, formerly known as Yunnan Einsun Investment Co., Ltd.* (雲南愛因森投資有限公司), was established on September 19, 2005 under the laws of the PRC with a registered capital of RMB20 million. Upon establishment, the shareholding of Yun Ai Group was owned as to 68.56% by Mr. Li, 15.61% by Yang Hui (楊輝), the mother-in-law of Mr. Li, 7.21% by Long Yongqian (龍永黔), an Independent Third Party, 6.8% by Huang Wei (黃煒), an Independent Third Party, and 1.82% by Wang Runkun (汪潤昆), an Independent Third Party.

On December 6, 2005, Yunnan Einsun Investment Co., Ltd.* (雲南愛因森投資有限公司) changed its name to Yunnan Einsun Investment Group Co., Ltd.* (雲南愛因森投資集團有限公司) and on September 21, 2006, further changed its name to its current name, Yunnan Einsun Education Investment Group Co., Ltd.* (雲南愛因森教育投資集團有限公司).

Transfer of equity interest to Pai Dui Pai and Ba Mu Pu

In March, 2010, Yun Ai Group became the school sponsor of the Yunnan School. Since then, Mr. Li's relatives and friends provided loans to Mr. Li to support Mr. Li's education business and the further growth of Yun Ai Group. Mr. Li decided to recognize their cash contribution and granted the equity interest in Yun Ai Group to them. Accordingly, several equity interest transfers were conducted and upon completion of these equity interest transfers on June 8, 2010, these individuals held equity interests in Yun Ai Group through Pai Dui Pai and Ba Mu Pu, both of which are investment holding companies. Yun Ai Group became held as to 55% by Mr. Li, 35% by Pai Dui Pai and 10% by Ba Mu Pu. Details of the equity interest held by Mr. Li's relatives and friends in these two companies as at the date of their establishments were set forth as below:

Pai Dui Pai

Names	Relationship with Mr. Li	Percentage (%) of the equity interest in Pai Dui Pai
Mr. Li	–	52.07
Li Jianhao (李劍豪)	brother of Mr. Li	14.28
Ms. Yang	spouse of Mr. Li	11.75
Miao Qiongfen (繆瓊芬)	friend of Mr. Li and Independent Third Party	5.13
Huang Wei (黃煒)	friend of Mr. Li and Independent Third Party	4.85
Yang Xuyan (楊旭艷)	sister-in-law of Mr. Li	2.93
Liu Yun (劉雲)	friend of Mr. Li and Independent Third Party	2.39
Wang Yan (汪焰)	friend of Mr. Li and Independent Third Party	1.30
Jiang He (姜河)	friend of Mr. Li and Independent Third Party	0.95
Yuan Song (袁嵩)	friend of Mr. Li and Independent Third Party	0.95
Yang Xufen (楊旭芬)	sister-in-law of Mr. Li	0.57
Lv Xuerui (呂雪蕊)	friend of Mr. Li and Independent Third Party	0.51
Yang Rurong (楊汝榮)	friend of Mr. Li and Independent Third Party	0.51
Wu Shiyi (吳世義)	friend of Mr. Li and Independent Third Party	0.48
Fu Zigang (傅子剛)	friend of Mr. Li and Independent Third Party	0.47
Dong Yanhui (董彥輝)	friend of Mr. Li and Independent Third Party	0.43
Yang Xuwei (楊旭維)	sister-in-law of Mr. Li	0.43
Total:		100.00

Ba Mu Pu

Names	Relationship with Mr. Li	Percentage (%) of the equity interest in Ba Mu Pu
Mr. Li	–	81.87
Ms. Yang	spouse of Mr. Li	11.08
Pan Yi (潘毅)	our employee and Independent Third Party	0.98
Qin Hongkang (秦宏康)	our employee and Independent Third Party	0.80
Fan Ying (凡英)	our employee and Independent Third Party	0.73
Lei Lan (雷蘭)	Independent Third Party	0.73
Wang Lei (汪蕾)	friend of Mr. Li and Independent Third Party	0.59
Ma Jiaqiong (馬家瓊)	Independent Third Party	0.44
Xie Kaiyong (謝開勇)	our employee and Independent Third Party	0.40
Yang Junxiong (楊俊雄)	our employee and Independent Third Party	0.40
Wang Xu (王旭)	our employee and Independent Third Party	0.40
Shu Kailing (舒凱齡)	Independent Third Party	0.40
Li Yanmei (李艷梅)	our employee and Independent Third Party	0.22
Tong Jian (童建)	our employee and Independent Third Party	0.22
Huang Haijun (黃海軍)	our employee and Independent Third Party	0.22
Lin Hai (林海)	Independent Third Party	0.22
Yao Li (姚莉)	our employee and Independent Third Party	0.15
Qiu Jie (邱傑)	our employee and Independent Third Party	0.15
Total:		100.00

Investment by Shenzhen Pingan

In order to raise funds for our Group's expansion, on June 21, 2010, Shenzhen Pingan entered into two capital increase agreements to invest RMB100 million in Yun Ai Group, among which RMB8.57 million was contributed to the registered capital of Yun Ai Group and the remaining amount was contributed to the capital reserve of Yun Ai Group. As a result, the registered capital of Yun Ai Group was increased from RMB20 million to RMB28.57 million on July 21, 2010.

Transfer of equity interest from Mr. Li to Daai Partnership

On December 11, 2015, Mr. Li and Daai Partnership entered into an equity transfer agreement pursuant to which Mr. Li agreed to transfer 2% equity interest in Yun Ai Group to Daai Partnership for a consideration of RMB0.5714 million with reference to the then registered capital of Yun Ai Group. Upon completion of such equity transfer on December 17, 2015, the equity interest of Yun Ai Group was set forth below:

Shareholders	Registered share capital *(RMB)*	Approximate percentage of the equity interest *(%)*
Mr. Li	10,428,600	36.50
Shenzhen Pingan	8,570,000	30.00
Pai Dui Pai(2)	7,000,000	24.50
Ba Mu Pu(3)	2,000,000	7.00
Daai Partnership(1)	**571,400**	**2.00**
Total:	28,570,000	100

Notes:

(1) The limited partnership interest in Daai Partnership is set forth as below:

Names	Relationship with Mr. Li	Percentage (%) of partnership interest in Daai Partnership
Mr. Li	–	99.00
Ma Chongliang (馬崇亮)	father-in-law of Mr. Li	1.00

(2) The equity interest in Pai Dui Pai as at December 17, 2015 was set forth as below:

Names	Percentage (%) of the equity interest in Pai Dui Pai
Mr. Li	53.35
Li Jianhao (李劍豪)	14.28
Yang Xuwei (楊旭維)	14.23
Huang Wei (黃煒)	4.85
Yang Xuyan (楊旭艷)	2.93
Miao Qiongfen (繆瓊芬)	2.74
Liu Yun (劉雲)	2.39
Wang Yan (汪焰)	1.30
Yuan Song (袁嵩)	0.95
Jiang He (姜河)	0.95
Yang Xufen (楊旭芬)	0.57
Lv Xuerui (呂雪蕊)	0.51
Wu Shiyi (吳世義)	0.48
Fu Zigang (傅子剛)	0.47
Total:	100.00

(3) The equity interest in Ba Mu Pu as at December 17, 2015 was set forth as below:

Names	Percentage (%) of the equity interest in Ba Mu Pu
Mr. Li	78.97
Yang Xuwei (楊旭維)	14.37
Liu Fengming (劉風明)*	**3.52**
Pan Yi (潘毅)	0.98
Qin Hongkang (秦宏康)	0.80
Wang Lei (汪蕾)	0.59
Yang Junxiong (楊俊雄)	0.40
Lin Hai (林海)	0.22
Yao Li (姚莉)	0.15
Total:	100.00

* Liu Fengming (劉風明) is our employee and an Independent Third Party

Transfer of equity interest of Shenzhen Pingan

On December 16, 2015, Shenzhen Pingan entered into an equity transfer agreement to transfer its equity interest in Yun Ai Group to Daai Partnership for a consideration of RMB125 million with reference to 125% of its original investment amount pursuant to the terms of the two capital increase agreements in 2010. Such equity transfer was effectively completed on December 28, 2015, when (i) the then registered shareholders of Yun Ai Group unanimously approved such equity transfer, (ii) the then articles of association of Yun Ai Group were amended, by which Shenzhen Pingan was removed from the list of shareholders and Daai Partnership's interest in Yun Ai Group was shown to have increased from 2% to 32%, and (iii) the consideration for such equity transfer was fully settled by Daai Partnership. Our PRC legal advisors confirmed that the rights of Shenzhen Pingan as a shareholder of Yun Ai Group ceased on December 28, 2015 and such equity transfer was effectively completed on December 28, 2015.

Upon completion of the transfer of equity interest of Shenzhen Pingan, the equity interest of Yun Ai Group was set forth as below:

Shareholders	Registered share capital *(RMB)*	Approximate percentage of equity interest *(%)*
Mr. Li	10,428,600	36.50
Daai Partnership	9,141,400	32.00
Pai Dui Pai(1)	7,000,000	24.50
Ba Mu Pu(2)	2,000,000	7.00
Total:	28,570,000	100

Notes:

(1) The equity interest in Pai Dui Pai as at December 28, 2015 was set forth as below:

Names	Percentage (%) of the equity interest in Pai Dui Pai
Mr. Li	53.35
Li Jianhao (李劍豪)	14.28
Yang Xuwei (楊旭維)	14.23
Huang Wei (黃煒)	4.85
Yang Xuyan (楊旭艷)	2.93
Miao Qiongfen (繆瓊芬)	2.74
Liu Yun (劉雲)	2.39
Wang Yan (汪焰)	1.30
Yuan Song (袁嵩)	0.95
Jiang He (姜河)	0.95
Yang Xufen (楊旭芬)	0.57
Lv Xuerui (呂雪蕊)	0.51
Wu Shiyi (吳世義)	0.48
Fu Zigang (傅子剛)	0.47
Total:	100.00

(2) The equity interest in Ba Mu Pu as at December 28, 2015 was set forth as below:

Names	Percentage (%) of the equity interest in Ba Mu Pu
Mr. Li	79.19
Yang Xuwei (楊旭維)	14.37
Liu Fengming (劉風明)	3.52
Pan Yi (潘毅)	0.98
Qin Hongkang (秦宏康)	0.80
Wang Lei (汪蕾)	0.59
Yang Junxiong (楊俊雄)	0.40
Yao Li (姚莉)	0.15
Total:	100.00

The registration of such equity transfer with the local administration of industry and commerce was completed on January 5, 2016.

Investment by employees, the Principal of the Northeast School and other individuals

As support to Mr. Li and his education business, our 44 employees, including three executive Directors (Mr. Zhao Shuai (趙帥), Mr. Zhang Ke (張柯) and Mr. Zhu Lidong (朱立東)), the Principal of the Northeast School and 9 other individuals further invested in Yun Ai Group through Huihuang Investment and Chengxin Investment, two limited partnerships. On July 1, 2016, each of Huihuang Investment and Chengxin Investment entered into a capital increase agreement to invest approximately RMB25.37 million and RMB25.80 million in Yun Ai Group, respectively, among which RMB0.45218 million and RMB0.459875 million, respectively, were contributed to the registered capital of Yun Ai Group.

Upon the completion of the investment by Huihuang Investment and Chengxin Investment, respectively, on July 11, 2016, the equity interest of Yun Ai Group was as set forth below:

Shareholders	Registered share capital *(RMB)*	Approximate percentage of the equity interest *(%)*
Mr. Li	10,428,600	35.3727
Daai Partnership	9,141,400	31.0067
Pai Dui Pai[(1)]	7,000,000	23.7433
Ba Mu Pu[(1)]	2,000,000	6.7838
Huihuang Investment[(2)]	**452,180**	**1.5337**
Chengxin Investment[(3)]	**459,875**	**1.5598**
Total:	29,482,055	100

Notes:

(1) The equity interest in Pai Dui Pai and Ba Mu Pu remained unchanged as of July 11, 2016.

(2) The general partner of Huihuang Investment is Mr. Li. The limited partnership of Huihuang Investment is owned by Mr. Li and 44 employees, among which Mr. Li owned 0.02% interest, Mr. Zhao Shuai (趙帥) owned 7.88% interest, Mr. Zhang Ke (張柯) owned 1.97% interest and Mr. Zhu Lidong (朱立東) owned 5.91% interest. Mr. Zhao, Mr. Zhang and Mr. Zhu are executive Directors of our Company.

(3) The general partner of Chengxin Investment is Mr. Li. The limited partnership of Chengxin Investment is owned by Mr. Li, the Principal of the Northeast School and 9 other individuals among which Mr. Li owned 0.01% interest, Yang Xuwei (楊旭維), the sister-in-law of Mr. Li, owned 18.60% interest and the Principal of Northeast School owned 11.63% interest.

Transfer of equity interest from Daai Partnership to Zhongyi Company

On July 13, 2016 and July 14, 2016, Daai Partnership and Zhongyi Company, the equity interest of which is wholly owned by Ms. Wang, entered into equity transfer agreements pursuant to which Daai Partnership agreed to transfer 4.0039% equity interest in Yun Ai Group to Zhongyi Company for a consideration of approximately RMB65.63 million, with reference to the net assets of our Group for the year ended December 31, 2015.

Upon completion of such equity transfer on July 15, 2016, the equity interest of Yun Ai Group was set forth as below:

Shareholders	Registered share capital *(RMB)*	Approximate percentage of the equity interest *(%)*
Mr. Li	10,428,600	35.3727
Daai Partnership[(1)]	7,960,964	27.0027
Pai Dui Pai[(2)]	7,000,000	23.7433
Ba Mu Pu[(3)]	2,000,000	6.7838
Zhongyi Company[(4)]	**1,180,436**	**4.0039**
Chengxin Investment[(5)]	459,875	1.5598
Huihuang Investment[(5)]	452,180	1.5337
Total:	29,482,055	100

Notes:

(1) The partnership interest in Daai Partnership remained unchanged as of July 15, 2016.

(2) The equity interest in Pai Dui Pai as at July 15, 2016 was set forth as below:

Names	Percentage (%) of the equity interest in Pai Dui Pai
Mr. Li	53.35
Li Yaohong (李耀紅)*	**14.28**
Yang Xuwei (楊旭維)	14.23
Huang Wei (黃煒)	4.85
Yang Xuyan (楊旭艷)	2.93
Miao Qiongfen (繆瓊芬)	2.74
Liu Yun (劉雲)	2.39
Wang Yan (汪焰)	1.30
Yuan Song (袁嵩)	0.95
Jiang He (姜河)	0.95
Yang Xufen (楊旭芬)	0.57
Lv Xuerui (呂雪蕊)	0.51
Wu Shiyi (吳世義)	0.48
Fu Zigang (傅子剛)	0.47
Total:	100.00

* Li Yaohong (李耀紅) is the sister of Mr. Li.

(3) The equity interest in Ba Mu Pu as at July 15, 2016 was set forth as below:

Names	Percentage (%) of the equity interest in Ba Mu Pu
Mr. Li	79.19
Yang Xuwei (楊旭維)	14.37
Liu Fengming (劉風明)	3.52
Pan Yi (潘毅)	0.98
Qin Hongkang (秦宏康)	0.80
Wang Lei (汪蕾)	0.59
Yang Junxiong (楊俊雄)	0.40
Yao Li (姚莉)	0.15

(4) The sole shareholder of Zhongyi Company is Ms. Wang.

(5) The partnership interest in Chengxin Investment and Huihuang Investment remained unchanged as of July 15, 2016.

Investment by Shanghai Taifu

Pursuant to (i) a capital increase agreement dated December 16, 2015, (ii) a supplemental agreement dated December 16, 2015 and (iii) a second supplemental agreement dated July 25, 2016, Shanghai Taifu agreed to invest in Yun Ai Group for an amount of RMB200 million, among which RMB5,418,904 was contributed to the registered capital of Yun Ai Group. Such capital increase was completed on July 28, 2016, upon which, the equity interest of Yun Ai Group was as set forth below:

Shareholders	Registered share capital *(RMB)*	Approximate percentage of equity interest *(%)*
Mr. Li	10,428,600	29.8806
Daai Partnership[(1)]	7,960,964	22.8102
Pai Dui Pai[(1)]	7,000,000	20.0568
Shanghai Taifu	**5,418,904**	**15.5265**
Ba Mu Pu[(1)]	2,000,000	5.7305
Zhongyi Company[(1)]	1,180,436	3.3822
Chengxin Investment[(1)]	459,875	1.3177
Huihuang Investment[(1)]	452,180	1.2956
Total:	34,900,959	100

Note:

(1) The interest in Daai Partnership, Pai Dui Pai, Ba Mu Pu, Zhongyi Company, Chengxin Investment and Huihuang Investment remained unchanged as of July 28, 2016.

FUTURE SCHOOL SPONSORS

(1) Haxuan Company

Haxuan Company will become the school sponsor of the Northeast School after the transfer of the school sponsorship is completed. As of the Latest Practicable Date, the application to transfer the school sponsorship from the current school sponsors to Haxuan Company is pending final approval by the MOE and registration with the provincial civil affairs authorities. See "Schools to be Established or Invested in" in this section. Haxuan Company has signed the Structured Contracts.

Haxuan Company was established on April 19, 2016 under the laws of the PRC with a registered capital of RMB120 million. Upon establishment, the equity interest of Haxuan Company was owned as to 3.91% by Heike Company and 96.09% by Ningde Company. Heike Company was then wholly owned by Daai Company and Ningde Company was then owned by the Principal of the Northeast School and his family members. Both Heike Company and Ningde Company were investment holding companies.

On July 29, 2016, Yun Ai Group acquired 73.91% equity interest in Haxuan Company from the then shareholders of Haxuan Company at an aggregate consideration of RMB261.865 million, with reference to the net profit of the Northeast School for the year ended December 31, 2015. As at the Latest Practicable Date, RMB156.9 million of the acquisition consideration has been settled, and we plan to fund the remaining balance from the proceeds from the Global Offering and bank loans. Upon completion, Haxuan Company became owned as to 73.91% by Yun Ai Group and 26.09% by Ningde Company.

(2) Enchang Company

Upon completion of adding a joint school sponsor to the Central China School, Enchang Company will become a joint school sponsor of the Central China School. As of the Latest Practicable Date, the application to change the school sponsor of the Central China School is pending the final approval of the MOE and registration with the provincial civil affairs authorities. See "Schools to be Established or Invested in" in this section. Enchang Company has signed the Structured Contracts.

Enchang Company was established on November 13, 2014 under the laws of the PRC with a registered capital of RMB50 million as an investment holding company. Upon establishment, Enchang Company was owned as to 51% by Guo Hui (郭輝) and 49% by Jiang Mingxue (蔣明學), both of whom are Independent Third Parties prior to our acquisition of Enchang Company. On August 27, 2015, Guo Hui (郭輝), Jiang Mingxue (蔣明學) and Yun Ai Group entered into a capital increase agreement in relation to Enchang Company and they passed shareholders' resolutions on September 1, 2015, pursuant to which the registered capital of Enchang Company was increased from RMB50 million to RMB300 million through additional capital contribution made by Yun Ai Group, Jiang Mingxue (蔣明學) and Guo Hui (郭輝). The capital increase agreement provides that if Enchang Company is not registered as a joint school sponsor for the Central China School within two years following the date of the capital increase agreement, we have the right to sell our interest in Enchang Company to Guo Hui (郭輝) and Jiang Mingxue (蔣明學) at a price equal to 136% of the total investments we have made up to that date in connection with the establishment of the new campus of the Central China School, which Guo Hui (郭輝) and Jiang Mingxue (蔣明學) shall not raise any objection. Upon completion of such capital increase, Enchang Company became a non-wholly-owned subsidiary of our Group, owned as to 68% by Yun Ai Group, 14% by Guo Hui (郭輝) and 18% by Jiang Mingxue (蔣明學). Yun Ai Group acquired a controlling interest in Enchang Company in order to indirectly obtain the joint school sponsor interest in Central China School through Enchang Company. See "Schools to be Established or Invested in – New Campus at Central China School" in this section for further details.

Further Increase in Yun Ai Group's shareholding in Enchang Company from 68% to 89.2%

On November 15, 2016, Guo Hui (郭輝) and Yun Ai Group entered into an equity transfer agreement, pursuant to which Guo Hui (郭輝) transferred his 14% equity interest in Enchang Company (such equity interest is limited in that Guo Hui (郭輝) has not contributed the registered capital subscribed by him in full) to Yun Ai Group. As Guo Hui (郭輝) had not previously fully settled his contribution to the registered capital of Enchang Company, the consideration of the aforementioned transfer comprised of the following: (i) in relation to the contribution obligation of registered capital of RMB41.55 million which had not yet been settled by Guo Hui (郭輝), the corresponding equity interest of 13.85% in Enchang Company was transferred by Guo Hui (郭輝) to Yun Ai Group at nil consideration, and Yun Ai Group shall accordingly settle the contribution to the registered capital of Enchang Company; and (ii) in relation to the contribution obligation of registered capital of RMB0.45 million which had been settled by Guo Hui (郭輝), the corresponding equity interest of 0.15% in Enchang Company was transferred by Guo Hui (郭輝) to Yun Ai Group for a consideration of RMB0.57 million, after taking into consideration, among others, an amount calculated at the rate of return of approximately 18% per annum based on his original contribution to the registered capital as if it was a loan. Upon completion of such equity transfer on November 21, 2016, Enchang Company became owned as to 82% by Yun Ai Group and 18% by Jiang Mingxue (蔣明學).

On January 10, 2017, Jiang Mingxue (蔣明學) and Yun Ai Group entered into a capital increase agreement, pursuant to which the registered capital of Enchang Company was increased from RMB300 million to RMB500 million by converting a shareholder's loan of RMB200 million previously provided to Enchang Company by Yun Ai Group into its registered capital. Upon completion of such capital increase on January 12, 2017, Enchang Company became owned as to 89.2% by Yun Ai Group and 10.8% by Jiang Mingxue (蔣明學).

(3) Bei Ai Company

Bei Ai Company will be the school sponsor of the Northwest School upon establishment of the Northwest School. See "Schools to be Established or Invested in – Northwest School" of this section. It is expected that the Northwest School will be established after the Listing. Bei Ai Company has signed the Structured Contracts.

Bei Ai Company was established on October 16, 2012 under the laws of the PRC with a registered capital of RMB300 million as an investment holding company. Since its establishment, Yun Ai Group has been the sole shareholder of Bei Ai Company.

HISTORY OF OUR SCHOOLS

As at the Latest Practicable Date, our Group comprised of two schools. We set forth below the history of these schools:

(1) Yunnan School

The Yunnan School is a private institution of formal higher education providing undergraduate education and junior college education focused on applied sciences. The school sponsor of the Yunnan School requires reasonable returns according to its articles of association. It was established under the laws of the PRC on August 11, 2005 with an initial capital of RMB16 million and commenced provision of higher education services in 2005. The Yunnan School was formerly known as Software College and changed to its current name in June 2011. Upon establishment, the school sponsor's interest in the Yunnan School was held by the Training Station, a private institute owned by Mr. Li.

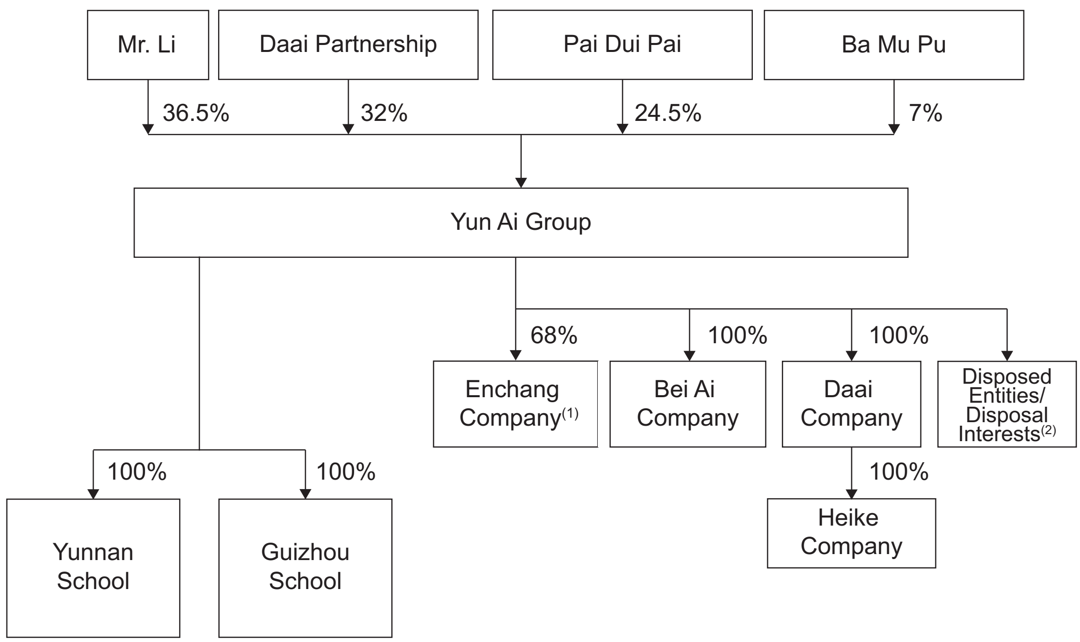
On March 1, 2010, the school sponsor of the Yunnan School was changed to Yun Ai Group. See "History of Our School Sponsors – Current School Sponsors – (1) Yun Ai Group" in this section for further details.

(2) Guizhou School

The Guizhou School is a private institution of formal higher education providing junior college education focused on applied sciences. The school sponsor of the Guizhou School does not require reasonable returns according to its articles of association. It was established under the laws of the PRC on July 3, 2012 with an initial capital of RMB500,000 and commenced provision of higher education services in 2012. On June 26, 2013, the capital of the Guizhou School was increased to RMB64.24 million. The school sponsor's interest in the Guizhou School has been wholly owned by Yun Ai Group since establishment.

CORPORATE REORGANIZATION

The following chart sets forth our corporate structure as at December 28, 2015 immediately prior to the commencement of the Corporate Reorganization and the investments made by Chengxin Investment, Huihuang Investment, Zhongyi Company and Shanghai Taifu referred to in the paragraphs headed "Yun Ai Group – Investment by employees, the Principal of the Northeast School and other individuals", "Yun Ai Group – Transfer of equity interest from Daai Partnership to Zhongyi Company" and "Yun Ai Group – Investment by Shanghai Taifu" in this section.



Notes:

(1) 18% equity interest in Enchang Company was owned by Jiang Mingxue (蔣明學) and 14% equity interest in Enchang Company was owned by Guo Hui (郭輝).

(2) Other than Heike Company.

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

1. Incorporation of the offshore group companies

Aspire Education Group

Aspire Education Group was incorporated as an exempted company with limited liability in the Cayman Islands on October 20, 2015 with an authorized share capital of US$50,000 divided into 500,000,000 shares with par value of US$0.0001 each. At the time of the incorporation, N.D. Nominees Ltd. subscribed for one share in the capital of Aspire Education Group. On the same date, the said issued one share was transferred to Aspire Education Management at par value. On the same date, 6,849, 2,450 and 700 shares were issued to Aspire Education Management, Aspire Education Technology and Aspire Education Consulting, respectively.

The shareholding structure in Aspire Education Group mirrored the shareholding structure in Yun Ai Group at the relevant time as follows:

Offshore			Onshore	
Shareholders of Aspire Education Group	Shareholding in Aspire Education Group		Shareholders of Yun Ai Group	Shareholding in Yun Ai Group
Aspire Education Management	6,850 shares (68.5%)	→	Mr. Li	36.5%
			Daai Partnership	32%
Aspire Education Technology	2,450 shares (24.5%)	→	Pai Dui Pai	24.5%
Aspire Education Consulting	700 shares (7%)	→	Ba Mu Pu	7%

For details regarding the shareholding structure of Yun Ai Group at the relevant time, see “Yun Ai Group – Establishment of Yun Ai Group”, “Yun Ai Group – Transfer of equity transfer to Pai Dui Pai and Ba Mu Pu”, “Yun Ai Group – Investment by Shenzhen Pingan”, “Yun Ai Group – Transfer of equity interest from Mr. Li to Daai Partnership” and “Yun Ai Group – Transfer of equity interest of Shenzhen Pingan” in this section.

Since then, our Group started to introduce new shareholders either (1) investing in Aspire Education Group directly or (2) investing in Yun Ai Group and then obtaining shares in Aspire Education Group subsequently, which caused different dilution effects onshore and offshore. See “Corporate Reorganization – 5. Changes in the shareholding in Aspire Education Group” in this section for details.

Aspire Education Information

Aspire Education Information was incorporated as a BVI business company on October 29, 2015 with an authorized share capital of US$50,000 divided into 50,000 shares with par value of US$1.00 each. On the same day, one share of Aspire Education Information was allotted and issued to Aspire Education Group as fully-paid at par value. Aspire Education Information is an investment holding company.

Aspire Education Holding

Aspire Education Holding was incorporated as a limited liability company under the laws of Hong Kong on October 30, 2015 and wholly owned by Aspire Education Information. Aspire Education Holding is an investment holding company.

2. Establishment of Fangzhou Company

On March 16, 2016, Fangzhou Company was established in the PRC as a wholly-foreign owned enterprise with a registered capital of RMB300 million, which was wholly owned by Aspire Education Holding. Fangzhou Company is an investment holding company and does not have substantial business as at the Latest Practicable Date. As at the Latest Practicable Date, the registered capital of Fangzhou Company had been paid up.

3. Disposal of Entities Not Related to Formal Higher Education

(i) Disposal to Independent Third Party

In order to streamline our Group assets prior to the Listing, we disposed a number of entities and interests not related to formal higher education to Songming Zhonghe, an Independent Third Party. Based on arm's length negotiation, Songming Zhonghe agreed to acquire Zhuan Xiu School and the Vocational School together with other entities and interests not related to education as a packaged deal at an aggregate consideration of RMB41,577,469.34 with reference to (i) the aggregate net assets value of the Disposed Entities and Disposed Interest (other than Zhuan Xiu School, Vocational School and certain interest in Kunming Guandu Bank) as of May 31, 2016; (ii) the net assets value of Zhuan Xiu School and Vocational School as of June 30, 2016; (iii) the investment cost of certain interests in Kunming Guandu Bank; and (iv) the net assets value of Songming Shuren as of July 31, 2016. Details are set forth as below.

Entities	Business scope	Reason for not including the entities into our Group
Zhuan Xiu School	Provision of vocational training services	We would like to focus our resources on our formal higher education.
Vocational School	Provision of secondary vocational education	We would like to focus our resources on our formal higher education.
Bai Fen Bai	Provision of properties management services	Not related to formal higher education
Kun Ai Advertising	Investment holding	Not related to formal higher education
Kun Ai Consulting	Investment holding	Not related to formal higher education
5% equity interest in Peihua Company	Project Company for the construction of schools	Not related to formal higher education
Qingchuang Company	Investment holding	Not related to formal higher education
Daai Company	Investment holding	Not related to formal higher education
Daai Zhishang	Investment holding	Not related to formal higher education
Si Bo Yuan	Investment holding	Not related to formal higher education
Shuren Education	Investment holding	Not related to formal higher education
Wuhu Education	Investment holding	Not related to formal higher education
Qihang Investment	Investment holding	Not related to formal higher education
Heike Company	Investment holding	Not related to formal higher education
Songming Shuren	Education management consultancy (no actual business operation since its establishment)	Not related to formal higher education
Certain interest in Kunming Guandu Bank	Banking	Not related to formal higher education

While our Group is engaged in providing and will continue to provide formal higher education services to full-time high school graduates and award bachelor's degrees and diplomas, the Vocational School focuses on the provision of secondary vocational education to junior-high school graduates, and Zhuan Xiu School focuses on the provision of vocational training to adults, offering short-term courses with flexible school times but does not issue any graduation certificates. The registration with the provincial civil affairs authorities in relation to the disposal of both Zhuan Xiu School and the Vocational School was completed on August 17, 2016 and August 4, 2016, respectively, and the consideration in relation to the disposal of Zhuan Xiu School and Vocational School was settled on August 23, 2016. For the years ended December 31, 2014, 2015 and 2016, Zhuan Xiu School and Vocation School recorded consolidated net profits (losses) of approximately RMB2.6 million, (RMB0.4 million) and RMB1.7 million, respectively, and recorded consolidated revenue of approximately RMB13.4 million, RMB8.3 million and RMB2.0 million, respectively.

(ii) Disposal to Daai Management

Immediately prior to the disposal, Beijing Lianhe was wholly owned by Bei Ai Company. Beijing Lianhe currently offers free online courses to specific students, which falls within the "permitted" category under the Foreign Investment Catalog. It is expected that Beijing Lianhe will expand its business to provide online education services to the public in the future, which falls within the "restricted" category and the "prohibited" category under the Foreign Investment Catalog and requires a value-added telecommunications business operating license and an internet content provider license to operate such business, as advised by our PRC legal advisors. As such, if Beijing Lianhe is retained in our Group as a foreign invested enterprise, Beijing Lianhe may not be able to obtain these licenses and our Group may face uncertainties in developing an online education business which may not eventually bring any economic benefit to our Group. On May 31, 2016, Bei Ai Company and Daai Management entered into an equity transfer agreement, pursuant to which Bei Ai Company agreed to transfer the entire registered capital of Beijing Lianhe to Daai Management, an investment holding company wholly owned by Daai Consulting for a consideration of RMB66,258.94, with reference to the net assets value of Beijing Lianhe as of May 31, 2016. Daai Consulting is owned as to 90% by Mr. Li and 10% by Ms. Yang, the spouse of Mr. Li. Upon completion and settlement of such equity transfer on July 15, 2016, Beijing Lianhe ceased to be a subsidiary of our Group. However, Huihuang Company was granted the option to acquire Beijing Lianhe, as and when appropriate, at the sole discretion of our Company. For further details, see "Relationship with our Controlling Shareholders" of this prospectus.

We completed all of the above disposals by August 18, 2016 and the consideration has been settled by August 23, 2016.

4. Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on July 8, 2016 with an authorized share capital of US$50,000 divided into 500,000,000 shares with par value of US$0.0001 each. On the same day, one Share was transferred to Aspire Education Group. Our Company is the listing vehicle.

5. Changes in the shareholding in Aspire Education Group

(i) Issuance of shares to Advance Vision

On June 22, 2016, Aspire Education Group issued 2,222 shares to Advance Vision. See "Pre-IPO Investments – Advance Vision" in this section for further details.

(ii) Issuance of shares to Aspire Education International

On July 14, 2016, Aspire Education Group issued 473 shares to Aspire Education International, primarily to reflect the capital increase by Chengxin Investment and Huihuang Investment in Yun Ai Group, which was completed on July 11, 2016. The shareholders of Aspire Education International include (i) all partners of Chengxin Investment and Huihuang Investment, being Mr. Li, 44 employees of our Group, the Principal of the Northeast School and another nine individuals and (ii) one other individual, Chan Tung Hoi (陳冬海), a friend of Mr. Li and an Independent Third Party, who invested in our Company directly through Aspire Education International for a consideration of equivalent of RMB3 million denominated in USD because he is a foreign resident. See "History of our School Sponsors – Current School Sponsors – (1) Yun Ai Group – investment by employees, the Principal of the Northeast School and other individuals" in this section for details.

(iii) Share transfer from Aspire Education Management to Aspire Education Worldwide

On July 14, 2016, Aspire Education Management, which is wholly owned by Mr. Li, transferred 573 shares to Aspire Education Worldwide, owned as to 99.995% by Ms. Wang and 0.005% by Mr. Zhao Shuai (趙帥), an executive Director, to reflect equity transfer in Yun Ai Group from Daai Partnership to Zhongyi Company, which is wholly owned by Mr. Li, to Zhongyi Company, wholly owned by Ms. Wang. See "History of our School Sponsors – Current School Sponsors – (1) Yun Ai Group – Transfer of equity interest from Daai Partnership to Zhongyi Company" in this section for further details.

(iv) Issuance of shares to Design Time

On July 15, 2016, Aspire Education Group issued 1,310 shares to Design Time. See "Pre-IPO Investments – Design Time" in this section for details.

(v) Issuance of shares to Gainful Asset

On July 15, 2016, Aspire Education Group issued 306 shares to Gainful Asset. See "Pre-IPO Investments – Gainful Asset" in this section for details.

6. Incorporation of California Academy

California Academy was incorporated as a company under the laws of the State of California on July 18, 2016 with 10,000 shares allotted and issued to Aspire Education Holding.

7. Acquisition of Haxuan Company

On July 29, 2016, Yun Ai Group acquired 73.91% equity interest in Haxuan Company from the then shareholders of Haxuan Company at an aggregate consideration of RMB261.865 million. See "History of our School Sponsors – Future School Sponsors – (1) Haxuan Company" in this section for further details.

8. Establishment of Huihuang Company

On August 5, 2016, Huihuang Company was established in the PRC as a wholly owned foreign enterprise with a registered capital of US$1 million, which was wholly owned by Aspire Education Holding. The registered capital has been fully paid up on October 18, 2016 with proceeds from a loan granted to us by CSI Finance Limited and China CITIC Bank International Limited. Huihuang Company is engaged in the provision of technical and management consultancy services to our PRC Operating Schools and School Sponsors.

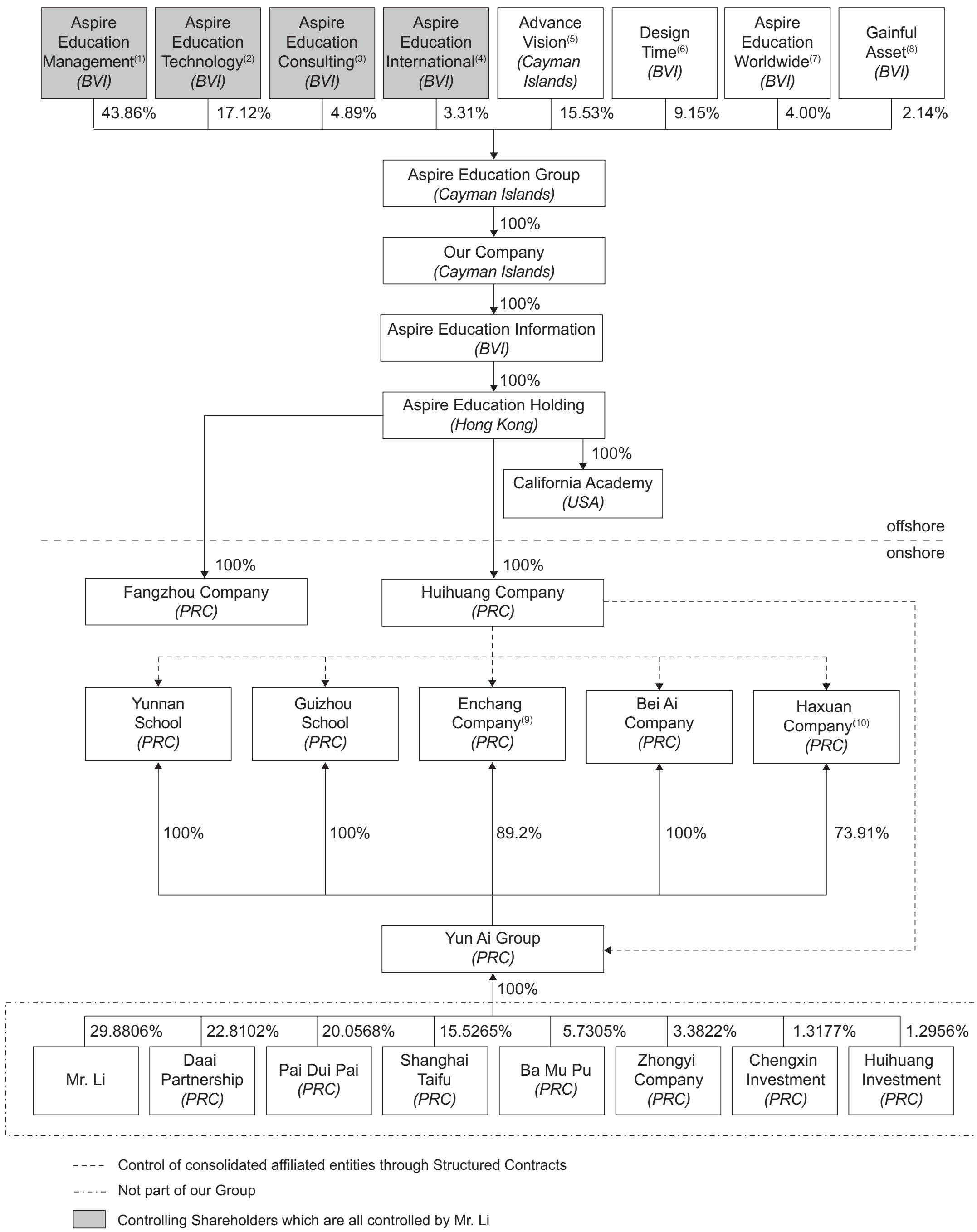
9. Transfer of shares in Aspire Education Information by Aspire Education Group to our Company

On September 6, 2016, Aspire Education Group entered into a sale and purchase agreement with our Company, pursuant to which our Company acquired all of the issued share capital in Aspire Education Information from Aspire Education Group. In consideration, our Company allotted and issued 14,310 Shares at nominal value to Aspire Education Group. Immediately after this transfer, our Company became wholly owned by Aspire Education Group and held all of the issued share capital in Aspire Education Information.

10. Entering into the Structured Contracts to control our PRC Consolidated Affiliated Entities by Huihuang Company

On September 8, 2016, Huihuang Company entered into various agreements that constitute the Structured Contracts with, among others, our PRC Consolidated Affiliated Entities, under which all economic benefits arising from the business of our PRC Consolidated Affiliated Entities are transferred to Huihuang Company by means of services fees payable by our PRC Consolidated Affiliated Entities to Huihuang Company.

The following chart sets out our shareholding structure after completion of the above steps of the Corporate Reorganization, the increase in Yun Ai Group's shareholding in Enchang Company from 68.0% to 89.2%, and the Pre-IPO Investments:



Notes:

(1) Aspire Education Management is wholly owned by Mr. Li.

(2) The shareholding of Aspire Education Technology is set forth as below:

Names	Relationship with Mr. Li	Shares in Aspire Education Technology	Percentage (%) of shareholding
Mr. Li	–	5,335 shares	53.35
Li Yaohong (李耀紅)	sister of Mr. Li	1,428 shares	14.28
Yang Xuwei (楊旭維)	sister-in-law of Mr. Li	1,423 shares	14.23
Huang Wei (黃煒)	friend and Independent Third Party	485 shares	4.85
Yang Xuyan (楊旭艷)	sister-in-law of Mr. Li	293 shares	2.93
Miao Qiongfen (繆瓊芬)	friend and Independent Third Party	274 shares	2.74
Liu Yun (劉雲)	friend and Independent Third Party	239 shares	2.39
Wang Yan (汪焰)	friend and Independent Third Party	130 shares	1.30
Jiang He (姜河)	friend and Independent Third Party	95 shares	0.95
Yuan Hao (袁蒿)	friend and Independent Third Party	95 shares	0.95
Yang Xufen (楊旭芬)	sister-in-law of Mr. Li	57 shares	0.57
Lv Xuerui (呂雪蕊)	friend and Independent Third Party	51 shares	0.51
Wu Shiyi (吳世義)	friend and Independent Third Party	48 shares	0.48
Fu Zigang (傅子剛)	friend and Independent Third Party	47 shares	0.47
Total:	–	10,000 shares	100.00

(3) The shareholding of Aspire Education Consulting is set forth as below:

Names	Relationship with Mr. Li	Shares in Aspire Education Consulting	Percentage (%) of shareholding
Mr. Li	–	15,839 shares	79.20
Yang Xuwei (楊旭維)	sister-in-law of Mr. Li	2,874 shares	14.37
Liu Fengming (劉風明)	our employee and Independent Third Party	703 shares	3.52
Pan Yi (潘毅)	our employee and Independent Third Party	196 shares	0.98
Qin Hongkang (秦宏康)	our employee and Independent Third Party	160 shares	0.80
Wang Lei (汪蕾)	friend and Independent Third Party	118 shares	0.59
Yang Junxiong (楊俊雄)	our employee and Independent Third Party	80 shares	0.40
Yao Li (姚莉)	our employee and Independent Third Party	30 shares	0.15
Total:	–	20,000 shares	100.00

(4) Aspire Education International is owned by (i) all the partners of Chengxin Investment and Huihuang Investment, being Mr. Li, 44 employees of our Group, the Principal of the Northeast School and 9 other individuals who are Independent Third Parties; and (ii) one other individual, Chan Tung Hoi (陳冬海), a friend of Mr. Li and an Independent Third Party, who invested in our Company directly through Aspire Education International. Each of the shareholders of Aspire Education International has authorized Mr. Li to exercise his or her voting rights in Aspire Education International while the economic interest of the shares of Aspire Education International shall belong to the said individuals.

(5) Advance Vision is beneficially owned by Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司), a joint-stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (stock code: 2318) and the Shanghai Stock Exchange (stock code: 601318).

(6) Design Time is beneficially owned by China Construction Bank Corporation (中國建設銀行股份有限公司), a listed issuer on both of the Stock Exchange (stock code: 939) and Shanghai Stock Exchange (stock code: 601939), an Independent Third Party.

(7) Aspire Education Worldwide is owned as to 99.995% by Ms. Wang, an Independent Third Party, and 0.005% by Mr. Zhao Shuai (趙帥), an executive Director.

(8) Gainful Asset is wholly owned by Mr. Chen, an Independent Third Party.

(9) 10.8% equity interest in Enchang Company is held by Jiang Mingxue (蔣明學).

(10) 26.09% equity interest in Haxuan Company is held by Ningde Company.

11. Repurchase by Aspire Education Group of its shares from its shareholders in consideration of our Shares

On September 7, 2016, Aspire Education Group, Aspire Education Management, Aspire Education Technology, Aspire Education Consulting, Aspire Education International, Advance Vision, Design Time, Gainful Asset and Aspire Education Worldwide entered into a conditional share repurchase agreement pursuant to which Aspire Education Group agreed to repurchase the number of shares set out below from each of the then shareholders of Aspire Education Group:

Shareholders	Number (%) of shares in Aspire Education Group to be repurchased
Aspire Education Management	6,276 (43.86%)
Aspire Education Technology	2,450 (17.12%)
Aspire Education Consulting	700 (4.89%)
Aspire Education International	473 (3.31%)
Advance Vision	2,222 (15.53%)
Design Time	1,310 (9.15%)
Gainful Asset	306 (2.14%)
Aspire Education Worldwide	573 (4.00%)
Total:	14,310 (100%)

In consideration of such repurchases, Aspire Education Group agreed to transfer to each of the above-mentioned shareholders the respective number of Shares of our Company set out below:

Shareholders	Number (%) of Shares in our Company
Aspire Education Management	6,277 (43.86%)
Aspire Education Technology	2,450 (17.12%)
Aspire Education Consulting	700 (4.89%)
Aspire Education International	473 (3.31%)
Advance Vision	2,222 (15.53%)
Design Time	1,310 (9.15%)
Gainful Asset	306 (2.14%)
Aspire Education Worldwide	573 (4.00%)
Total:	14,311 (100%)

Therefore, there is no change in the ultimate shareholders of our Group.

The above repurchases of the shares of Aspire Education Group are expected to be completed upon the Underwriting Agreements becoming unconditional and effective but before the Capitalization Issue and the Listing. Upon completion of the above share repurchases but before the Capitalization Issue and the Listing, the shareholding of our Company will be set forth as below:

Shareholders	Number (%) of Shares in our Company
Aspire Education Management	6,277 (43.86%)
Aspire Education Technology	2,450 (17.12%)
Aspire Education Consulting	700 (4.89%)
Aspire Education International	473 (3.31%)
Advance Vision	2,222 (15.53%)
Design Time	1,310 (9.15%)
Gainful Asset	306 (2.14%)
Aspire Education Worldwide	573 (4.00%)
Total:	14,311 (100%)

COMPLIANCE WITH PRC LAWS AND REGULATIONS

Our PRC legal advisors confirmed that the establishment or acquisition of our School Sponsors and PRC Operating Schools and their subsequent shareholding changes have complied with the relevant laws and regulations in all material respects.

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

PRE-IPO INVESTMENTS

Advance Vision

Advance Vision and Aspire Education Group, among other parties, entered into a subscription agreement on June 22, 2016 and a supplemental deed on July 29, 2016.

Background	Advance Vision is a limited liability company incorporated under the laws of the Cayman Islands on May 18, 2016 and is wholly owned by Shanghai Taifu. For details regarding the shareholding structure of Shanghai Taifu, see "Definitions" in this prospectus.
Date of share subscription agreement and supplemental deed	June 22, 2016 and July 29, 2016, respectively
Total consideration	The parties agreed that the consideration shall be deemed to be settled by the RMB200 million paid by Shanghai Taifu to Yun Ai Group, pursuant to two capital increase agreements dated December 16, 2015. For details regarding these capital increase agreements, see "History of our School Sponsors – Current School Sponsors – (1) Yun Ai Group – Investment by Shanghai Taifu" in this section.

Basis of consideration	The investment price was determined based on the price to earnings ratio and the net profit of our Group for the year ended December 31, 2015
Number of shares held by Advance Vision and cost per Share	Upon completion of the Pre-IPO Investments, Advance Vision held 2,222 shares in Aspire Education Group, representing approximately 15.53% of the then total issued share capital of Aspire Education Group. Upon the Listing, Advance Vision will hold 177,760,000 Shares, representing approximately 12.42% of the then total issued share capital of our Company (assuming the Over-allotment Option is not exercised). On such basis, upon the Listing, the effective cost per Share paid by Advance Vision is approximately RMB1.13 (equivalent to approximately HK$1.28), which represents a discount of approximately 50.0% to the low end of the stated Offer Price range of HK$2.56, and a discount of approximately 60.2% to the high end of the stated Offer Price range of HK$3.22.
Payment date of the consideration	March 31, 2016
Lock up	Six months after the Listing
Public float	The Shares held by Advance Vision will not be considered as part of the public float since Advance Vision will be one of our substantial shareholders upon the Listing and therefore a core connected person of our Company upon the Listing.

Design Time

Design Time and Aspire Education Group, among other parties, entered into a subscription agreement on July 15, 2016 and a supplemental deed on July 29, 2016.

Background	Design Time is a limited liability company incorporated under the laws of the BVI on October 18, 2010 and is beneficially owned by China Construction Bank Corporation (中國建設銀行股份有限公司), a listed issuer on both of the Stock Exchange (stock code: 939) and the Shanghai Stock Exchange (stock code: 601939).
Date of share subscription agreement and deed of amendment	July 15, 2016 and July 29, 2016, respectively
Total consideration	equivalent of RMB150 million, denominated in USD, being USD22,453,410

Basis of consideration	The investment price was determined based on the price to earnings ratio and the net profit of our Group for the year ended December 31, 2015
Number of shares held by Design Time and cost per Share	Upon completion of the Pre-IPO Investments, Design Time held 1,310 shares in Aspire Education Group, representing 9.15% of the then total issued share capital of Aspire Education Group. Upon the Listing, Design Time will hold 104,800,000 Shares, representing approximately 7.33% of the then total issued share capital of our Company (assuming the Over-allotment Option is not exercised). On such basis, upon the Listing, the effective cost per Share paid by Design Time is approximately RMB1.43 (equivalent to approximately HK$1.62), which represents a discount of approximately 36.7% to the low end of the stated Offer Price range of HK$2.56, and a discount of approximately 49.7% to the high end of the stated Offer Price range of HK$3.22.
Payment date of the consideration	July 27, 2016
Lock up	Six months after the Listing
Public float	Since Design Time will not be a core connected person of our Company upon the Listing and will not be accustomed to take instructions from a core connected person of our Company in relation to the acquisition, disposal, voting or other disposition of the Shares held by Design Time, nor has the acquisition of these Shares been financed directly or indirectly by any core connected person of our Company, the Shares held by Design Time will be considered as part of the public float.

Gainful Asset

Gainful Asset and Aspire Education Group, among others, entered into a subscription agreement on July 15, 2016 and a supplemental deed dated July 29, 2016.

Background	Gainful Asset is a limited liability company incorporated under the laws of the BVI on February 15, 2016 and is wholly owned by Mr. Chen, a friend of Mr. Li and an Independent Third Party.
Date of share subscription agreement and deed of amendment	July 15, 2016 and July 29, 2016, respectively
Total consideration	equivalent of RMB35 million denominated in USD, being USD5,232,341

Basis of consideration	the investment price was determined based on the price to earnings ratio and net profits of our Group for the year ended December 31, 2015
Number of shares held by Gainful Asset and cost per Share	Upon completion of the Pre-IPO Investments, Gainful Asset held 306 shares in Aspire Education Group, representing approximately 2.14% of the then total issued share capital of Aspire Education Group. Upon the Listing, Gainful Asset will hold 24,480,000 Shares, representing approximately 1.71% of the then total issued share capital of our Company (assuming the Over-allotment Option is not exercised). On such basis, upon the Listing, the effective cost per Share paid by Gainful Asset is approximately RMB1.43 (equivalent to approximately HK$1.62), which represents a discount of approximately 36.7% to the low end of the stated Offer Price range of HK$2.56, and a discount of approximately 49.7% to the high end of the stated Offer Price range of HK$3.22.
Payment date of the consideration	July 26, 2016
Lock up	Gainful Asset has not entered into lock-up arrangement with our Company, the Sole Sponsor or the Underwriters
Public float	Since Gainful Asset will not be a core connected person of our Company upon the Listing and will not be accustomed to take instructions from a core connected person of our Company in relation to the acquisition, disposal, voting or other disposition of the Shares held by Gainful Asset, nor has the acquisition of these Shares been financed directly or indirectly by any core connected person of our Company, the Shares held by Gainful Asset will be considered as part of the public float.

Aspire Education International

On July 14, 2016, Aspire Education Group issued 473 shares to Aspire Education International primarily to reflect the capital increase by Chengxin Investment and Huihuang Investment in Aspire Education Group.

Background	Aspire Education International is a limited liability company incorporated under the laws of the BVI on May 6, 2016 and is owned by (i) all partners of Chengxin Investment and Huihuang Investment, being Mr. Li, 44 employees of our Group, the Principal of the Northeast School and an other nine individuals who are Independent Third Parties; and (ii) one other individual, Chan Tung Hoi (陳冬海), a friend of Mr. Li and an Independent Third Party, who invested in our Company directly through Aspire Education International.
Date of share subscription agreement	July 15, 2016
Total consideration	On July 1, 2016, Huihuang Investment and Chengxin Investment entered into a capital increase agreement to invest approximately RMB25.37 million and RMB25.80 million in Yun Ai Group. On July 14, 2016, Aspire Education Group issued 473 shares to Aspire Education International to reflect such capital increase by Chengxin Investment and Huihuang Investment in Aspire Education Group. The shareholders of Aspire Education International include all of the limited partners of Chengxin Investment and Huihuang Investment and Chan Tung Hoi (陳冬海) who invested in our Company through Aspire Education International directly for an additional consideration of RMB3 million.
Basis of consideration	The investment price was determined based on the price to earnings ratio and net profits of our Group for the year ended December 31, 2015
Number of shares held by Aspire Education International and cost per Share	Upon the completion of the Pre-IPO Investments, Aspire Education International held 473 shares in Aspire Education Group, representing approximately 3.31% of the then total issued share capital of Aspire Education Group. Upon the Listing, Aspire Education International will hold 31,840,000 Shares, representing approximately 2.64% of the total issued share capital of our Company (assuming the Over-allotment Option is not exercised). On such basis, at the time of Listing, the effective cost per Share paid by Aspire Education International is approximately RMB1.70 (equivalent to approximately HK$1.92), which represents a discount of approximately 25.0% to the low end of the stated Offer Price range of HK$2.56, and a discount of approximately 40.4% to the high end of the stated Offer Price range of HK$3.22.

Payment date of the consideration	July 22, 2016
Lock up	twelve months after the Listing
Public float	Since all the shareholders of Aspire Education International assigned their voting rights in Aspire Education International to Mr. Li, Aspire Education International is deemed to be controlled by Mr. Li. Aspire Education International will be a Controlling Shareholder of our Group upon the Listing, and accordingly the Shares held by Aspire Education International will not be considered as part of the public float.

Aspire Education Worldwide

On July 15, 2016, Aspire Education Management entered into a share transfer agreement with Aspire Education Worldwide pursuant to which Aspire Education Management agreed to transfer 573 shares it held in Aspire Education Group to Aspire Education Worldwide to reflect the onshore equity transfer in Yun Ai Group from Daai Partnership to Zhongyi Company.

Background	Aspire Education Worldwide is a limited liability company incorporated under the laws of the BVI on May 27, 2016 and is owned as to 99.995% by Ms. Wang, a friend of Mr. Li and an Independent Third Party, and 0.005% by Mr. Zhao Shuai (趙帥), an executive Director.
Date of share subscription agreement	July 15, 2016
Total consideration	On July 13, 2016 and July 14, 2016, Daai Partnership and Zhongyi Company entered into equity transfer agreements pursuant to which Daai Partnership agreed to transfer 4.0039% equity interest in Yun Ai Group to Zhongyi Company for a consideration of approximately RMB65.63 million. On July 14, 2016, Aspire Education Management transferred 573 shares to Aspire Education Worldwide, the beneficial owner of which is the same as that of Zhongyi Company to reflect the transfer of equity in Yun Ai Group from Daai Partnership to Zhongyi Company.
Basis of consideration	The investment price was determined based on the price to earnings ratio and net profits of our Group for the year ended December 31, 2015

Number of shares held by Aspire Education Worldwide and cost per Share	Upon completion of the Pre-IPO Investments, Aspire Education Worldwide held 573 shares in Aspire Education Group, representing 4.00% of the then total issued share capital of Aspire Education Group. Upon the Listing, Aspire Education Worldwide will hold 45,840,000 Shares, representing approximately 3.20% of the then total issued share capital of our Company (assuming the Over-allotment Option is not exercised). On such basis, at the time of Listing, the effective cost per Share paid by Aspire Education Worldwide is approximately RMB1.43 (equivalent to approximately HK$1.62), which represents a discount of approximately 36.7% to the low end of the stated Offer Price range of HK2.56, and a discount of approximately 49.7% to the high end of the stated Offer Price range of HK$3.22.
Payment date of the consideration	July 21, 2016
Lock up	Aspire Education Worldwide has not entered into lock-up arrangement with our Company, the Sole Sponsor or the Underwriters
Public float	Since Aspire Education Worldwide will not be a core connected person of our Company upon the Listing and will not be accustomed to take instructions from a core connected person of our Company in relation to the acquisition, disposal, voting or other disposition of the Shares held by Aspire Education Worldwide, nor has the acquisition of these Shares been financed directly or indirectly by any core connected person of our Company, the Shares held by Aspire Education Worldwide will be considered as part of the public float.

Special Rights

In connection with the Pre-IPO Investments, on July 29, 2016, our Controlling Shareholders, Advance Vision, Design Time, Gainful Asset, Aspire Education International and Aspire Education Worldwide entered into the Shareholders' Agreement in relation to Aspire Education Group, pursuant to which Advance Vision, Design Time and Gainful Asset were granted certain special rights as set out below. No special rights were granted to Aspire Education International and Aspire Education Worldwide. All these special rights shall be terminated upon the Listing.

	Advance Vision	Design Time	Gainful Asset
Anti-dilution Right	If our Company intends to issue any new shares or any other securities, the pre-money valuation of such issue of our Company shall be: (1) no less than 12 times of the net profits of our Company for the year of such issue; and (2) higher than 12 times of the net profits of our Company for the year ended December 31, 2015. Otherwise, Advance Vision has the right to veto such issue and our Company is not allowed to conduct such issue, except where such issue is conducted for the purpose of: (1) granting shares to the management; (2) exercising existing options or purchasing rights; (3) an initial public offering; or (4) share split, bonus issue, capitalization issue or any other similar arrangements.	If our Company intends to issue new shares to the existing shareholders not in proportion to their respective shareholding or to issue new shares or any other securities which can be converted to shares to any third party, we shall obtain the prior written consent of Design Time, except where: (1) such issue is conducted for the purpose of the employee incentive plan of our Group, and the purchase price for a single share to be paid by the employees shall be the same as the subscription price for a single share paid by Design Time and the total number of shares to be issued shall be not more than 5% of the equity interest of our Company after such issue; (2) the pre-money valuation of such issue of our Company shall be not less than 12 times of (a) the valuation of our Company at the subscription by Design Time and (b) the audited net profits of our Company for the year of such issue; or (3) an initial public offering or any issue thereafter.	N/A
Director Nomination Right	Advance Vision has the right to appoint one Director of our Company.	As long as Design Time holds not less than 5% of the equity interest of our Company, Design Time has the right to appoint one Director of our Company.	N/A

	Advance Vision	Design Time	Gainful Asset
Veto Right	Aspire Education Group should not take the following actions, without the prior written consent of Advance Vision and the Director nominated by Advance Vision: (1) amend the constitutional documents of any member of our Group; (2) change the school sponsor interest, equity interest, authorized share capital, registered capital or shareholding structure of any member of our Group; (3) change the nature of business of any member of our Group; (4) make an investment or acquisition (other than for the main business of our Group) with any amount exceeding RMB5 million on a single basis or RMB10 million on an accumulated basis in a full financial year; (5) conduct any event (other than the advances of tuition and miscellaneous fees) which may cause the debt ratio of our Company/our Group exceeding 65%; (6) sell more than 31.82% of the Shares of our Company by Aspire Education Management, Aspire Education Technology and/or Aspire Education Consulting or conduct any event which may, directly or indirectly, lead to Mr. Li's ultimate beneficial interest in our Company being less than 51%; (7) provide any guarantee for any third party, or create a guarantee or pledge on any equity interest/sponsor's interest of any member of our Group;	Aspire Education Group should not take the following actions, without the prior written consent of Design Time and the Director nominated by Design Time as long as Design Time holds not less than 5% of the equity interest of our Company: (1) amend the constitutional documents of any member of our Group; (2) result in winding up, liquidation or dissolution or any similar insolvency or bankruptcy proceeding of our Group; (3) start or acquire any new business other than the current main business of our Group; (4) make an investment, sale, lease, transfer or dispose (other than for the main business of our Group) with any amount exceeding US$4 million on a single basis or US$6 million on an accumulated basis in a full financial year; (5) conduct any event (other than the advances of tuition and miscellaneous fees and events incurred in the budget plan and day-to-day business operation) which may cause the debt ratio of our Company/our Group to exceed 70%; (6) change the accounting year, auditors or accounting policies of any member of our Group; (7) make loans, credits, guarantees or financial assistance to any third party (other than for the day-to-day business operation) of any amount exceeding US$1 million on a single basis or US$2 million on an accumulated basis in a full financial year;	N/A

	Advance Vision	Design Time	Gainful Asset
	(8) issue bonds by our Company, Fangzhou Company, or Yun Ai Group; (9) change of auditor, annual profit distribution plans and loss recovery plans; (10) result in merger, split, dissolution, restructuring or change of organizational form of any member of our Group; (11) sale of shares by Aspire Education Management, Aspire Education Technology and/or Aspire Education Consulting to any third party for a pre-money valuation less than 12 times of the net profits of our Group for the year of such sale or not higher than 12 times of the net profits of our Group for the year ended December 31, 2015; (12) enter into connected transactions; (13) initial public offering; or (14) change the Structured Contracts.	(8) create any guarantee, pledge, lien or other encumbrances on the assets of the member of our Group (other than for the day-to-day business operation); (9) enter into any cooperation agreement (other than for the day-to-day business operation) with any third party with a transaction amount exceeding US$5 million; (10) result in acquisition, merger or reorganization of any member of our Group (other than for the day-to-day business operation); or (11) sell or dispose of any trademark, intellectual properties or other intangible assets (other than for the day-to-day business).	
Information Right	Advance Vision is entitled to receive, amongst others, our monthly, quarterly and annual financial and accounting information, annual budget forecast, notices in relation to material litigation, and information in relation to the Global Offering.	Design Time is entitled to receive, amongst others, our monthly, quarterly and annual financial and accounting information, annual budget forecast, notices in relation to material litigation, and information in relation to the Global Offering.	N/A
Dividends	Advance Vision is entitled to an annual dividend, to be settled in cash, the distribution basis of which shall not be less than 30% of the net profits of our Group for the respective financial year.	Design Time is entitled to an annual dividend to be settled in cash, the distribution basis of which shall not be less than 30% of the net profits of our Group for the respective financial year.	N/A

	Advance Vision	Design Time	Gainful Asset
Liquidation Compensation	Upon occurrence of any liquidation event of our Company and on the condition that the remaining assets value allocated to Advance Vision is less than the total investment return amount (as calculated based on the below formula), Advance Vision is entitled to require Mr. Li and Aspire Education Management to compensate such gap between the remaining assets value allocated to Advance Vision and the total investment return amount. If the remaining assets value allocated to Advance Vision is more than the total investment return amount, Advance Vision is not entitled to that gap. Total investment return amount = RMB200 million * (1 + period commencing on the payment date of the subscription price and ending on the allocation date of the remaining assets (dates) * 14%/365) – accumulated dividends obtained throughout the period	N/A	N/A

	Advance Vision	**Design Time**	**Gainful Asset**
Performance Target Undertaking	If the net profits of our Company for the three years ended December 31, 2015, 2016 and 2017 do not meet the performance targets of RMB85 million, RMB105 million and RMB143 million, respectively, Advance Vision is entitled to require Mr. Li and Aspire Education Management to pay Advance Vision cash compensation as calculated based on the below formulas: 2015 cash compensation = (RMB85 million – actual net profits of our Company for the year ended December 31, 2015) * 12.94 * 18.18% * (1+20%) * period commencing on March 31, 2016 and ending on the payment date of such cash compensation (dates)/365 *Such performance target undertaking for the year of 2015 was not triggered since the Group recorded a net profit of approximately RMB103,821,000 for the year ended December 31, 2015.* 2016 cash compensation = (RMB105 million – actual net profits of our Company for the year ended December 31, 2016) * 12.94 * 18.18% * (1+20%) – 2015 cash compensation *Such performance target undertaking for the year of 2016 was not triggered since the Group recorded an adjusted net profit (as defined in the relevant Pre-IPO Agreements) (excluding the effects of the non-controlling interest) of approximately RMB112 million for the year ended December 31, 2016.* 2017 cash compensation = (RMB143 million – actual net profits of our Company for the year ended December 31, 2017) * 12.94 * 18.18% * (1+20%) – 2015 cash compensation – 2016 cash compensation	If the net profits of our Company for the three years ended December 31, 2015, 2016 and 2017 do not meet the performance targets of RMB100 million, RMB130 million and RMB169 million, respectively, Design Time is entitled to require Mr. Li and Aspire Education Management or their designated entities to pay Design Time cash compensation as calculated based on the below formulas: 2015 cash compensation = [(1 – actual net profits of our Company for the year ended December 31, 2015/RMB100 million) * RMB150 million] *Such performance target undertaking for the year of 2015 was not triggered since the Group recorded a net profit of approximately RMB103,821,000 for the year ended December 31, 2015.* 2016 cash compensation = [(1 – actual net profits of our Company for the year ended December 31, 2016/RMB130 million) * RMB150 million] – 2015 cash compensation *Such performance target undertaking for the year of 2016 was not triggered since the Group recorded an adjusted net profit (as defined in the relevant Pre-IPO Agreements) (excluding the effects of listing expenses, foreign exchange costs and the non-controlling interest) of approximately RMB140 million for the year ended December 31, 2016.* 2017 cash compensation = [(1 – actual net profits of our Company for the year ended December 31, 2017/RMB169 million) * RMB150 million] – 2015 cash compensation – 2016 cash compensation	If the net profits of our Company for the three years ended December 31, 2015, 2016 and 2017 do not meet the performance targets of RMB100 million, RMB130 million and RMB169 million, respectively, Gainful Asset is entitled to require Mr. Li and Aspire Education Management or their designated entities to pay Gainful Asset cash compensation as calculated based on the below formulas: 2015 cash compensation = [(1 – actual net profits of our Company for the year ended December 31, 2015/RMB100 million) * RMB35 million] *Such performance target undertaking for the year of 2015 was not triggered since the Group recorded a net profit of approximately RMB103,821,000 for the year ended December 31, 2015.* 2016 cash compensation = [(1 – actual net profits of our Company for the year ended December 31, 2016/RMB130 million) * RMB35 million] – 2015 cash compensation *Such performance target undertaking for the year of 2016 was not triggered since the Group recorded an adjusted net profit (as defined in the relevant Pre-IPO Agreements) (excluding the effects of listing expenses, foreign exchange costs and the non-controlling interest) of approximately RMB140 million for the year ended December 31, 2016.* 2017 cash compensation = [(1 – actual net profits of our Company for the year ended December 31, 2017/RMB169 million) * RMB35 million] – 2015 cash compensation – 2016 cash compensation

	Advance Vision	Design Time	Gainful Asset
Redemption Right	If our Group fails to consummate an initial public offering by December 31, 2020, Advance Vision is entitled to require Mr. Li or Aspire Education Management to redeem all or part of the Shares in our Company held by Advance Vision by issuing a redemption notice within 12 months following December 31, 2020. The redemption price shall be paid within 180 days from the date of receipt of such notice and is calculated based on the below formula: Redemption Price = RMB200 million * (1 + subscription period (dates) * 14%/365) – accumulated dividends obtained throughout the subscription period Notwithstanding the aforesaid, if prior to December 31, 2020, (a) the initial public offering is rejected by the Exchange and our Group did not take any remedial action within 6 months, and Aspire Education Group confirms in writing that the initial public offering will not proceed or (b) Aspire Education Group confirms in writing that the initial public offering will not proceed, the redemption notice period commences from the date when Aspire Education Group issues such written notice.	If our Group fails to consummate an initial public offering by June 30, 2018, Design Time is entitled to require Mr. Li or his designated entities to redeem all or part of the Shares in our Company held by Design Time after June 30, 2018 at the redemption price calculated based on the below formula: Redemption Price = RMB150 million * (1 + subscription period (dates) * 11%/365) * (total Shares to be redeemed/total Shares purchased by Design Time) – accumulated dividends and cash compensation obtained throughout the subscription period	If our Group fails to consummate an initial public offering by June 30, 2018, Gainful Asset is entitled to require Mr. Li or his designated entities to redeem all or part of the Shares in our Company held by Gainful Asset after June 30, 2018 at the redemption price calculated based on the below formula: Redemption Price = RMB150 million * (1 + subscription period (dates) * 11%/365) * (total Shares to be redeemed/total Shares purchased by Gainful Asset) – accumulated dividends and cash compensation obtained throughout the subscription period
Other special rights	Advance Vision is also entitled to other customary special rights, including the pre-emptive right, right of first refusal, right of co-sale.	Design Time is also entitled to other customary special rights, including the pre-emptive right, right of first refusal, right of co-sale.	Gainful Asset is also entitled to other customary special rights, including the right of first refusal and right of co-sale

Strategic benefits of the Pre-IPO investments

Our Directors are of the view that our Group can benefit from the Pre-IPO Investments as they provided financial resources for our business development and they serve as an endorsement of our Group's performance, strength and prospects.

Use of Proceeds from the Pre-IPO Investments

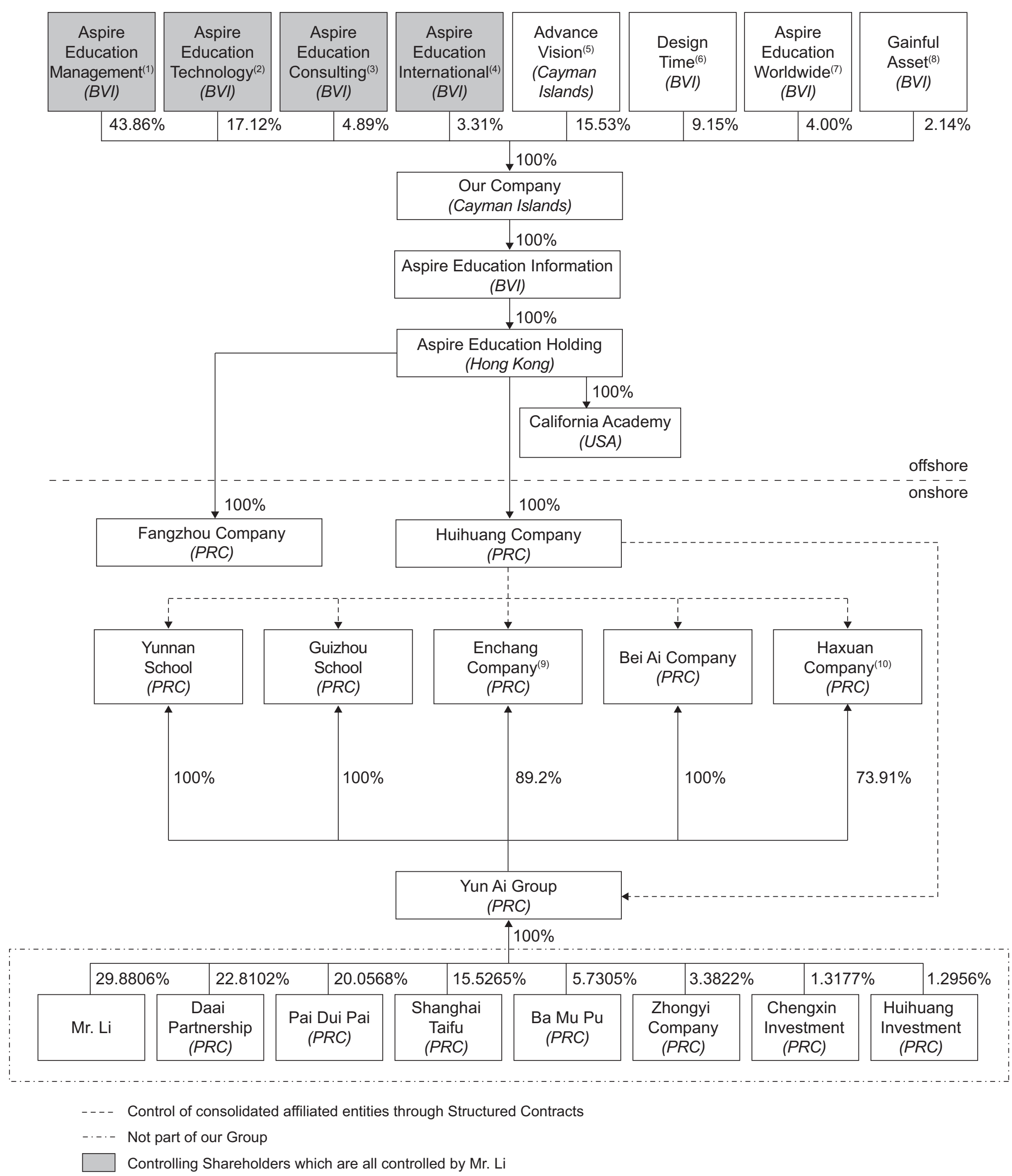
Our Company had applied the proceeds from the Pre-IPO Investments to invest in the Northeast School and invest to establish the new campus of the Central China School and as general working capital. As of the Latest Practicable Date, an aggregate of approximately RMB316.2 million of the proceeds has been utilized for part of the payment of the acquisition consideration for the Northeast School and the construction of the new campus of the Central China School.

Confirmation from the Sole Sponsor

The Sole Sponsor has confirmed that the investments of the Pre-IPO Investors are in compliance with the Interim Guidance on Pre-IPO Investments (HKEX-GL29-12), Guidance on Pre-IPO Investments (HKEX-GL43-12) and Guidance on Pre-IPO investments in convertible instruments (HKEX-GL44-12) issued by the Stock Exchange.

GROUP STRUCTURE UPON THE CORPORATE REORGANIZATION

The following chart sets forth our corporate structure immediately after the Corporate Reorganization, the increase in Yun Ai Group's shareholding in Enchang Company from 68% to 89.2%, and Pre-IPO Investments and immediately prior to the Listing:



Notes:

(1) Aspire Education Management is wholly owned by Mr. Li.

(2) The shareholding of Aspire Education Technology is set forth as below:

Names	Relationship with Mr. Li	Shares in Aspire Education Technology	Percentage (%) of shareholding
Mr. Li	–	5,335 shares	53.35
Li Yaohong (李耀紅)	sister of Mr. Li	1,428 shares	14.28
Yang Xuwei (楊旭維)	sister-in-law of Mr. Li	1,423 shares	14.23
Huang Wei (黃煒)	friend of Mr. Li and Independent Third Party	485 shares	4.85
Yang Xuyan (楊旭艷)	sister-in-law of Mr. Li	293 shares	2.93
Miao Qiongfen (繆瓊芬)	friend of Mr. Li and Independent Third Party	274 shares	2.74
Liu Yun (劉雲)	friend of Mr. Li and Independent Third Party	239 shares	2.39
Wang Yan (汪焰)	friend of Mr. Li and Independent Third Party	130 shares	1.30
Jiang He (姜河)	friend of Mr. Li and Independent Third Party	95 shares	0.95
Yuan Hao (袁蒿)	friend of Mr. Li and Independent Third Party	95 shares	0.95
Yang Xufen (楊旭芬)	sister-in-law of Mr. Li	57 shares	0.57
Lv Xuerui (呂雪蕊)	friend of Mr. Li and Independent Third Party	51 shares	0.51
Wu Shiyi (吳世義)	friend of Mr. Li and Independent Third Party	48 shares	0.48
Fu Zigang (傅子剛)	friend of Mr. Li and Independent Third Party	47 shares	0.47
Total:	–	10,000 shares	100.00

(3) The shareholding of Aspire Education Consulting is set forth as below:

Names	Relationship with Mr. Li	Shares in Aspire Education Consulting	Percentage (%) of shareholding
Mr. Li	–	15,839 shares	79.20
Yang Xuwei (楊旭維)	sister-in-law of Mr. Li	2,874 shares	14.37
Liu Fengming (劉風明)	our employee and Independent Third Party	703 shares	3.52
Pan Yi (潘毅)	our employee and Independent Third Party	196 shares	0.98
Qin Hongkang (秦宏康)	our employee and Independent Third Party	160 shares	0.80
Wang Lei (汪蕾)	friend of Mr. Li and Independent Third Party	118 shares	0.59
Yang Junxiong (楊俊雄)	our employee and Independent Third Party	80 shares	0.40
Yao Li (姚莉)	our employee and Independent Third Party	30 shares	0.15
Total:	–	20,000 shares	100.00

(4) Aspire Education International is owned by (i) all the partners of Chengxin Investment and Huihuang Investment, being Mr. Li, 44 employees of our Group, the Principal of the Northeast School and 9 other individuals who are Independent Third Parties; and (ii) one other individual, Chan Tung Hoi (陳冬海), a friend of Mr. Li and an Independent Third Party, who invested in our Company directly through Aspire Education International. Each of the shareholders of Aspire Education International has authorized Mr. Li to exercise his or her voting rights in Aspire Education International while the economic interest of the shares of Aspire Education International shall belong to the said individuals.

(5) Advance Vision is beneficially owned by Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司), a joint-stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (stock code: 2318) and the Shanghai Stock Exchange (stock code: 601318).

(6) Design Time is beneficially owned by China Construction Bank Corporation (中國建設銀行股份有限公司), a listed issuer on both of the Stock Exchange (stock code: 939) and Shanghai Stock Exchange (stock code: 601939), an Independent Third Party.

(7) Aspire Education Worldwide is owned as to 99.995% by Ms. Wang, an Independent Third Party, and 0.005% by Mr. Zhao Shuai (趙帥), an executive Director.

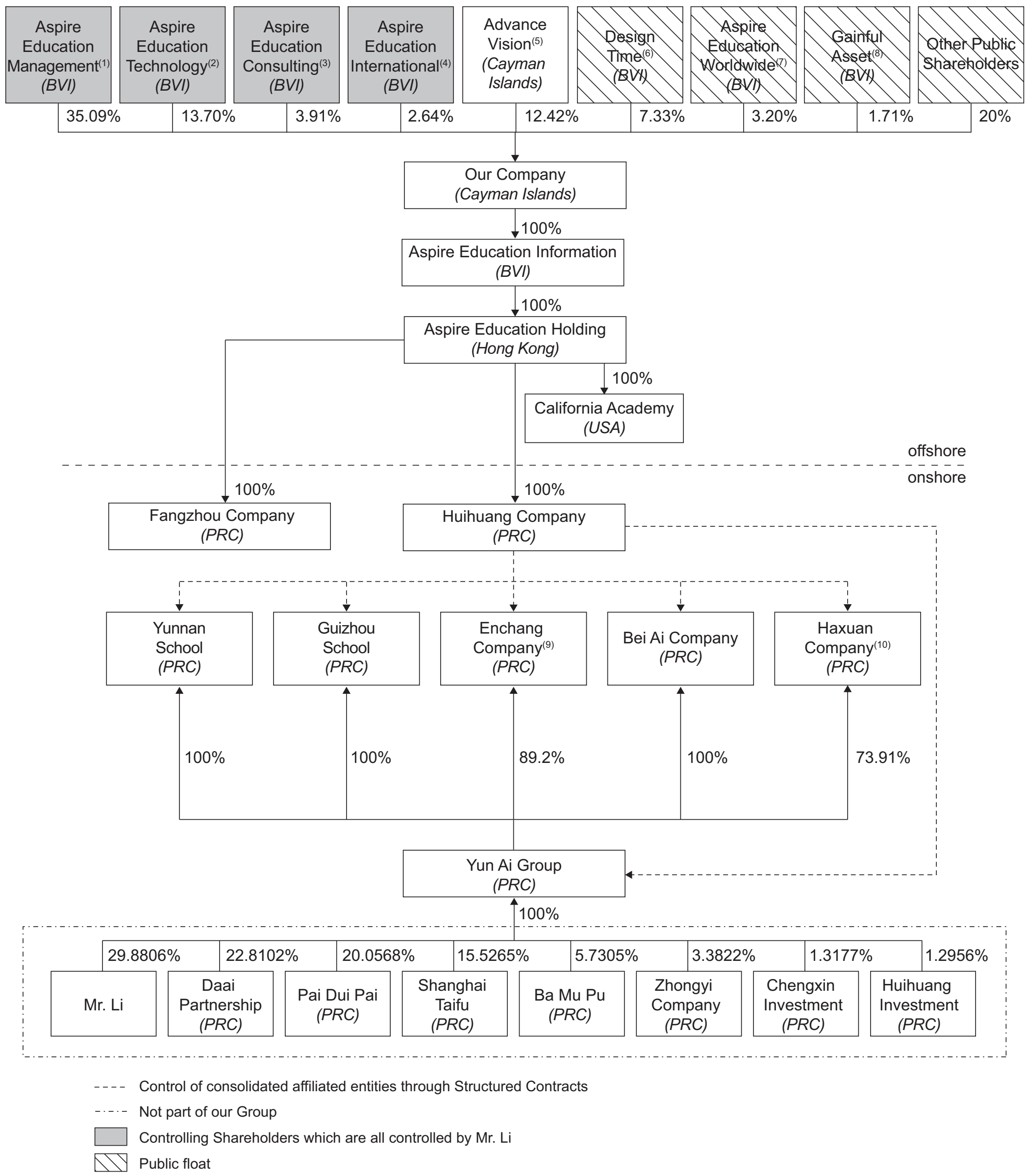
(8) Gainful Asset is wholly owned by Mr. Chen, an Independent Third Party.

(9) 10.8% equity interest in Enchang Company is held by Jiang Mingxue (蔣明學).

(10) 26.09% equity interest in Haxuan Company is held by Ningde Company.

GROUP STRUCTURE UPON THE LISTING

The following chart sets forth our corporate structure upon the Listing (assuming the Over-allotment Option is not exercised[(1)]):



Notes:

(1) Aspire Education Management is wholly owned by Mr. Li.

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Liu Yun (劉雲)	friend of Mr. Li and Independent Third Party	239 shares	2.39
Wang Yan (汪焰)	friend of Mr. Li and Independent Third Party	130 shares	1.30
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Wu Shiyi (吳世義)	friend of Mr. Li and Independent Third Party	48 shares	0.48
Fu Zigang (傅子剛)	friend of Mr. Li and Independent Third Party	47 shares	0.47
Total:	–	10,000 shares	100.00

(3) The shareholding of Aspire Education Consulting is set forth as below:

Names	Relationship with Mr. Li	Shares in Aspire Education Consulting	Percentage (%) of shareholding
Mr. Li	–	15,839 shares	79.20
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Total:	–	20,000 shares	100.00

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(5) Advance Vision is beneficially owned by Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司), a joint-stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (stock code: 2318) and the Shanghai Stock Exchange (stock code: 601318).

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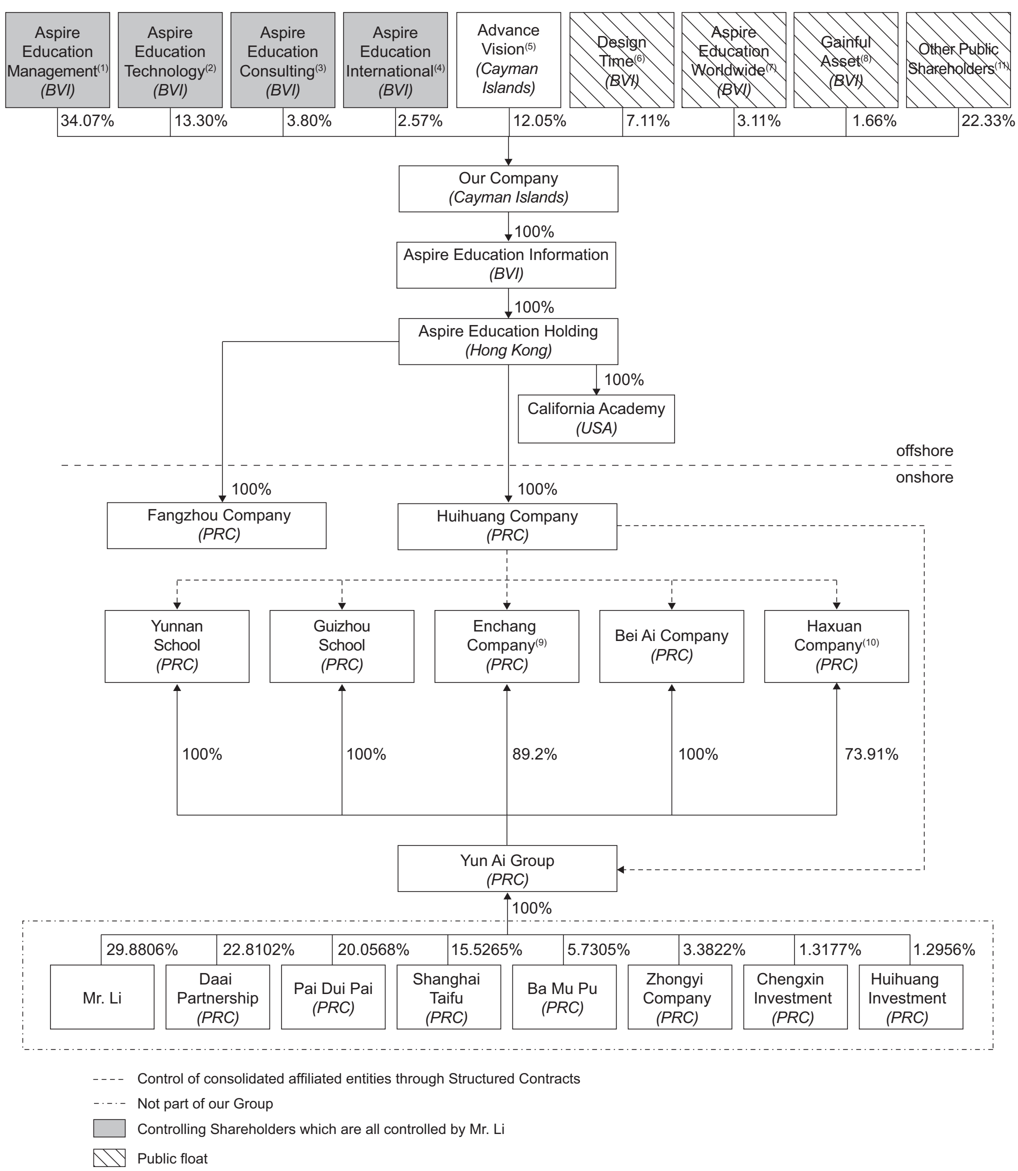
(9) 10.8% equity interest in Enchang Company is owned by Jiang Mingxue (蔣明學).

(10) 26.09% equity interest in Haxuan Company is held by Ningde Company.

(11) Aspire Education Worldwide, Design Time and Gainful Asset will be treated as members of the public.

The following chart sets forth our corporate structure upon the Listing assuming the Over-allotment Option is exercised in full:



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Total:	–	20,000 shares	100.00

(4) Aspire Education International is owned by (i) all the partners of Chengxin Investment and Huihuang Investment, being Mr. Li, 44 employees of our Group, the Principal of the Northeast School and 9 other individuals who are Independent Third Parties; and (ii) one other individual, Chan Tung Hoi (陳冬海), a friend of Mr. Li and an Independent Third Party, who invested in our Company directly through Aspire Education International. Each of the shareholders of Aspire Education International has authorized Mr. Li to exercise his or her voting rights in Aspire Education International while the economic interest of the shares of Aspire Education International shall belong to the said individuals.

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(11) Aspire Education Worldwide, Design Time and Gainful Asset will be treated as members of the public.

SCHOOLS TO BE ESTABLISHED OR INVESTED IN

Northeast School

The Northeast School is a private institution of formal higher education. It was established as an independent institute in 2004. The school sponsor of the Northeast School does not require reasonable returns according to its articles of association.

Immediately prior to our investment in the Northeast School, the school sponsors of the Northeast School are individuals who are not connected with our Company, including the Principal of the Northeast School. On January 6, 2016, we entered into a cooperation agreement with the current school sponsors, pursuant to which, among others, our Group should pay RMB381.9 million, as the total amount for the cooperation. To implement the cooperation agreement, on April 20, 2016, Haxuan Company entered into an agreement with the current school sponsors of the Northeast School, pursuant to which Haxuan Company agreed to acquire the entire school sponsor's interest of the Northeast School. As of the Latest Practicable Date, the relevant application to transfer the school sponsor's interest from the current school sponsors of the Northeast School to Haxuan Company is pending the final approval of the MOE and registration with the provincial civil affairs authorities. Upon completion, the Northeast School's results of operations will be consolidated into our Group's results of operations following the execution of the structured contracts, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects.

On August 23, 2016, the Northeast School and Huihuang Company entered into an exclusive technical service and education consultancy service agreement, which has taken effect on September 1, 2016. Pursuant to this agreement, Huihuang Company agrees to provide technology and management consulting services to the Northeast School prior to the MOE's final approval of the transfer of the school sponsor's interest from the current school sponsors of the Northeast School to Haxuan Company. The parties have agreed that Huihuang Company will provide technology and management consulting services to the Northeast School and, in return, the Northeast School will pay 73.91% of its surplus from operations on a monthly basis to Huihuang Company as service fees during the term of the exclusive technical service and education consultancy service agreement. The Northeast School is expected to enter into the structured contracts, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects, with Huihuang Company, our wholly owned subsidiary, as soon as practicable after the MOE grants its approval for the transfer of the school sponsor's interest to Haxuan Company, and the exclusive technical service and education consultancy service agreement is expected to terminate automatically upon the approval and registration of change of school sponsor's interest and the execution of the structured contracts. Following the execution of the structured contracts, the Northeast School will become an entity controlled by us and its results of operations will be consolidated into our Group's results of operations.

New Campus at Central China School

The Central China School is a public institution of higher education established in 2003. The school sponsor of Central China School requires reasonable returns according to its articles of association. Minzu College is currently the school sponsor of the Central China School and it is a state-owned university of formal higher education.

On April 28, 2014, Minzu College entered into the Central China School Cooperation Agreement with Enhao Company, an Independent Third Party, pursuant to which Enhao Company would apply to be a joint school sponsor of the Central China School and make investments to establish a new campus at a new location. Pursuant to the terms of the said agreement, Minzu College shall contribute intangible assets comprising its school name, and Enhao Company shall contribute the required funding and land use rights for the construction of the new campus.

Enhao Company entered into a transfer agreement to transfer its rights and obligations under the Central China School Cooperation Agreement to Guo Hui (郭輝) on August 4, 2015. On August 26, 2015, Enhao Company, Guo Hui (郭輝) and Enchang Company, after arm's length negotiation, entered into the Central China School School Sponsor Interest Transfer Agreement, pursuant to which Enhao Company and Guo Hui (郭輝) agreed to transfer their rights and obligations under the Central China School Cooperation Agreement to Enchang Company.

Beginning in August 2015, we have made advances to the Central China School to fund the construction of the new campus, which has been put into use from August 31, 2016. On August 5, 2016, Enchang Company entered into an agreement with Minzu College which contains the same terms and conditions as the Central China School Cooperation Agreement. Under this agreement, Enchang Company is entitled to the financial results relating to students admitted after the establishment of the new campus, and Minzu College is only entitled to a fixed fee in the amount of 5% of the tuition fees generated from such new students. At the same time, Minzu College alone is entitled to all financial results relating to all students admitted to the Central China School prior to the establishment of the new campus. Enchang Company has no rights to such financial results of such students and according to the Central China School Cooperation Agreement, has no responsibility for any liabilities in this regard. In addition, we have agreed with Minzu College that neither party may engage in any civil action in the name of the Central China School without the other party's prior consent. We have the right to nominate four among the nine directors on the board of the Central China School and the chairman of the board of the Central China School shall be appointed by us. Separate financial accounts will be maintained for business operations relating to the students admitted to the Central China School prior to and after the establishment of the new campus. Upon the establishment of the new campus, the existing staff employed by the Central China School shall remain unchanged and will be managed under the administrative regime of the the Central China School, while the existing staff of the Central China School appointed by Minzu College shall, upon the negotiation between Minzu College and Enchang Company, be able to remain as an appointee, transfer back to Minzu College or become employed by the Central China School. As of the Latest Practicable Date, the Central China School has filed an application with the MOE to change the school sponsorship of the Central China School and add Enchang Company as a joint school sponsor. Upon completion, Enchang Company will become a joint school sponsor of the Central China School and the results attributable to students admitted after the completion of the new campus will be included in our results of operation.

Northwest School

In August 2014, Bei Ai Company and Gaolan County People's Government* (皋蘭縣人民政府) entered into an investment agreement, pursuant to which Bei Ai Company agreed to invest and establish a new school for vocational higher education in Lanzhou, Gansu Province. Bei Ai Company, as the proposed school sponsor of the Northwest School, has applied for and obtained from the Education Department of Gansu Province* (甘肅省教育廳) the approval for the preparation for the construction of the Northwest School. As at the Latest Practicable Date, we have settled RMB5 million as the guarantee for the establishment of the Northwest School. It is expected that the Northwest School will be officially established after the Listing and our Group intends to apply part of the listing proceeds to the construction of the Northwest School. See "Future Plans and Use of Proceeds" in this prospectus.

California School

With a view to building our presence overseas and creating synergies with our schools in China, we also plan to expand our network abroad by establishing a degree-granting higher education institution in the State of California. We have engaged an agent who has experience in post-secondary education as our consultant to assist us in establishing a company in the State of California, and filing applications with the BPPE regarding the establishment of a higher education institution in California, U.S. On July 18, 2016, we established California Academy in the State of California as our entity to operate and manage the school to be established. On July 29, 2016, we filed an application with the BPPE to establish a private higher education institution. We expect the review by BPPE will take around 12 months. We have expended approximately US$56,000 in connection with our establishment of California Academy as of the Latest Practicable Date.

SAFE REGISTRATION

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

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

As advised by our PRC legal advisors, Mr. Li and all our PRC beneficial owners have completed the registration under the SAFE Circular No. 13 and SAFE Circular No. 37 by July 14, 2016.

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

BACKGROUND OF THE STRUCTURED CONTRACTS

We currently conduct our private higher education business through our PRC Operating Schools in the PRC as PRC laws and regulations generally restrict foreign ownership in the private education industry in the PRC. PRC laws and regulations currently restrict the operation of higher education institutions to Sino-foreign cooperation ownership, in addition to imposing qualification requirements on the foreign owners. We do not hold any equity interest in our PRC Operating Schools. The Structured Contracts, through which we obtain control over and derive the economic benefits from our PRC Operating Schools, have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations. We had entered into the Structured Contracts for the existing PRC Operating Schools and expect to enter into structured contracts for the schools to be newly established or invested in, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects.

Higher Education

Pursuant to the Foreign Investment Catalog, the provision of higher education in the PRC falls within the "restricted" category. In particular, the Foreign Investment Catalog explicitly restricts higher education to Sino-foreign cooperation, which means the foreign investor shall be an educational institution and shall operate higher education in the PRC through cooperation with a PRC educational institution in compliance with the Sino-Foreign Regulation. In addition, the Foreign Investment Catalog also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools shall be a PRC national; and (b) the representatives of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution (the "Foreign Control Restriction"). We had fully complied with the Foreign Control Restriction in respect of the Yunnan School, the Guizhou School, the Northeast School and the Central China School on the basis that (a) the principals and the chief executive officers of the aforementioned schools are all PRC nationals; and (b) all the members of the board of directors are PRC nationals. We will only engage PRC nationals as the principals, the chief executive officers and the members of the board of directors of the Northwest School after its establishment.

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

Our PRC legal advisors have advised that there are no implementing measures or specific guidance on the Qualification Requirement in accordance with the existing PRC laws and regulations and therefore it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant educational authority that it meets the Qualification Requirement. With the assistance of our PRC legal advisors, we consulted the Education Department of Yunnan Province on July 12, 2016, Guizhou Province on July 12, 2016, Hubei Province on September 30, 2016, Heilongjiang Province on July 19, 2016 and Gansu Province on October 31, 2016, being the competent authorities as advised by our PRC legal advisors to confirm the matters relating to the Sino-Foreign Joint Venture Private Schools relevant to us. We were advised by (a) the director of the department of private education (民辦教育處處長) at the Education Department of Yunnan Province and Education Department of Guizhou Province, (b) the vice director of the department of foreign cooperation and exchange (對外合作與交流處副處長) at the Education Department of Hubei Province, (c) the division officer of the department of private education management (division of development and planning) (省民辦教育辦管理辦公室(發展規劃處)) of Heilongjiang Province and (d) the director of the department of private education at the Education Department (民辦教育處處長) of Gansu Province, respectively that:

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

(ii) no implementing measures or specific guidance were promulgated pursuant to the Sino-Foreign Regulation, including the Qualification Requirement, in Yunnan, Guizhou, Hubei, Heilongjiang and Gansu Provinces;

(iii) as a matter of policy, due to the lack of implementing measures or specific guidance on the Sino-Foreign Regulation, including the Qualification Requirement, the relevant education authorities will not accept an application to convert the PRC Operating Schools or the schools to be newly established or invested by us into Sino-Foreign Joint Venture Private Schools; and

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

With a view to further understanding the feasibility of converting our PRC Operating Schools or the schools to be newly established or invested by us into Sino-Foreign Joint Venture Private Schools, with the assistance of our PRC legal advisors, we conducted additional interviews with the Relevant Education Authorities as appropriate in October 2016 and November 2016. According to the aforesaid interviews, notwithstanding our willingness to take necessary steps in meeting the Qualification Requirement, the Relevant Education Authorities would not accept an application to convert our PRC Operating Schools or the schools to be newly established or invested by us into Sino-Foreign Joint Venture Private Schools due to the lack of implementation rules and guidance on the Qualification Requirement.

Our PRC legal advisors are of the view that the aforesaid officers are competent to provide the confirmation on the basis that they have good and authoritative understanding of the PRC laws and regulations regarding Sino-foreign cooperative education and its actual implementation in the Yunnan, Guizhou, Hubei, Heilongjiang and Gansu Provinces.

Given that as of the Latest Practicable Date, as advised by our PRC legal advisors, we do not meet the Qualification Requirement as we have no experience in operating a school outside of the PRC, and as there are no implementing measures or specific guidance on the Qualification Requirement, it is therefore not practicable for us to seek to apply to reorganize any of our PRC Operating Schools and the schools to be newly established or invested by us as a Sino-Foreign Joint Venture Private School, or convert any of our PRC Operating Schools and the schools to be newly established or invested by us into a Sino-Foreign Joint Venture Private School. The Relevant Education Authorities have confirmed that they will not accept such application due to lack of implementation rules or guidance.

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

As of the date of this prospectus, we have not encountered any interference or encumbrance from any governing bodies in our plan to adopt the Structured Contracts and the consolidated financial results of our PRC Operating Schools, which engage in higher education service, are consolidated to those of our Group. Our PRC legal advisors have opined that each of our PRC Operating Schools and our School Sponsors has been legally established and except for those disclosed under "– Legality of the Structured Contracts – PRC Legal Opinions" under this section and "Risk Factors – Risks relating to our Structured Contracts" of this prospectus, the Structured Contracts in relation to the operation of higher education are valid, legal and binding and do not contravene PRC laws and regulations. According to our PRC legal advisors, under PRC laws and regulations, the failure to meet the Qualification Requirement and the adoption of the Structured Contracts to operate our high education do not render our higher education business as illegal operations in the PRC. As disclosed above, we have obtained confirmation from the education authority in Yunnan, Guizhou, Hubei, Heilongjiang and Gansu Provinces during our consultations with them that the Structured Contracts do not require approval from the education authorities. However, no positive regulatory assurance has been obtained from relevant PRC regulatory authorities with respect to the use of the Structured Contracts in the education industry, and it is impracticable to obtain such assurance, no relevant PRC regulatory authorities have ever issued any regulations, rules or notices to prohibit the use of Structured Contracts in the education industry.

Circumstances in which We Will Unwind the Structured Contracts

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

In the event that the Qualification Requirement is removed or we are able to meet the Qualification Requirement and there is a change in policy, but (a) the Foreign Ownership Restriction and the Foreign Control Restriction remain, (b) the Foreign Ownership Restriction remains and the Foreign Control Restriction is removed, or (c) the Foreign Ownership Restriction is removed and the Foreign Control Restriction remains, or (d) both of the Foreign Ownership Restriction and the Foreign Control Restriction are removed, as permitted by the applicable PRC laws and regulations at the relevant time:

– in circumstance (a), our Company will partially unwind the Structured Contracts and directly hold an equity interest of less than 50% in the relevant school (such as a 49.99% equity interest) as our Company or any of its subsidiaries, as a foreign investor, can only hold a portion of the total investment in a Sino-Foreign Joint Venture Private School up to no more than 50%. However, our Company will not be able to control such school without the Structured Contracts in place with respect to the domestic interests. Accordingly, if the Foreign Ownership Restriction and the Foreign Control Restriction remain, regardless of whether the Qualification Requirement is removed or met our Company will still rely on contractual arrangements to establish control over the schools. Our Company will also acquire rights to appoint members to the board of directors who together shall constitute less than 50% of the board of directors of the relevant school. We will then control the voting power of the other members of the board of directors appointed by the domestic interest holder(s) by way of the Structured Contracts;

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

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

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

In addition, Huihuang Company has also signed a written undertaking that, if the PRC regulatory environment changes and all of the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), it will exercise the Equity Call Option in full to hold all of the interest in the PRC Operating Entities and unwind the contractual arrangements accordingly. See "Termination of the Structured Contracts" in this section of this prospectus for further details.

Plan to Comply with the Qualification Requirement

We have adopted a specific plan and begun to take the following concrete steps which we reasonably believe are meaningful endeavors to demonstrate compliance with the Qualification Requirement. According to the consultation with the Relevant Education Authorities, there are no implementing measures or specific guidance on the Qualification Requirement and therefore they will not accept an application to convert the PRC Operating Schools or the schools to be newly established or invested by us into Sino-Foreign Joint Venture Private Schools at this stage. However, the Relevant Education Authorities confirmed that it is possible that approval may be granted to an investor that is an education institution that legally awards diploma certificates in a foreign country, which gradually accumulates education experience and reputation overseas to be stipulated in the implementing measures or guidance, to qualify for approval as a foreign investor of a Sino-Foreign Joint Venture Private School. Our PRC legal advisors are of the view that based on the above, although it is not possible for the Relevant Education Authorities to accept our application to convert any of our PRC Operating Schools or schools to be newly established or invested by us into Sino-Foreign Joint Venture Private Schools due to the lack of implementation measures or guidance at the current stage, the following steps taken by us to demonstrate compliance with the Qualification Requirements are reasonable and appropriate.

As of the Latest Practicable Date, we had taken the following concrete steps to implement our plan. On July 18, 2016, we have formed a holding company of a new school in the United States, namely, California Academy, which was wholly owned by Aspire Education Holding. We have submitted a formal application to the BPPE through the non-accredited application process in July 2016 to apply for the establishment of a new school. The approval process with the BPPE is expected to complete within approximately 12 months from the date of application. California Academy will be responsible for the daily operation and management of the new school to be established. As of the Latest Practicable Date, we are in the process of designing the educational programs to be offered by the new school. In addition, in preparation of and in connection with our application submitted to the BPPE for the approval to establish our new school in the State of California, on September 20, 2016, California Academy entered into a lease agreement for the lease of a premises in Redondo Beach, California to be used for office purposes and the monthly rent for the lease is US$2,500. The lease has a term of one year commencing from October 1, 2016 and will expire on September 30, 2017. The lease may be renewed by California Academy by giving to the landlord a one-month prior notice. We have also nominated Mr. Zhang Ke, an executive Director, to oversee the administration of California Academy. We have expended approximately US$56,000 in connection with our plan as of the Latest Practicable Date. For details of the regulatory environment in California for the operation of a private postsecondary school, see "Regulatory Overview – Regulations on Private Postsecondary Education in the State of California" in this prospectus.

In the opinion of our PRC legal advisors, if both of the Foreign Ownership Restriction and the Foreign Control Restriction are removed but the Qualification Requirement remains and assuming the new school to be operated by California Academy, i.e. the California School or another foreign educational institution established by us gains a level of foreign experience sufficient to demonstrate compliance with the Qualification Requirement and obtains the approval of the relevant education authorities for the establishment of a Sino-Foreign Joint Venture Private School in the future (provided that the then PRC laws and regulations do not impose new requirements, restrictions, or prohibitions in relation to the establishment of the Sino-Foreign Joint Venture Private Schools), we will be able to operate our schools in the PRC directly through the new school operated by California Academy, i.e. the California School or such other educational institution subject to the approval from the competent education authorities. Our PRC legal advisors are of the opinion that an educational institution which offers diploma certificates at the university level in a foreign jurisdiction, i.e. California School to be operated by California Academy or such other foreign educational institution subject to the approval from the competent educational authorities established by our Group that acts as the foreign investor for the establishment of a Sino-foreign joint venture private school for formal higher education is in compliance with the general requirements of the existing PRC laws.

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

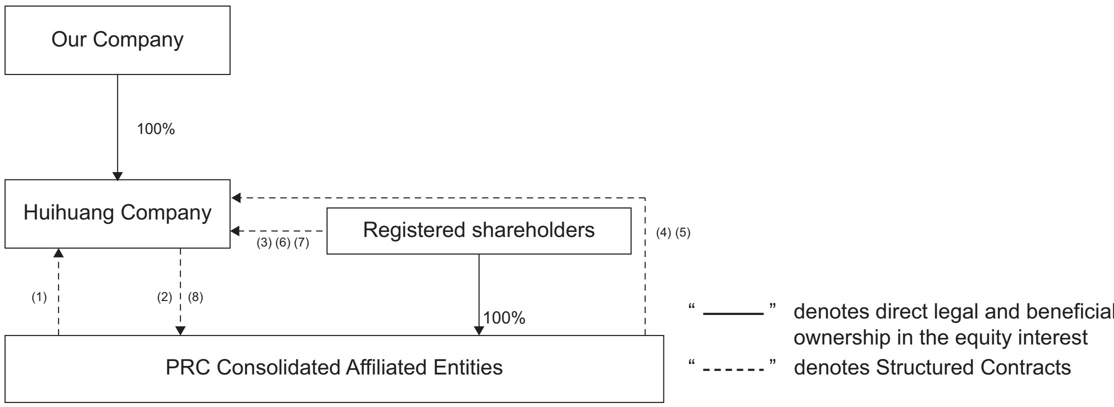
(i) under the guidance of our PRC legal advisors, continue to keep ourselves updated with regard to all relevant regulatory developments and guidance relating to the Qualification Requirement; and

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

OPERATION OF THE STRUCTURED CONTRACTS

In order to comply with the PRC laws and regulations as set out above while availing ourselves of international capital markets and maintaining effective control over all of our operations, on September 8, 2016, our wholly-owned subsidiary, Huihuang Company, entered into various agreements that constitute the Structured Contracts with, among others, our PRC Operating Schools and our School Sponsors, under which all economic benefits arising from the business of our PRC Operating Schools and our School Sponsors are transferred to Huihuang Company to the extent permitted under the PRC laws and regulations by means of service fees payable by our PRC Operating Schools and our School Sponsors to Huihuang Company. Although the Registered Shareholders are not consolidated as part of our Group, they are parties to certain agreements which constitute the Structured Contracts to ensure that the Shareholders' rights of Yun Ai Group are actually controlled by Huihuang Company.

The following simplified diagram illustrates the flow of economic benefits from our PRC Operating Schools and/or our School Sponsors to our Group stipulated under the Structured Contracts:



Notes:

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

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

3. Exclusive call option to acquire all or part of our school sponsors' interest in our PRC Operating Schools and all or part equity interest in our School Sponsors. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (3) Exclusive Call Option Agreement" in this prospectus for details.

4. Entrustment of school sponsors' rights in our PRC Operating Schools and the Northwest School by Yun Ai Group and Bei Ai Company. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (4) School Sponsors' and Directors' Rights Entrustment Agreement" and "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (5) School Sponsors' Powers of Attorney" in this prospectus for details.

5. Entrustment of directors' rights in our PRC Operating Schools by directors of our PRC Operating Schools including directors' powers of attorney. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (4) School Sponsors' and Directors' Rights Entrustment Agreement" and "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (6) Directors' Powers of Attorney" in this prospectus for details.

6. Entrust of Shareholders' right including Shareholders' power of attorney. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (7) Shareholders' Rights Entrustment Agreement" and "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (8) Shareholders' Powers of Attorney" in this prospectus for details.

7. Pledge of equity interest by the Registered Shareholders of their equity interest in Yun Ai Group. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (10) Equity Pledge Agreement" in this prospectus for details.

8. Provision of loans by Huihuang Company to Yun Ai Group. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (11) Loan Agreement" in this prospectus for further details.

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

Yun Ai Group is a special purpose vehicle established as a holding company to hold interests in our other School Sponsors and PRC Operating Schools. Yun Ai Group is not engaged in any other business other than the aforesaid. Under the Structured Contracts, each of our Consolidated Affiliated Entities entered into the Exclusive Technical Service and Management Consultancy Agreement and Loan Agreement with, among others, Huihuang Company, pursuant to which each of Yun Ai Group, our other School Sponsors and our PRC Operating Schools will be directly bound by and subject to the terms and conditions thereof. Accordingly, for any services provided by Huihuang Company to any of our PRC Operating Schools and our School Sponsors, the respective service fee will be paid by such School Sponsors and/or PRC Operating Schools to Huihuang Company directly. In addition, in order to prevent the leakage of assets and values of our PRC Operating Schools, the Registered Shareholders, our School Sponsors and our PRC Operating Schools have undertaken that, without the prior written consent of Huihuang Company or its designated party, the Registered Shareholders, our Schools Sponsors or our PRC Operating Schools shall not, among others, distribute dividends or other payments to our School Sponsors, or the shareholders of the School Sponsors. For further details, see "– Summary of the Material Terms of the Structured Contracts – (1) Business Cooperation Agreement" in this section.

Summary of the Material Terms of the Structured Contracts

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

(1) Business Cooperation Agreement

Pursuant to the Business Cooperation Agreement, Huihuang Company shall provide technical services, management support and consulting services necessary for the private education business, and in return, our PRC Operating Schools and our School Sponsors shall make payments accordingly.

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

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

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

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

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

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

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

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

In addition, pursuant to the Business Cooperation Agreement,

(a) Mr. Li undertakes to Huihuang Company that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of his direct or indirect equity interest in the Registered Shareholders, he shall have made all necessary arrangement and sign all necessary documents such that his/their respective successor, guardian, spouse, and any other person which may as a result of the above events obtain the equity interest or relevant rights shall not prejudice or hinder the enforcement of the Structured Contracts;

(b) the Registered Shareholders undertake to Huihuang Company that, in the event of a merger and subdivision of the Registered Shareholders (except for Mr. Li), presentation by the Registered Shareholders (except for Mr. Li) or the Registered Shareholders (except for Mr. Li) being presented any application for winding up, liquidation, winding up restructuring or reconciliation, dissolution and liquidation of the Registered Shareholders (except for Mr. Li) pursuant to an order, application for involuntary dissolution of the Registered Shareholders (except for Mr. Li) or other reasons, or other circumstances which may affect the Registered Shareholders in exercising its direct or indirect interest in Yun Ai Group, they shall have made all necessary arrangement and sign all necessary documents such that the successor, administrator, liquidation committee and any other person which may as a result of the above events obtain the direct or indirect interest or relevant rights in Yun Ai Group shall not prejudice or hinder the enforcement of the Structured Contracts;

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

(d) School Sponsors and our PRC Operating Schools agreed that, without the prior written consent of Huihuang Company, our PRC Operating Schools and/or School Sponsors shall not declare or pay to its shareholders any reasonable return or other interest or benefit. In the event that our School Sponsors/the shareholders of our School Sponsors receive any reasonable return or other interest or benefit, our School Sponsors/the shareholders of our School Sponsors shall unconditionally and without compensation transfer such amount to Huihuang Company.

In order to prevent the leakage of assets and values of our PRC Consolidated Affiliated Entities, the Registered Shareholders, our School Sponsors and each of our PRC Operating Schools have undertaken that, without the prior written consent of Huihuang Company or its designated party, the Registered Shareholders, our School Sponsors or our PRC Operating Schools shall not conduct or cause to conduct any activity or transaction which may have any actual impact (i) on the assets, business, staff, obligations, rights or operations of our PRC Operating Schools and/or our School Sponsors or (ii) on the ability of the School Sponsors, the Registered Shareholders and each of our PRC Operating Schools to perform the obligations under the Structured Contracts. Such activities and transactions include, without limitation:

(a) establishment of any subsidiary or entity by our PRC Operating Schools and/or our School Sponsors or establishment of any other business or subsidiary by our School Sponsors and/or PRC Operating Schools;

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

(c) consolidation, subdivision, change of form of corporate organization, dissolution or liquidation of our PRC Operating Schools and/or our School Sponsors or its subsidiaries;

(d) providing any borrowing, loan or guarantee in respect of any debt to, or obtaining any borrowing and loan from, our PRC Operating Schools and/or our School Sponsors and/or subsidiaries of School Sponsors and/or PRC Operating Schools;

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

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

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

(h) sale of any equity interest or school sponsor rights in any of our PRC Operating Schools and/or our School Sponsors or its subsidiaries to any third party other than Huihuang Company or its designated party, or increase or reduction of the registered capital or change of the structure of the equity or school sponsor's interest of any of our School Sponsors and/or our PRC Operating Schools or its subsidiaries;

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

(j) altering, amending or revoking any permits of any of our PRC Operating Schools and/or our School Sponsors or its subsidiaries;

(k) amending the articles of association or scope of business of any of our PRC Operating Schools and/or our School Sponsors or its subsidiaries;

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

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

(n) distribution of dividend, reasonable return or other payments to our School Sponsors, or the shareholder of our School Sponsor(s) or any of its subsidiaries;

(o) carrying out any activity which has or may have an adverse effect on the daily operations, business or assets of any of our PRC Operating Schools and/or our School Sponsors or its subsidiaries or its ability to make any payment to Huihuang Company;

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

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

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

(2) Exclusive Technical Service and Management Consultancy Agreement

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

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

As at 31 December 2016, Huihuang Company had over 30 personnel working in various departments of Huihuang Company including, among others, human resources department, financial department, legal department, employment center and exam center. We will transfer the relevant staff to continue providing such services to our PRC Operating Schools and School Sponsors from time to time pursuant to the Exclusive Technical Service and Management Consultancy Agreement.

In consideration of the technical and management consultancy services provided by Huihuang Company, each of our PRC Operating Schools and our School Sponsors agreed to pay Huihuang Company a service fee equal to all of their respective amount of surplus from operations (after deducting all costs, expenses, taxes, losses from the previous year (if required by the law) and the legally compulsory development fund of the respective school (if required by the law)). The compulsory development fund is included as statutory surplus reserve at the Group's level and retained at schools' level. Huihuang Company has the right (but not the obligation) to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of our PRC Operating Schools and our School Sponsors, provided that any adjusted amount shall not exceed the amount mentioned above. Our PRC Operating Schools and/or our School Sponsors do not have any right to make any such adjustment.

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

(3) Exclusive Call Option Agreement

Under the Exclusive Call Option Agreement, the Registered Shareholders have irrevocably granted Huihuang Company or its designated purchaser the right to purchase all or part of the school sponsor's interest of our School Sponsors in our PRC Operating Schools and equity interest in our School Sponsors ("Equity Call Option"). The purchase price payable by Huihuang Company in respect of the transfer of such school sponsor's interest or equity interest upon exercise of the Equity Call Option shall be the lowest price permitted under the PRC laws and regulations. Huihuang Company or its designated purchaser shall have the right to purchase such proportion of the school sponsor's interest of our PRC Operating Schools and/or equity interest in our School Sponsors as it decides at any time.

In the event that PRC laws and regulations allow Huihuang Company or us to directly hold all or part of the equity interest in our PRC Operating Schools and/or our School Sponsors and operate private education business in the PRC, Huihuang Company shall issue the notice of exercise of the Equity Call Option as soon as practicable, and the percentage of school sponsor's interest and/or equity interest purchased upon exercise of the Equity Call Option shall not be lower than the maximum percentage then allowed to be held by Huihuang Company or us under PRC laws and regulations.

The Registered Shareholders have further undertaken to Huihuang Company that, it:

(a) shall not sell, assign, transfer or otherwise dispose of or create encumbrance over its school sponsors' interest in any of our PRC Operating Schools and/or equity interest in our School Sponsors without the prior written consent of Huihuang Company;

(b) shall not increase or reduce or agree to the increase or reduction of capital investment as school sponsor of our PRC Operating Schools and/or capital investment in our School Sponsors without the prior written consent of Huihuang Company;

(c) shall not agree to or procure any of our PRC Operating Schools and/or our School Sponsors to divide into or merge with other entities without the prior written consent of Huihuang Company;

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

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

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

(g) shall not agree to or procure any of our PRC Operating Schools and/or our School Sponsors to declare or in substance distribute any distributable reasonable return or agree to such distribution without the prior written consent of Huihuang Company;

(h) shall not agree to or procure any of our PRC Operating Schools and/or our School Sponsors to amend its articles of association without the prior written consent of Huihuang Company;

(i) shall ensure that any of our PRC Operating Schools and/or our School Sponsors does not provide or obtain loans or provide any guarantees or otherwise undertake any other action to guarantee, or undertake any material obligations (including obligations under which the amount payable by our PRC Operating Schools and/or our School Sponsors exceeds RMB100,000, obligations which restrict or hinder the due performance of obligations under the Structured Contracts by our PRC Operating Schools and/or our School Sponsors, obligations which restrict or prohibit the financial or business operations of our PRC Operating Schools and/or our School Sponsors, or any obligations which may result in change of the structure of the school sponsor's interest of our PRC Operating Schools and/or the equity interest in our School Sponsors) outside its ordinary course of business without the prior written consent of Huihuang Company;

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

(k) shall, prior to the transfer of its school sponsor's interest or shareholders' interest to Huihuang Company or its designated purchaser and without prejudice to our School Sponsors' and Directors' Rights Entrustment Agreement and the Shareholders' Rights Entrustment, execute all documents necessary for holding and maintaining the ownership of its school sponsor's interest in our PRC Operating Schools and its equity interest in our School Sponsors;

(l) shall sign all documents and take all necessary actions to facilitate transfer of its school sponsor's interest in our PRC Operating Schools and/or its equity interest in our School Sponsors to Huihuang Company or its designated purchaser;

(m) shall take all such actions to facilitate our PRC Operating Schools and/or our School Sponsors in their performance of its obligations under the Exclusive Call Option Agreement if such performance requires any action be taken by our School Sponsors on its part;

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

(o) in the event that the consideration paid by Huihuang Company or its designated purchaser for the transfer of all or part of the school sponsor's interest in our PRC Operating Schools and/or equity interest in our School Sponsors exceeds RMB0, shall pay such excess amount to Huihuang Company or its designated entity.

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

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

Pursuant to the School Sponsors' and Directors' Rights Entrustment Agreement, each of the directors of each school (the "Appointees") has irrevocably authorized and entrusted Huihuang Company to exercise all his/her rights as directors of our PRC Operating Schools as appointed by our School Sponsors and to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to attend meetings of the board of directors as representative of the directors appointed by our School Sponsors; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the board meeting of each of our PRC Operating Schools; (c) the right to propose to convene interim board meetings of each of our PRC Operating Schools and the Northwest School; (d) the right to sign all board minutes, board resolutions and other legal documents which the directors appointed by Yun Ai Group and Bei Ai Company have authority to sign in his/her capacity as directors of our PRC Operating Schools and the Northwest School; (e) the right to instruct the legal representative and financial and business responsible persons of our PRC Operating Schools and the Northwest School to act in accordance with the instruction of Huihuang Company; (f) the right to exercise all other rights and voting rights of directors as prescribed under the articles of association of our PRC Operating Schools and the Northwest School; (g) the right to handle the legal procedures of registration, approval and licensing of our PRC Operating Schools and the Northwest School at the education department, the department of civil affairs or other government regulatory departments; and (h) other directors' rights pursuant to applicable PRC laws and regulations and the articles of association of our PRC Operating Schools and the Northwest School as amended from time to time.

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

(5) School Sponsors' Powers of Attorney

Pursuant to the School Sponsors' Powers of Attorney executed by School Sponsors in favor of Huihuang Company, our School Sponsors authorized and appointed Huihuang Company, the directors of which are Li Ming (李明), Jiang Hong (姜虹) and Fang Jinsheng (方晉勝) (none of whom is a director of any of our School Sponsors and/or PRC Operating Schools and therefore does not give rise to any conflicts of interest), as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of each of our PRC Operating Schools and the Northwest School. For details of the rights granted, see "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (4) School Sponsors' and Directors' Rights Entrustment Agreement" of this prospectus.

Huihuang Company shall have the right to further delegate the rights so delegated to the directors of Huihuang Company or other designated person. The School Sponsors irrevocably agreed that the authorization appointment in the School Sponsor's Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of the School Sponsors' subdivision, merger, winding up, consolidation, liquidation or other similar events. The School Sponsors' Power of Attorney shall constitute a part and incorporate terms of the School Sponsors' and Directors' Rights Entrustment Agreement.

(6) Directors' Powers of Attorney

Pursuant to the Directors' Powers of Attorney executed by each of the Appointees in favor of Huihuang Company, each of the Appointees authorized and appointed Huihuang Company, the directors of which are Li Ming (李明), Jiang Hong (姜虹) and

Fang Jinsheng (方晉勝) (none of whom is a director of any of our School Sponsors and/or PRC Operating Schools and therefore does not give rise to any conflicts of interest), as his/her agent to act on his/her behalf to exercise or delegate the exercise of all of his/her rights as directors of our PRC Operating Schools. For details of the rights granted, see "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (4) School Sponsors' and Directors' Rights Entrustment Agreement" of this prospectus.

Huihuang Company shall have the right to further delegate the rights so delegated to the directors of Huihuang Company or other designated person. Each of the Appointees irrevocably agreed that the authorization appointment in the Directors' Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events. The Directors' Power of Attorney shall constitute a part and incorporate terms of the School Sponsors' and Directors' Rights Entrustment Agreement.

(7) Shareholders' Rights Entrustment Agreement

Pursuant to the Shareholders' Rights Entrustment Agreement, each of the Registered Shareholders and Yun Ai Group has irrevocably authorized and entrusted Huihuang Company to exercise all of his/their respective rights as shareholders of Yun Ai Group, Enchang Company, Haxuan Company and Bei Ai Company (together, "the Relevant Subsidiaries") to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to attend shareholders' meetings of the Relevant Subsidiaries, as the case may be; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the shareholders' meeting of the Relevant Subsidiaries, as the case may be; (c) the right to appoint directors or legal representative of the Relevant Subsidiaries, as the case may be; (d) the right to propose to convene interim shareholders' meetings of the Relevant Subsidiaries, as the case may be; (e) the right to sign all shareholders' resolutions and other legal documents which the Registered Shareholders and Yun Ai Group have authority to sign in his or their capacity as shareholders of the Relevant Subsidiaries, as the case may be; (f) the right to instruct the directors and legal representative of the Relevant Subsidiaries, as the case may be to act in accordance with the instruction of Huihuang Company; (g) the right to exercise all other rights and voting rights of shareholders as prescribed under the articles of association of the Relevant Subsidiaries, as the case may be; (h) the right to handle the legal procedures of registration, approval and licensing of the Relevant Subsidiaries, as the case may be at the education department, the department of civil affairs or other government regulatory departments; and (i) other shareholders' rights pursuant to applicable PRC laws and regulations and the articles of association of our PRC Operating Schools as amended from time to time.

In addition, each of the Registered Shareholders and Yun Ai Group has irrevocably agreed that (i) Huihuang Company may delegate its rights under the Shareholders' Rights Entrustment Agreement to the directors of Huihuang Company or its designated person, without prior notice to or approval by the Registered Shareholders and Yun Ai Group; and (ii) any person as successor of civil rights of Huihuang Company or liquidator by reason of subdivision, merger, liquidation of Huihuang Company or other circumstances shall have authority to replace Huihuang Company to exercise all rights under the Shareholders' Rights Entrustment Agreement.

(8) Shareholders' Powers of Attorney

Pursuant to the Shareholders' Powers of Attorney executed by each of the Registered Shareholder and Yun Ai Group in favor of Huihuang Company, each of the Registered Shareholder and Yun Ai Group authorized and appointed Huihuang

Company, as his or their agent to act on his or their behalf to exercise or delegate the exercise of all his or their rights as shareholders of the Relevant Subsidiaries. For details of the rights granted, see "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (7) Shareholders' Rights Entrustment Agreement" in this prospectus.

Huihuang Company shall have the right to further delegate the rights so delegated to its directors or other designated person. Each of the Registered Shareholders and Yun Ai Group irrevocably agreed that the authorization appointment in the Shareholders' Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events. The Directors' Power of Attorney shall constitute a part and incorporate terms of the Shareholders' Rights Entrustment Agreement.

(9) Spouse Undertakings

Pursuant to the Spouse Undertakings, the spouse of Mr. Li has irrevocably undertaken that:

(a) the spouse has full knowledge of and has consented to the entering into of the Structured Contracts by Mr. Li, and in particular, the arrangement as set out in the Structured Contracts in relation to the restrictions imposed on the direct or indirect equity interest in Yun Ai Group, pledge or transfer the direct or indirect equity interest in Yun Ai Group, or the disposal of the direct or indirect equity interest in Yun Ai Group in any other forms;

(b) the spouse has not participated, is not participating and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to our School Sponsors and our PRC Operating Schools;

(c) the spouse authorizes Mr. Li or his authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse's equity interest in Yun Ai Group (direct or indirect) in order to safeguard the interest of Huihuang Company under the Structured Contracts and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;

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

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

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

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

(10) Equity Pledge Agreement

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

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

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

(a) any of the Registered Shareholders, our School Sponsors or our PRC Operating Schools commits any breach of any obligations under the Structured Contracts;

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

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

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

(a) to the extent permitted under PRC laws and regulations, Huihuang Company may request the Registered Shareholders to transfer all or part of his or her or its equity interest in our School Sponsors to any entity or individual designated by Huihuang Company at the lowest consideration permissible under the PRC laws and regulations;

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

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

The pledges under the Equity Pledge Agreement were registered with the relevant Administration of Industry and Commerce of the PRC on September 20, 2016 and became effective on the same date of the registration of the pledge.

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

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

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

(b) as disclosed above, pursuant to the Exclusive Call Option Agreement, the Registered Shareholders have further undertaken to Huihuang Company that, among others, it shall not sell, assign, transfer or otherwise dispose of or create any encumbrance over its school sponsors' interest in any of our PRC Operating Schools and/or equity interest in our School Sponsors without prior written consent of Huihuang Company. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (3) Exclusive Call Option Agreement" in this prospectus for details.

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

(11) Loan Agreement

Pursuant to the Loan Agreement, Huihuang Company agreed to provide interest-free loans to Yun Ai Group in accordance with the PRC laws and regulations and Yun Ai Group agreed to utilize the proceeds of such loans to contribute as capital of our PRC Operating Schools and the Northwest School in its capacity as school sponsor or the shareholder of the school sponsors of our schools in accordance with our instructions. Both parties agree that all such capital contribution will be directly settled by Huihuang Company on behalf of Yun Ai Group.

The terms of the Loan Agreement shall continue until all interest of our PRC Operating Schools and the Northwest School and our School Sponsors are transferred to Huihuang Company or its designee and/or our Company or our designee and the registration process required thereafter has been completed with the relevant local authorities.

Each loan to be granted under the Loan Agreement will be for an infinite term until termination at the sole discretion of Huihuang Company. The loan will become due and payable upon Huihuang Company's demand under any of the following circumstances: (i) a bankruptcy application, bankruptcy reorganization or bankruptcy settlement has been filed by or against Yun Ai Group, (ii) a winding-up or liquidation application has been filed by or against Yun Ai Group, (iii) Yun Ai Group becoming insolvent or incurring any other significant personal debt which may affect its ability to repay the loan under the Loan Agreement, (iv) Huihuang Company or its designee exercising in full its option to purchase all school sponsor's interests to the extent permitted by PRC laws and regulations, or (v) any of Yun Ai Group, our PRC Operating Schools or Northwest School commits any breach of any obligations under the Structured Contracts, or any warranties provided by any of Yun Ai Group, our PRC Operating Schools or Northwest School under the Structured Contracts is proved incorrect or inaccurate. As advised by our PRC legal advisors, interest-free loans granted by Huihuang Company to Yun Ai Group is not in violation of the applicable PRC laws and regulations.

CONSENT BY MINORITY SHAREHOLDERS

The school sponsor's interest in all of our PRC Operating Schools is wholly-owned by Yun Ai Group. As of the date of this prospectus, (i) Haxuan Company, which is expected to act as the school sponsor of the Northeast School subject to approval of the MOE, is owned as to 73.91% by Yun Ai Group and 26.09% by Ningde Company; and (ii) Enchang Company, which is expected to act as the school sponsor of the Central China School subject to approval of the MOE, is owned as to 89.2% by Yun Ai Group and 10.8% by Mr. Jiang Mingxue (蔣明學). See "History and Corporate Structure – History of our School Sponsors – Future School Sponsors" for further details. In any event, we have obtained a written confirmation from Ningde Company and Mr. Jiang Mingxue (蔣明學) who confirmed that they agreed, among others:

(i) to the listing of the Group, the execution of the Structured Contracts by Haxuan Company/Enchang Company, as the case may be, the rights and obligations of Haxuan Company/Enchang Company, as the case may be, under the Structured Contracts and to consent to the necessary authorizations and approval given by as Haxuan Company/Enchang Company, as the case may be, required under the Structured Contracts;

(ii) to consent to Haxuan Company/Enchang Company, as the case may be, the payment of service fees to Huihuang Company pursuant to the Structured Contracts and the distribution of profits by Haxuan Company/Enchang Company, as the case may be, in accordance with their shareholding structure, and in return Huihuang Company and Yun Ai Group will not insist on otherwise;

(iii) to the waiver of the pre-emptive rights in the event that Huihuang Company or its designated persons exercise the Equity Call Option pursuant to the Structured Contracts and to sign or provide all necessary documents or take all necessary actions to facilitate the transfer of the equity interest in Haxuan Company/Enchang Company, as the case may be;

(iv) to consent and support any shareholders resolutions or board resolutions of Haxuan Company/Enchang Company, as the case may be, that are required by Huihuang Company and Haxuan Company/Enchang Company, as the case may be;

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

(vi) in the event that they intend to sell, assign, transfer or in any other way dispose of the equity interest of Haxuan Company/Enchang Company, as the case may be, they undertake that their successors shall at no consideration and in writing, unconditionally and irrevocably consent the rights and obligations under the Structured Contracts prior to such sale, assignment, transfer or disposal; and

(vii) if they create any encumbrances over any of its equity interest of Haxuan Company/Enchang Company, as the case may be, from the date of the confirmation, they undertake that the beneficiary of such encumbrance and other related persons shall at no consideration and in writing, unconditionally and irrevocably consent the rights and obligations under the Structured Contracts prior to the creation of such encumbrances.

DISPUTE RESOLUTION

Each of the Structured Contracts provides that:

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

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

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

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

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

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

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

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

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

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

As a result of the above, in the event that our PRC Operating Schools, School Sponsors or the Registered Shareholders and Mr. Li breaches any of the Structured Contracts, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our PRC Operating Schools and/or our School Sponsors and conduct our business could be materially and adversely affected. See "Risk Factors – Risks Relating to our Structured Contracts" in this prospectus for details.

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

As disclosed above, pursuant to the Spouse Undertakings, the spouse of Mr. Li has irrevocably undertaken that, among others, the spouse authorizes Mr. Li and his authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to Mr. Li's direct and indirect equity interest in Yun Ai Group in order to safeguard the interest of Huihuang Company under the Structured Contracts and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures and any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (9) Spouse Undertakings" in this prospectus for details.

In addition, as disclosed above, pursuant to the Business Cooperation Agreement, Mr. Li undertake to Huihuang Company that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of his direct or indirect equity interest in Yun Ai Group, he shall have made all necessary arrangement and sign all necessary documents such that their respective successor, guardian, spouse, and any other person which may as a result of the above events obtain the equity interest or relevant rights shall not prejudice or hinder the enforcement of the Structured Contracts.

Furthermore, the Registered Shareholders undertake to Huihuang Company that, in the event of merger and subdivision of the Registered Shareholders (except for Mr. Li), presentation by the Registered Shareholders (except for Mr. Li) or the Registered Shareholders (except for Mr. Li) being presented any application for winding up, liquidation, winding up restructuring or reconciliation, dissolution and liquidation of the Registered Shareholders (except for Mr. Li) pursuant to an order, application for involuntary dissolution of the Registered Shareholders (except for Mr. Li) or other reasons, or other circumstances which may affect the Registered Shareholders in exercising its direct or indirect equity interest in Yun Ai Group, they shall have made all necessary arrangement and sign all necessary document such that the successor, administrator, liquidation committee and any other person which may as a result of the above events obtain the direct or indirect equity interest in Yun Ai Group shall not prejudice or hinder the enforcement of the Structured Contracts. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (1) Business Cooperation Agreement" in this prospectus for details.

PROTECTION IN THE EVENT OF DISSOLUTION OR LIQUIDATION OF OUR PRC OPERATING SCHOOLS AND/OR SCHOOL SPONSORS

Pursuant to the Business Cooperation Agreement, in the event of the dissolution or liquidation of our PRC Operating Schools and/or our School Sponsors, the Registered Shareholders undertake that, among others, Huihuang Company and/or its designee shall have the right to exercise all school sponsor's rights on behalf of School Sponsors and/or to exercise all shareholders' rights on behalf of the Registered Shareholders and Yun Ai Group and shall instruct all of our PRC Operating Schools and/or School Sponsors to transfer assets received under PRC laws directly to Huihuang Company and/or our designee. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (1) Business Cooperation Agreement" in this prospectus for details.

Furthermore, Huihuang Company has been irrevocably authorized and entrusted to exercise the rights of our School Sponsors as school sponsor of our PRC Operating Schools and the rights of the Appointees as directors of our PRC Operating Schools and rights of Registered Shareholders as shareholders of Yun Ai Group. See "Structured Contracts – Operation of the Structured Contracts – Summary of Material Terms of the Structured Contracts – (4) School Sponsors' and Directors' Rights Entrustment Agreement" and "Structured Contracts – Operation of the Structured Contracts – Summary of Material Terms of the Structured Contracts – (7) Shareholders' Rights Entrustment Agreement" in this prospectus for details.

LOSS SHARING

In the event that our PRC Operating Schools and/or our School Sponsors incur any loss or encounters any operational crisis, Huihuang Company may, but is not obliged to, provide financial support to our PRC Operating Schools and/or our School Sponsors.

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

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

TERMINATION OF THE STRUCTURED CONTRACTS

Each of the Structured Contracts provides that: (a) each of the Structured Contracts shall be terminated upon the completion of the purchase of all the equity interest and school sponsors' interest that the Registered Shareholders (directly and indirectly) hold in our School Sponsors and our PRC Operating Schools by Huihuang Company or another party designated by our Company pursuant to the terms of the Exclusive Call Option Agreement, save for the Equity Pledge Agreement which shall continue to be in force until all obligations thereunder have been performed or all Secured Indebtedness has been repaid in full; (b) Huihuang Company shall have the right to terminate the Structured Contracts by serving 30-day prior notice; and (c) each of our PRC Operating Schools, our School Sponsors and the Registered Shareholders shall not be entitled to unilaterally terminate the Structured Contracts in any situation other than prescribed by the laws.

In the event that PRC laws and regulations allow Huihuang Company or us to directly hold all or part of the School Sponsors' interest in our PRC Operating Schools and/or all as part of the equity interest in our School Sponsors and operate private education business in the PRC, Huihuang Company shall exercise the Equity Call Option as soon as practicable and Huihuang Company or its designated party shall purchase such amount of equity interest to the extent permissible under the PRC laws and regulations, and upon exercise in full of the Equity Call Option and the acquisition of all the equity interest and school sponsors' interest that the Registered Shareholders (directly and indirectly) hold in our School Sponsors and our PRC Operating Schools by Huihuang Company or another party designated by our Company pursuant to the terms of the Exclusive Call Option Agreement, each of the Structured Contracts shall be automatically terminated.

INSURANCE

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

ARRANGEMENT TO ADDRESS POTENTIAL CONFLICT OF INTEREST

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

LEGALITY OF THE STRUCTURED CONTRACTS

PRC Legal Opinions

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

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

(b) the effectiveness of the Structured Contracts in our Company's case is in substance the same when it is compared to the other cases where the equity interests of the operating companies are directly held by individual shareholders, on the basis that:

(i) the Structured Contracts are legal and effective regardless of the facts that the Registered Shareholders (except for Mr. Li) and our School Sponsors are companies and partnership since all these entities, as parties to the Structured Contracts, have duly passed necessary shareholders' resolutions or executive partner decisions for each of them to enter into the Structured Contracts and have duly executed the Structured Contracts in September 2016.

(ii) the Structured Contracts are enforceable regardless of the facts that the Registered Shareholders (except for Mr. Li) and our school sponsors are companies and partnership, since all these entities, as parties to the Structured Contracts, are legally obligated to perform their obligations under the Structured Contracts even in the event that their individual beneficial owners cease to hold any interest in them.

(iii) the equity pledge under the Equity Pledge Agreement made by the Registered Shareholders is legal and enforceable regardless of the facts that that they are entities. Huihuang Company legally enjoys the first priority right to be indemnified by virtue of the equity pledge made by the Registered Shareholders for the benefits of Huihuang Company even in the event that the individual beneficial owners of the Registered Shareholders cease to hold any interest in them.

(iv) the flow of economic benefits, i.e. service fees, from the PRC Operating Schools and our School Sponsors to Huihuang Company would not be affected. According to the Exclusive Technical Service and Management Consultancy Agreement, for any services provided by Huihuang Company to any of our PRC Operating schools and our Schools Sponsors, the respective service fees shall be paid by such PRC Operating Schools and/or School Sponsors to Huihuang Company directly, rather than by Registered Shareholders or the ultimate individual beneficial owners of Yun Ai Group.

(v) the control over our PRC Operating Schools and our School Sponsors by Huihuang Company would not be affected because pursuant to the Shareholders' Rights Entrustment Agreement and the Shareholders' Powers of Attorney, each of the Registered Shareholders has irrevocably authorized and entrusted Huihuang Company to exercise all its respective rights as shareholders of Yun Ai Group.

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

(d) each of the Structured Contracts is not in violation of provisions of the articles of association of our PRC Operating Schools and our School Sponsors and Huihuang Company;

(e) each of the Structured Contracts is enforceable under PRC laws and regulations, entering and the performance of the Structured Contracts to each of the Structured Contracts are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that: (i) the pledge of any equity interest in Yun Ai Group in favor of Huihuang Company is subject to registration requirements with relevant Administration of Industry and Commerce; (ii) the transfer of the school sponsor's interests in our PRC Operating Schools and/or equity interest in our School Sponsors contemplated under the Structured Contracts is subject to applicable approval and/or registration requirements under the then applicable PRC laws; (iii) the transfer of equity interest in our School Sponsors contemplated under the Structured Contracts is subject to applicable approval and/or registration requirements under the then applicable laws and (iv) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Structured Contracts are subject to applications to competent PRC courts for recognition and enforcement;

(f) neither Huihuang Company nor our Company is obligated to share the losses of our PRC Operating Schools and/or our School Sponsors or provide financial support to our PRC Operating Schools and/or our School Sponsors. Each of our PRC Operating Schools and/or our School Sponsors is solely liable for its own debts and losses with assets and properties owned by it;

(g) the consummation of the contemplated listing of our Shares on the Stock Exchange does not violate the M&A Rules; and

(h) a private school that does not require reasonable return cannot distribute reasonable returns to its school sponsor. No current national PRC laws or regulations or regulations in Yunnan, Guizhou, Hubei, Heilongjiang or Gansu Provinces stipulate any proportion and/or amount limit for the reasonable return. Furthermore, in Yunnan, Guizhou, Hubei, Heilongjiang or Gansu Provinces, whether the school chooses to require reasonable returns or not has no adverse impact on the payment of service fees by our PRC Operating Schools to Huihuang Company.

For details in relation to the risks involved in the Structured Contracts, see "Risk Factors – Risks Relating to Our Structured Contracts" in this prospectus.

Directors' Views on the Structured Contracts

We believe that the Structured Contracts are narrowly tailored because the Structured Contracts are only used to enable our Group to consolidate the financial results of our PRC Operating Schools and our School Sponsors which engage or will engage in the operation of higher education, where the PRC laws and regulations currently restrict operation of higher education to Sino-foreign ownership, in addition to imposing qualification requirements on the foreign owners and withholding government approval in respect of Sino-foreign ownership.

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

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

CONSOLIDATED FINANCIAL RESULTS OF OUR PRC OPERATING SCHOOLS

According to HKFRSs 10 – Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own our PRC Operating Schools and our School Sponsors, the Structured Contracts as mentioned above enable our Company to exercise control over our PRC Operating Schools and our School Sponsors. The basis of combining the results of our PRC Operating Schools and our School Sponsors is disclosed in note 2.1 of Section II to the Accountants' Report. Our Directors consider that our Company can combine the financial results of our PRC Operating Schools and our School Sponsors as if they were our Group's subsidiaries.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Draft Foreign Investment Law and the Explanatory Notes

The MOFCOM published a discussion draft of the proposed Foreign Investment Law in January 2015 aiming to, upon its enactment, replace the major existing laws and regulations governing foreign investment in China. While the MOFCOM solicited comments on this draft in early 2015, substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. The Draft Foreign Investment Law, if enacted as proposed, may materially impact the entire legal framework regulating foreign investments in China.

Among other things, the Draft Foreign Investment Law purports to introduce the principle of "actual control" in determining whether a company is considered a foreign invested enterprise, or an foreign invested entity ("FIE"). The Draft Foreign Investment Law specifically provides that entities established in China but "controlled" by foreign investors will be treated as FIEs, whereas an entity organized in a foreign jurisdiction, but confirmed by the authority in charge of foreign investment as "controlled" by PRC entities and/or citizens, would nonetheless be treated as a PRC domestic entity for investment in the "restricted category" on the "negative list" to be issued subject to the examination of the relevant authority in charge of foreign investment. For these purposes, "control" is broadly defined in the draft law to cover any of the following summarized categories:

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

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

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

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

If an entity is determined to be an FIE, and its investment amount exceeds certain thresholds or its business operation falls within a "negative list" to be separately issued by the State Council in the future, market entry clearance by the authority in charge of foreign investment would be required.

The "variable interest entity" structure, or VIE structure, has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Structured Contracts, to establish control of our PRC Operating Schools and/or our School Sponsors by Huihuang Company, through which we operate our education business in PRC. Under the Draft Foreign Investment Law, variable interest entities that are controlled via contractual arrangements would also be deemed as FIEs, if they are ultimately "controlled" by foreign investors. For companies with a VIE structure in an industry category that is in the "restricted category" on the "negative list," it is possible that the existing VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC state-owned enterprises or agencies, or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as FIEs and any operation in the industry category on the "negative list" without market entry clearance may be considered as illegal.

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

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

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

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

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

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

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

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

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

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

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

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

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

If the Draft Foreign Investment Law is promulgated in the current draft form, on the basis that (i) Mr. Li, who is of Chinese nationality, will indirectly hold approximately 55.34% (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme) of the issued share capital of our Company upon completion of the Capitalization Issue and the Global Offering and will indirectly hold approximately 53.74% of the issued share capital of our Company assuming that the Over-allotment Option is exercised in full; (ii) our Company through Huihuang Company exercises effective control over our PRC Operating Schools and/or our School Sponsors pursuant to the Structured Contracts and (iii) Mr. Li is of Chinese nationality, our PRC legal advisors are of the view that we can apply for the recognition of the Structured Contracts as domestic investments and it is likely that the Structured Contracts will be considered as legal.

The Potential Impact to Our Company in the Worst Scenario that the Structured Contracts Are Not Treated as a Domestic Investment

If the operation of higher education institutions is no longer in the negative list and our Group can legally operate the education business under PRC Laws, Huihuang Company will exercise the Equity Call Option under the Exclusive Call Option Agreement to acquire the school sponsor's interest of our PRC Operating Schools and/or the equity interest in our School Sponsors and unwind the Structured Contracts subject to re-approval by the relevant authorities.

If the operation of higher education is in the negative list, the Structured Contracts may be viewed as prohibited foreign investment. If the Draft Foreign Investment Law is refined and deviates from the current draft, depending on the treatment of existing contractual arrangements, the Structured Contracts may be regarded as invalid and illegal. As a result, our Group would not be able to operate our schools through the Structured Contracts and we would lose our rights to receive the economic benefits of our PRC Operating Schools and our School Sponsors. As a result, the financial results of our PRC Operating Schools and/or our School Sponsors would no longer be consolidated into our Group's financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. An investment loss would be recognized as a result of such derecognition.

Nevertheless, considering that a number of existing conglomerates are operating under contractual arrangements and some of which have obtained listing status abroad, our Directors are of the view that it is unlikely, if the Draft Foreign Investment Law is promulgated, that the relevant regulations will take retrospective effect to require the relevant enterprises to remove the contractual arrangements. In future, the PRC government is likely to take a relatively cautious attitude towards the aspects of supervision as well as the enactment, and make decisions according to different situations in practice.

However, there are uncertainties as to what the definition of control may be under the finally enacted version of the Foreign Investment Law in the future, and the relevant government authorities will have a broad discretion in interpreting the law and may ultimately take a view that is inconsistent with our PRC legal advisors' understanding. In any event, our Company will take reasonable steps in good faith to seek to comply with the enacted version of the Foreign Investment Law, if and when it comes into force.

Potential Measures to Maintain Control Over and Receive Economic Benefits from our PRC Operating Schools and our School Sponsors

As mentioned above, our PRC legal advisors are of the view that the Structured Contracts are likely to be deemed as a domestic investment if the Draft Foreign Investment Law were to become effective in its current form and content. To ensure the Structured Contracts remain a domestic investment so that our Group can maintain control over our PRC Operating Schools and/or our School Sponsors and receive all economic benefits derived from our PRC Operating Schools and/or our School Sponsors, Mr. Li has given an undertaking to our Company, and our Company has agreed with the Stock Exchange to enforce such undertaking to:

(a) continue to maintain his or procure his successors to maintain Chinese nationality and citizenship for as long as he holds a controlling interest in our Company;

(b) maintain control of our Company for the purposes of the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated) and related laws applicable to our Group in relation to domestic investment when they become effective, or otherwise procure the transferee(s) who will become the new PRC controlling shareholder of our Company to provide an undertaking in the same terms and conditions as the one offered by him to our Company; and

(c) obtain prior written consent of our Company as to the identity of the transferee(s) before Mr. Li disposes of or transfers the controlling interest in our Company that he beneficially owns. Prior to any such disposal, transfer or other transactions which may result in Mr. Li ceasing to have control of our Company for the purposes of the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated), Mr. Li shall demonstrate to the satisfaction of our Company and the Stock Exchange that the Structured Contracts will remain a domestic investment for the purpose of the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated) and related laws applicable to our Group in relation to domestic investment.

Based on the view of our PRC legal advisors and the aforesaid undertaking given by Mr. Li, our Directors are of the view that (i) the Structured Contracts are likely to be deemed as a domestic investment and to be permitted to continue; and (ii) our Group can maintain control over our PRC Operating Schools and/or our School Sponsors and receive all economic benefits derived from our PRC Operating Schools and/or our School Sponsors. The aforesaid undertaking will become effective from the date of the listing of our Shares on the Stock Exchange and will remain effective until compliance with the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated) is not required.

Notwithstanding the above, there may be uncertainties that the above measures to maintain control over and receive the economic benefits from our PRC Operating Schools and/or our School Sponsors alone may not be effective in ensuring compliance with the Draft Foreign Investment Law (if and when it becomes effective). In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares. See "Risk Factors – Risks Relating to Our Structured Contracts" in this prospectus for more details.

COMPLIANCE WITH THE STRUCTURED CONTRACTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Structured Contracts and our compliance with the Structured Contracts:

(a) major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(b) our Board will review the overall performance of and compliance with the Structured Contracts at least once a year;

(c) our Company will disclose the overall performance and compliance with the Structured Contracts in its annual reports and interim reports to update the Shareholders and potential investors;

(d) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding the qualification requirement and our status of compliance with the Draft Foreign Investment Law and its accompanying explanatory notes as stipulated under the section headed "Structured Contracts – Background of the Structured Contracts" and the latest development of the Draft Foreign Investment Law and its accompanying explanatory notes as disclosed under the section headed "Structured Contracts – Development in the PRC Legislation on Foreign Investment", including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the qualification requirement; and

(e) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Structured Contracts, review the legal compliance of Huihuang Company and our PRC Operating Schools and/or our School Sponsors to deal with specific issues or matters arising from the Structured Contracts.

In addition, notwithstanding that our executive Director, Mr. Li is also the Registered Shareholder, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently after the Listing under the following measures:

(a) the decision-making mechanism of the Board as set out in the Articles includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(b) each of our Directors is aware of his fiduciary duties as a Director which requires, amongst other things, that he acts for the benefits and in the best interests of our Group;

(c) we have appointed three independent non-executive Directors, comprising over one-third of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and

(d) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

OVERVIEW

We are a leading private formal higher education group in China, as measured by our graduate employment rates in 2013, 2014 and 2015, according to Frost & Sullivan. The graduate employment rate is calculated by including graduates either employed or pursuing further studies pursuant to the MOE Notice regarding the calculation of graduate employment rate. During the Track Record Period and as of the Latest Practicable Date, we operated two schools, the Yunnan School and the Guizhou School, which were controlled by us through the Structured Contracts.

According to Frost & Sullivan, only approximately 37.1% of the college-aged population in China were enrolled in higher education institutions as of December 31, 2015, compared to an average of approximately 64.0% and 87.0% in developed countries in Europe and North America, respectively. Meanwhile, PRC government spending on higher education as a percentage of its total spending on education declined in recent years, according to Frost & Sullivan. As such, we believe there is significant market potential in China for the growth of private higher education. At the same time, with the further development of the Chinese economy, market demand for talent with practical and readily applicable technical skills has grown and is expected to continue to grow, according to Frost & Sullivan. In light of this industry background, we believe that, as a private provider of higher education focusing on applied sciences, we are well-positioned to capitalize on the growth opportunities in the PRC higher education sector.

We provide high quality higher education in a wide selection of fields in applied sciences. Our course offerings are designed to equip our students with practical and readily applicable skills and prepare them for the job market. We conduct market research on an on-going basis to determine employer preferences and adjust our course offerings from time to time to meet changing market demand. We have established workplace simulation studios that are designed to simulate typical workplaces to allow our students to put into practice the knowledge they learned through our course offerings. We also encourage our students to obtain professional certifications to help them gain entry into their desired fields. As a result, we have achieved industry-leading graduate employment rates, with an average of approximately 98.7%, 98.6% and 98.3% of the graduates of our Yunnan School and Guizhou School in 2013, 2014 and 2015, respectively, either employed or pursuing further studies by the end of their year of graduation, compared with PRC industry averages of 86.8%, 87.4% and 92.3% for the same years, according to Frost & Sullivan. In addition, approximately 98.3% of graduates of our Yunnan School and Guizhou School in 2016 were either employed or pursuing further studies by the end of 2016. We believe that our highly successful graduate placement record attests to the effectiveness of our educational approach as well as helping to enhance our reputation, raise our profile and attract talented high school graduates.

We experienced significant growth in our revenue, net profit and student enrollment over the Track Record Period. Our revenue from continuing operations increased from RMB206.5 million for the year ended December 31, 2014 to RMB274.0 million for the year ended December 31, 2015, and further to RMB341.0 million for the year ended December 31, 2016, representing a CAGR of approximately 28.5%. Our net profit from continuing operations increased from RMB78.7 million for the year ended December 31, 2014 to RMB104.3 million for the year ended December 31, 2015, and further to RMB110.5 million for the year ended December 31, 2016, representing a CAGR of 18.5%. Our overall student enrollment grew from 18,590 as of June 30, 2014 to 29,716 as of June 30, 2016 and further to 33,462 as of December 31, 2016.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and will continue to distinguish us from our competitors:

A leading private formal higher education group focused on applied sciences in China in terms of graduate employment rates

We are a leading private formal higher education group in China, as measured by our graduate employment rates in 2013, 2014 and 2015, according to Frost & Sullivan. The graduate employment rate is calculated by including graduates either employed or pursuing further studies pursuant to the MOE Notice regarding the calculation of graduate employment rate. During the Track Record Period and as of the Latest Practicable Date, we operated two schools, the Yunnan School and the Guizhou School, which had an aggregate of 33,462 students as of December 31, 2016. As of the Latest Practicable Date, we were in the process of acquiring the school sponsorship right for the Northeast School, pending the MOE's final approval and registration with the provincial civil affairs authorities. The Northeast School's results of operations will be consolidated into our Group's results of operations upon our receipt of the relevant approval and registration and the execution of the structured contracts, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects. Assuming the Northeast School had been consolidated into our Group as of December 31, 2016, our total number of enrolled students would have been approximately 42,980 based on student enrollments as of December 31, 2016.

Approximately 98.7%, 98.6% and 98.3% of our graduates in 2013, 2014 and 2015, respectively, were either employed or pursuing further studies by the end of the relevant years, compared with industry averages of 86.8%, 87.4% and 92.3% for 2013, 2014 and 2015, according to Frost & Sullivan. In addition, approximately 98.3% of graduates of our Yunnan School and Guizhou School in 2016 were either employed or pursuing further studies by the end of 2016. Our achievement in graduate placements has been well-recognized. For example, in 2014, our Yunnan School was one of the 50 higher education institutions in China recognized by the MOE for its achievement in graduate employment (2014 年度全國畢業生就業典型經驗高校(就業50強)). In addition, the Yunnan School was recognized by the Education Department of Yunnan Province as an Exemplary Graduate Employment Higher Institution of Yunnan (雲南省高校示範性就業指導機構). In addition, our students won a large number of national and provincial-level contests and awards during the Track Record Period in recognition of their practical skills in a wide range of areas, including applied Internet technologies, spoken English, nursing skills and construction management. In 2014, the Yunnan School ranked second overall and first among three private higher education institutions among these 50 higher education institutions in terms of graduate employment rate, according to Frost & Sullivan. We believe that our industry-leading graduate employment rates help to enhance our reputation, raise our profile within our industry, and attract talented high school graduates. In 2013, our Yunnan School served as the vice president unit of the AUAS, and was the only private higher education institution to have served in this position at that time, which we believe reflected our peers' recognition of our commitment to higher education focused on applied sciences. In addition, we are one of the fast-growing universities focusing on applied sciences in China in terms of the number of enrolled students at schools we operated at the end of the past three school years, according to Frost & Sullivan.

To serve the regional economic development, we have established several market-oriented groups of majors, including groups of majors relating to finance and economics, management, information technology, architecture and engineering, airline services and tourism and health and medical care. Our wide ranging programs and curriculums allow us to prepare students for employment in a wide variety of industry sectors. We believe the high quality education we provide allows us to attract talent and build a strong and stable student pipeline for our schools. In addition, we believe that our industry-leading position in terms of graduate employment rates and well-recognized reputation facilitate our acquisitions of other schools in the PRC.

A pioneer in the applied sciences-focused private higher education sector, a sector with high entry barriers

According to Frost & Sullivan, only approximately 37.1% of the college-aged population in China were enrolled in a higher education institution as of December 31, 2015, compared to an average of approximately 64.0% and 87.0% in developed countries in Europe and North America, respectively. According to Frost & Sullivan, government spending on education typically accounts for approximately 6.0% of the gross domestic product in the U.S., while it only accounted for approximately 4.3% of China's gross domestic product in 2015. Private providers of higher education are expected to fill the gap between market demand and government spending on higher education. The PRC government spending on higher education as a percentage of total government spending on education at all levels declined from approximately 21.6% for 2011 to 20.3% for 2015, according to Frost & Sullivan. As such, we believe there is significant market potential in China for the growth of private higher education. In addition, according to Frost & Sullivan, the fast growth of average household income and wealth in the PRC in recent years has made private education an increasingly affordable and attractive option to students and their families. Frost & Sullivan expects that by the year 2020 there will be approximately 500 to 700 higher education institutions in China that are focused on applied sciences (including higher education institutions which shift from the provision of research-oriented education to applied sciences-focused education) and qualified to provide undergraduate education, with over seven to nine million enrolled students.

With over 12 years of operating history since we established the Yunnan School's predecessor in 2005, we were one of the first movers in China to provide private formal higher undergraduate education focused on applied sciences, according to Frost & Sullivan. We began to explore higher education focused on applied sciences in 2006, long before the MOE's announcement in 2015 that higher education focused on applied sciences will be a national focus. Our Yunnan School was the first private higher education institution in Yunnan Province to obtain the qualification to grant bachelor's degrees. Our Guizhou School was the third private higher education institution established in Guizhou Province. As one of the first movers in private higher education focused on applied sciences in the PRC, we believe we have accumulated significant experience and strengths, including our well-established curriculums, classroom instruction format, workplace simulation training and our industry-leading graduate employment rates.

In addition, we believe there are high entry barriers for the private higher education industry in China, including (i) high capital requirements: establishing a private school of higher education requires significant initial capital investment, including the costs of acquiring the land for the school site, constructing school facilities, purchasing equipment, hiring qualified teaching and administrative staff; (ii) complex regulatory requirements: a number of government approvals, licenses and permits need to be obtained before establishing a school providing formal higher education, including the private school operating license and the private non-enterprise registration certificate; (iii) market recognition and brand awareness: market recognition and brand awareness are essential for private formal higher education institutions because we believe that it is one of the most important factors that parents and students consider when choosing schools. We believe that a private higher education institution with a long operating history and well-established reputation is more attractive to parents and students compared to newly established higher education institutions. Establishing brand awareness and reputation needs time and years of experience, which we believe would be difficult for new entrants in the early years of their operations; and (iv) experience requirements: operating a higher education institution requires extensive knowledge and experience regarding diversified major offerings, an education plan that aims to equip students with practicable skills, high quality curriculums and teaching methods, teachers with extensive working experience in relevant industries, and long-term stable cooperative relationships with business entities. We believe that these high entry barriers make it difficult to enter the private higher education industry and, as a result, we believe present a significant competitive advantage to early entrants of the market such as us.

Employment-oriented private higher education program focused on teaching our students practical and readily applicable skills

We focus on providing applied sciences education and seek to equip our students with practical and readily applicable skills that meet market demand through employment-oriented education plans. We believe these will enable our graduates to find gainful and satisfying employment. While traditional universities determine what majors to offer and their graduates have to find jobs that suit their majors, we first research what jobs are in demand and then offer majors and design our curriculums to train our students so that they meet that market demand. For example, we identified significant and increasing market demand for qualified personnel in nursing, preschool education and airline services in Yunnan and Guizhou Provinces and began to offer majors in these areas, which have turned out to be well-received by the market and popular among applicants. We hold conferences and invite corporate managers to discuss the majors we offer, including demand for new majors and adjusting existing majors. We conduct regular market research and maintain close contact with companies in various industries, which helps us understand employer preferences and design our course offerings to simulate real work situations. We are dedicated to developing diversified and comprehensive curriculums encompassing over 50 market-focused majors, including, among others, accounting, nursing, construction project cost assessment, business administration, civil engineering, construction project management, pre-school education and financial management. Our talent cultivation model aims to provide education tailored to each student's individual needs and circumstances. We work with students to determine suitable career paths based on their individual interests and personalities. We pay particular attention to training our students to learn how to acquire and process information as well as helping them to develop interpersonal skills and problem-solving skills.

In addition to preparing our students for the job market through the courses we offer, we also actively assist them in finding suitable job opportunities that best utilize their skills. Through our collaboration with business entities in various industries, we arrange internships for our students to help them gain first-hand work experience and acquire practical skills during their studies. In the last term before graduation, each of our students is required to undertake a project based on the sort of real-life situations they can expect in the work place. Through this term-long project, they acquire practical work skills, learn to resolve the types of problems they are likely to encounter during work, and gain valuable experience in their chosen industry. In addition, we encourage our students to obtain professional certifications to help them gain entry into their desired fields.

Scalable business model enabling us to replicate our success

We have a centralized operational management system and a scalable business model, including a unified teaching and research system to improve the quality of education and lower the relevant costs, a unified management and control system to optimize work efficiency and minimize costs, a unified employment-related service system to enable us to achieve high graduate employment rates and a unified set of business standards to enable us to replicate our success to our newly established, invested or acquired schools. We use market demand to guide our selection of the majors we offer at our schools. We operate each of our schools using a consistent educational philosophy, which is to provide the best applied sciences education based on each student's individual needs and help them to succeed. We believe our unified educational approach and centralized management systems have enabled us to replicate the success of our first school, the Yunnan School, in our second school, the Guizhou School. Student enrollment at the Guizhou School increased from approximately 1,200 at its inception in 2012 to approximately 11,750 as of June 30, 2016 and further to approximately 13,970 as of December 31, 2016. We plan to further replicate this successful business model in the schools we acquire or establish in the future. We used a standardized facility design for the Guizhou School, based on that of the Yunnan School, and plan to do so for future new schools and use the same suppliers for procurement where practicable to ensure that the facilities at our schools meet the same standards. For a new school, we plan to adopt the same curriculums and teaching methods for the same courses that have been used and proven at our other schools and add content tailored to the particular circumstances of the geographical region where the new school is located. We also use an online education platform operated by Beijing Lianhe, a connected person controlled by Mr. Li, which our students and teachers are able to access. We have entered into an agreement with Beijing Lianhe, pursuant to which Beijing Lianhe agrees to give our students and teachers access to its 365 cloud education platform free of charge for a term of three years. Beijing Lianhe offers lectures by guest lecturers online to subscribers of its services, and we have teachers at each of our schools who organize discussions, classwork and homework based on those lectures. We believe this online lecture model provides our students with access to experts while enabling us to minimize the related costs.

We have established a teachers' professional development center at each of our schools which coordinates and arranges teacher training to ensure that consistent teaching standards and educational philosophies are implemented in different schools. Through our integrated information system, we manage and coordinate job placements and student affairs for both of our schools, which facilitates the timely sharing of information, experience and opportunities. We believe we have abundant scope for expansion. Both the Yunnan School and Guizhou School have large areas of reserved land, which could be used for further expansion. The Northeast School, which we were in the course of acquiring the school sponsorship of as of the Latest Practicable Date also has a large amount of unused land, which we could develop after we complete our acquisition of the sponsorship right upon obtaining the MOE's approval and registration with the provincial civil affairs authorities. See "– Planned Additional Schools – Northeast School" in this section. We believe that our scalable business model and centralized management enable us to integrate our resources, achieve economies of scale, lower our operating costs, and serve a wide population while maintaining consistent quality standards, which we believe presents significant advantages compared to a single school business model.

We believe we have the expertise, experience and resources to expand our operations across regions, as evidenced by our past success with replicating our school operating model in our Guizhou School. We believe that our scalable business model, extensive experience, abundant resources and proven capabilities will allow us to capitalize on growth opportunities in our industry and further expand our business.

Experienced senior management team and highly qualified teachers dedicated to applied sciences education

We have an experienced and proven senior management team with extensive knowledge and experience in the PRC private education industry. Our management team consists of our executive directors and senior management, including the presidents of our schools, who have been dedicated educators throughout their careers. Through the efforts of our management team, we have established the Yunnan School and the Guizhou School, with over 29,700 enrolled students in total as of June 30, 2016 and over 33,400 enrolled students in total as of December 31, 2016. Our Chairman of the Board and executive director, Mr. Li, has more than 17 years of experience in private education and vocational training. Mr. Li also serves as the vice chairman of the China Association of Non-Government Education (中國民辦教育協會), a vice president of the AUAS, a standing director of the Strategic Committee of Education Development of China (中國教育發展戰略學會), a member of the Commission on Higher Education in China (中國高等教育學會), a standing committee member of the National Youth Association of China (中華全國青年聯合會), and a standing committee member of the Political Consultative Conference of Yunnan Province (雲南省政協).

Each of our schools is managed on a day-to-day basis by its president, who is assisted by an executive vice president or several vice presidents, each of whom is responsible for one or more specific aspects of a school's operations, such as educational curriculums, student admissions, security and logistics, student affairs and human resources. For instance, both the presidents of the Yunnan School and the Guizhou School have over 20 years of experience in higher education. We also have a seasoned team of high-quality management personnel who are responsible for teaching management. All of them have proven themselves capable educators and administrators with many years of experience in the 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 enable us to manage our operations efficiently and achieve our business goals.

We believe the quality of education we provide is largely dependent on the quality of our teachers. We believe we offer competitive compensation and benefits to attract and retain high quality teachers. Many of our teachers possess professional expertise and industry experience as well as the necessary teaching experience and skills. We seek to hire well-known industry experts, technical specialists, management professionals and other highly skilled personnel working at enterprises to help us establish relevant majors and teach on either a full-time or a part-time basis at our schools. The work experience in their chosen field that many of our teachers have enables them to understand employer preferences and market demand, which in turn allows them to design curriculums that are tailored to provide practical training to prepare our students for the job market. As of December 31, 2014, 2015 and 2016, we had an aggregate of approximately 1,272, 1,451 and 1,496 teachers, respectively (including 954, 1,074 and 1,093 full-time teachers, and 318, 377 and 403 part-time teachers, respectively). As of December 31, 2016, approximately 52.5% of our teachers had working experience in various relevant industries.

We have formulated strict standards and procedures for teacher recruitment to ensure that our teachers possess high levels of professional expertise and teaching experience. We have established a teachers' professional development center at each of our schools to provide systematic and tailored training for our teachers in order to improve their ability to design classroom instruction and implement education plans. We also collaborate with external entities in various industries to provide opportunities for our teachers to work for those entities on a secondment basis. We believe this helps our teachers to keep abreast of industry developments and understand what practical skills are sought after by employers, which in turn enables them to incorporate this knowledge in our curriculums and teach our students relevant skills for success in the job market.

OUR BUSINESS STRATEGIES

We intend to continue to expand our business and school network. To achieve our goals, we plan to pursue the following business strategies:

Expand our school network coverage and increase our market penetration.

We intend to expand our school network and increase our market penetration and our market share in the private higher education sector in the PRC. Specifically, we have formed an investment team headed and managed directly by our vice president for investment. This investment team is responsible for identifying and evaluating potential acquisition targets across China. We plan to establish an investment and acquisition management committee headed by the chairman of our Board. This committee will periodically review the feasibility of acquisitions and determine which ones to pursue.

We intend to expand into western, central and northeastern China where we believe there exist significant growth potential because the higher education enrollment rates in these regions are lower than the national average enrollment rates, and compared with economically more developed regions in China. For 2015, the higher education enrollment rate was 29.3%, 36.7% and 33.5% in the northwestern, central and northeastern China, respectively, compared to a national average of 37.1%, and 41.6% and 44.1% for north China and east China, respectively, according to Frost & Sullivan. In addition, the higher education enrollment rate in the northwestern, central and northeastern China is expected to grow to 42.0%, 51.3% and 47.4% by 2020, respectively, according to Frost & Sullivan. In particular, we will focus on suitable opportunities to acquire or invest in private universities which offer undergraduate programs as well high quality junior college programs, and meet our internal criteria for student enrollment levels. We plan to fund these acquisitions or investments using the net proceeds of the Global Offering, loan financing and cash generated from our internal operations.

Following completion of acquisitions or investments, we plan to leverage our scalable business model to optimize the operations of the acquired or invested schools and replicate the value-added service revenue model of the Yunnan School to increase financial returns. In addition, we expect to continue to increase the student enrollments at our existing schools.

We also plan to establish our own schools where we see an attractive opportunity to do so. In August 2014, our PRC subsidiary Bei Ai Company entered into an agreement with the government of Gaolan County, Gansu Province, pursuant to which we will establish the Northwest School, a school for applied sciences-focused higher education, in Lanzhou, Gansu Province. We intend to apply a portion of the net proceeds from the Global Offering towards the establishment of the Northwest School. With a view to building our presence overseas and creating synergies with our schools in China, we also plan to expand our network abroad by establishing a higher education institution in the State of California. See "– Planned Additional Schools" for further information.

The following table sets forth the expected total costs of investment, amount incurred as of the Latest Practicable Date, remaining portion of total Investment, funding plan and payment schedule, expected return, expected payback period and expected breakeven period for each of the four schools that we proposed to invest in or establish and the potential impact on our financial and operational performance. This information is prepared on the basis of our current expansion plans and our management's present expectation, which are subject to various risks, assumptions and uncertainties. There is no assurance that our actual expansion plans will not deviate from our current expansion plans. Our management will consider making various adjustments to our business plans, including but not limited to, delaying or suspending our expansion plans and increasing our debt and/or equity financing when our working capital or business performance may be materially and adversely affected. In the event of material change in circumstances or our business plans, to comply with Rule 13.09 of the Listing Rules, we will make announcements as and when appropriate if our business might be materially or adversely affected. All information contained in the following table is for reference and illustration purposes only.

School	Expected Total Investment	Amount Incurred as of the Latest Practicable Date	Remaining Portion of Expected Total Investment	Funding Plan and Payment Schedule	Expected Payback Period(1)	Expected Breakeven Period(2)	Expected Return(3)	Potential Impact
Northeast School(4)	approximately RMB381.9 million	RMB156.9 million	RMB225 million to be paid in 2017	approximately RMB132.5 million of net proceeds received from the Global Offering and approximately RMB92.5 million of loans granted to us by Beijing Branch of China Minsheng Bank pursuant to a loan agreement dated January 17, 2017, which will be repaid in five installments over five years	approximately five to six years	approximately two years	approximately 20%-30%	The Northeast School admitted approximately 2,270 new students for the 2016-2017 school year and is expected to recruit approximately 2,800-3,700 students for each of the school years of 2017-2018, 2018-2019 and 2019-2020, subject to the relevant quota being approved by the relevant education authorities.
New Campus at the Central China School(5)	approximately RMB627 million	RMB522.6 million	RMB104.4 million, comprising RMB52.0 million to be paid in 2017 and RMB52.4 million to be paid from 2018 to 2020	approximately RMB104.4 million of internally generated funds	approximately six to seven years	approximately two years	approximately 10%-15%	The new campus at the Central China School admitted approximately 3,480 students for the 2016-2017 school year, and is expected to recruit approximately 4,000-5,000 students each of the school years of 2017-2018, 2018-2019 and 2019-2020, subject to the relevant quota being approved by the relevant education authorities.

School	Expected Total Investment	Amount Incurred as of the Latest Practicable Date	Remaining Portion of Expected Total Investment	Funding Plan and Payment Schedule	Expected Payback Period[(1)]	Expected Breakeven Period[(2)]	Expected Return[(3)]	Potential Impact
Northwest School[(6)]	approximately RMB463 million	RMB5.0 million	RMB458.0 million, comprising RMB143.0 million to be paid around September 2018 and RMB315 million expected to be incurred from 2021	approximately RMB349.1 million of internally generated funds and approximately RMB108.9 million of net proceeds received from the Global Offering	approximately seven to eight years	approximately two years	approximately 10%-15%	We expect that the Northwest School will start recruiting students upon the completion of construction in 2018. The Northwest School is expected to recruit approximately 1,200 students for the 2018-2019 school year and approximately 2,500 students for the 2019-2020 school year, subject to the relevant quota being approved by the relevant education authorities.
California School[(7)]	approximately RMB100 million	US$56,000	approximately RMB99.6 million expected to be incurred from 2018 to 2020 upon the receipt of approval from the BPPE regarding the establishment of the California School	approximately RMB99.6 million of internally generated funds	approximately four to five years	approximately two years	approximately 20%-30%	We expect that California School will start recruiting students in 2018, and is expected to recruit approximately 300 students for the 2018-2019 school year and approximately 500 students for the 2019-2020 school year, subject to the relevant quota being approved by the relevant education authorities (if any).

Notes:

(1) Expected payback period refers to the period of time required to recover our expected total investment. It is the period of time during which the total future net cash flow generated from operating activities equals to the expected total investment.

(2) Expected breakeven period refers to the period of time required for a school to generate revenue equal to its cost of sales and other operating expenses for the first time. Based on the operation of our Guizhou School, the expected breakeven period for each of these three new schools in China is approximately two years when the total number of students enrolled at such school reaches 3,000. The expected breakeven period for California School is approximately two years when the total number of students enrolled at this school reaches 800.

(3) Expected return refers to the internal rate of return of discounting (a) the school's future net cash flow from operating activities; and (b) the Group's total investment in the relevant school, to their present values.

(4) The Northeast School is currently under normal operation and no construction work is conducted on the campus of the Northeast School.

(5) The new campus at the Central China School is currently under normal operation and the construction work conducted on the campus does not interfere with the normal school operation.

(6) We paid the Finance Bureau of Gaolan County RMB5.0 million in August 2014 as a deposit for the establishment of the Northwest School. As of the Latest Practicable Date, we had not carried out any other preparation work toward establishing the Northwest School.

(7) We filed an application with the BPPE in July 2016 to establish the California School, and expect the application review process will take around 12 months. As of the Latest Practicable Date, we had not received any feedback from the BPPE regarding our application.

We expect that approximately RMB553.1 million of internally generated funds are required for the funding needs of the new Schools over a five-year period from 2017 to 2021. Our Directors are of the view that we expect to be able to generate sufficient funds internally during the five-year period to meet such funding needs because (i) for the years ended December 31, 2015 and 2016, net cash from our operating activities amounted to RMB254.4 million and RMB225.1 million, respectively; and (ii) for the years ended December 31, 2015 and 2016, net cash from operating activities of the Northeast School amounted to RMB66.0 million and RMB72.5 million, respectively. We plan to fund our investment in the Northeast School with a portion of the net proceeds from the Global Offering and bank loans. We expect that our two existing schools and the Northeast School together will generate sufficient cash from operations to fund our investment in the other new schools, namely, the new campus at the Central China School, the Northwest School and the California School.

The principal assumptions we make when calculating the expected return, the expected payback period and the expected breakeven period for a school include the tuition fees and boarding fees the school currently expects to charge for each student each school year, the number of new students the school expects to recruit each school year subject to relevant quota approved by the relevant education authorities, the cost of sales and other operating expenses the school expects to incur to provide the education services and the estimated tax liabilities the school expects to be exposed to. In addition, we assume all other factors remain constant, the actual investment and construction costs of these schools will not materially deviate from the expected amounts, and take into account the financial resources available to us, including the expected proceeds from the Global Offering based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised, the expected future cash flows to be generated from our operations, and in the absence of unforeseeable circumstances.

We have established a scalable business model to enable our headquarters to integrate the schools we invest in or establish through our unified systems of curriculum design and development, operation management, business standards, employment services and O2O teaching, and help such schools to improve their quality and efficiency, lower their costs, and achieve synergies with our existing schools. Except as disclosed under "History and Corporate Structure – Schools to be Established or Invested in" in this prospectus, we had not identified any acquisition target as of the Latest Practicable Date.

Continue to strengthen our market position and enhance our reputation.

We believe that the reputation of a school is one of the most important criteria students would normally consider when selecting a university. To increase our enrollment and expand our business, we intend to continue to enhance our market position in the higher education industry in the PRC. We believe that our high graduate employment rates and comprehensive curriculums with diversified offerings of practical courses distinguish us from our competitors and make us attractive to potential applicants. We plan to design new courses and adjust our existing courses to continue to best reflect evolving market trends and meet the demands of employers. We intend to continue and expand our market research to better understand employer preferences and student needs. Specifically, we plan to collaborate with well-established online recruitment platforms to conduct data analysis in order to further our understanding of market demand and employment statistics, and with third-party organizations to analyze nationwide employment data relating to students in those majors that we offer. We also plan to obtain relevant data from social security agencies to understand employer hiring needs and from local government education departments to understand employment rates of university graduates to gain a comprehensive and objective understanding of the market demand and supply of university graduates. In addition, we plan to gather human resources plans from corporations and career plans from our students, and provide career planning and job placement counselling services to our students in order for them to find the most suitable position. We plan to further enhance our reputation among well-known companies and other potential employers, establish long-term collaborative relationships with them, and create employment opportunities for our students.

We plan to promote our schools and programs through both online and offline media. Specifically, we intend to arrange for periodic reports on our major school activities through traditional media. We plan to continue to promote our schools online where appropriate. We believe that these promotional activities may help raise our profile among the general population and enhance our reputation among parents and students.

Continue to attract, incentivize and retain talented teachers and support their professional development.

The quality of our education services largely depends on our teachers. We intend to continue to attract, incentivize and retain talented teachers and build a first-rate faculty team. To this end, we plan to recruit well-recognized technical experts, experienced business administrators and other highly skilled persons to teach in our schools on either a full time or a part time basis. We will continue to apply stringent standards in our recruitment of teachers, including targeting applicants who are bachelor's degree holders who have at least five years of relevant work experience and master's degree holders who have at least three years of relevant work experience. We plan to conduct regular evaluations of our teachers, which will include students' input and teaching supervisors' evaluations of the teacher's class preparation and classroom instruction.

We encourage our teachers to pursue further studies and to enhance their professional expertise and knowledge. In addition, we plan to continue to send our teachers to external business entities for training, secondments and other on-the-job training. We intend to further enhance our professional development centers for our teachers at each of our schools and continue to focus on our teachers' training and professional development. We plan to work with our teachers to design a career plan for each of them and help them to attain their professional goals. We plan to require our teachers to participate in no less than 40 hours of professional training each year. The training will include understanding our strategic plans, establishing majors and curriculums, teaching methods and techniques, student management, research methods, understanding our systems and culture, and general professional skills. We will assign a fellow teacher to mentor each new teacher during their probation period to help them adjust to our corporate culture and systems, school philosophy and lifestyle. We plan to hold regular conferences for our teachers to help our teachers understand our students' development so that their teaching would be more effective. In addition, we plan to continue to offer competitive compensation and benefits to our teachers to attract talent in the market.

Further expand our educational service offerings to capture growth opportunities.

We plan to continue to expand and diversify our course offerings in response to industry trends and market demand, including establishing new major offerings based on market developments.

Based on our research of market trends, we expect market demand for talent in certain industry sectors to grow significantly in the foreseeable future. To capture opportunities presented by these market developments, we plan to establish the following core majors at our schools:

- Majors relating to health care: As people are putting greater emphasis on physical health, we anticipate that there will be an increasing demand for professionals engaged in health care services, such as nurses and therapists. In order to capture the opportunities and the development potential in this area, we intend to establish additional majors relating to health care to complement our existing majors at our Yunnan School and Guizhou School, such as nursing;

- Majors relating to the Internet of Things (物聯網): To capture the significant opportunities and growth prospects in the sector of the Internet of Things and potential applications in areas including environmental protection, security, intelligent traffic control, agriculture and healthcare promotion, we plan to leverage our expertise in existing majors including computer science and technology, computer network technology management and software technology to establish majors relating to the Internet of Things and offer a major in logistics management in the 2017-2018 school year;

- Majors relating to intelligent manufacturing: We believe that intelligent manufacturing is a future trend in the manufacturing industry in China. To capture opportunities in the sector of intelligent manufacturing, we plan to leverage our existing majors including computer science and technology, electrical engineering and automation and mechanical design to establish majors relating to intelligent manufacturing in the 2017-2018 school year; and

- Majors relating to tourism and cultural activities: As the average disposable income per household continues to rise in China, we expect that spending on tourism and cultural activities will continue to rise as well. To capture potential opportunities and meet market demand, we plan to establish majors relating to tourism and cultural activities in the 2017-2018 school year and beyond, such as catering management and ethnic art.

In addition, in light of the rapid growth of the Internet economy and the distinct trend towards shifting services online, subject to complying with applicable regulatory requirements, we intend to develop online education services to capture the significant growth potential and opportunities in this sector. We have obtained a right of first refusal to acquire all of the equity interest in Beijing Lianhe, a connected person controlled by Mr. Li, which provides the 365 cloud education platform we currently use for online education services.

Construct additional workplace simulation training studios and further improve our school facilities.

We believe that we can distinguish ourselves from our competitors by our ability to offer our students opportunities to develop practical skills and knowledge, which we believe help them to secure employment upon graduation and succeed in their careers. Our workplace simulation training studios are instrumental in enabling our students to gain first-hand experience of a simulated working environment and practice their skills and knowledge. We plan to construct more workplace simulation training studios to ensure all of our students are able to receive adequate training in school to help them succeed in the job market. We plan to expand our workplace simulation training capabilities in nursing and construction management, among others. We also plan to build a training base for intelligent manufacturing.

In addition, we intend to further improve our school facilities to enhance our students' educational experience. We plan to build multi-purpose facilities for sports and arts functions and enhance the general environment within our schools' premises. We also plan to enhance our information technology systems, such as our online testing systems.

Enhance our profitability by optimizing our sources of revenue and other income.

The tuition fees and boarding fees we charge are a significant factor affecting our profitability. During the Track Record Period, the Yunnan School raised its tuition fee rate from RMB5,000-12,000 per year to RMB5,000-20,000 per year for certain majors of the undergraduate program at the beginning of the 2015-2016 school year. In addition, the Guizhou School also raised its tuition fee rate from RMB7,200-8,000 per year to RMB8,000-8,800 per year for certain majors at the beginning of the 2015-2016 school year. For the 2016-2017 school year, the Yunnan School has raised its tuition fee rate for the junior college program from RMB8,000 to RMB11,000-13,000. We believe that we are able to maintain the current tuition rates and raise the tuition rates charged by our schools where appropriate as our brand awareness and market recognition have grown. In addition, we retain discretion to adjust the tuition rates charged by our schools, and our schools are only required to make a filing with relevant authorities regarding proposed tuition fee adjustments but are not subject to approval requirements or any pre-set fee limits. Historically, we have kept our tuition rates at levels we believe are competitive in order to attract more students and thereby increase our student enrollment and market share. As we have established a strong reputation for providing quality education to our students, we believe we are in a position to optimize our pricing without compromising our reputation and our ability to attract and retain students.

In addition, we plan to diversify our sources of revenue and other income. Currently, we generate exam preparation and training fees from preparation courses we offer for professional qualification exams and standardized tests, as well as certain training programs, which we expect will increase as the number of our students increases. We intend to introduce the 365 cloud education platform provided to us by Beijing Lianhe in our exam preparation and training services, which we believe will help to allow a much wider student group to access our services, lower our costs, and increase our profitability. We rent out certain properties to third parties to operate as canteens and stores on our schools' campuses and charge them rental fees and property management fees. We expect our other income and gains from these rental fees and property management fees to increase as we plan to increase rental rates and property management fee rates in line with the growth in our student enrollments. As our student enrollments further increase, we may consider developing our own catering and convenience store services to capture the profit in this business line. As we expand our school network to additional geographical areas in China, we also plan to establish cooperative relationships with large national or regional companies, such as telecommunication operators, for them to place advertisements on our campuses. In addition, we plan to cooperate with reputable training institutions to provide English language and other various skill training to our students. We also intend to cooperate with mobile application developers to allow their applications to be used on our platforms and by our students. We believe that as our student enrollments and geographic coverage further increase, we will be able to develop additional sources of revenue and other income through cooperation with various third parties.

OUR EDUCATIONAL PHILOSOPHY

We endeavor to help each student maximize his or her potential and live his or her life to the fullest. Our fundamental educational philosophy is composed of two integral parts: (i) to nurture the growth of our students, and provide education tailored to each student's individual needs and circumstances; and (ii) to equip our students with practical and readily applicable skills that meet market demand.

OUR SCHOOLS

As of the Latest Practicable Date, we operated two schools:

- Yunnan School: a formal higher education institution, providing undergraduate education and junior college education and offering over 50 majors in a wide range of areas, including, among others, business administration, information technology and engineering, accounting, architecture and civil engineering as well as humanities; and

- Guizhou School: a formal higher education institution, providing junior college education in approximately 30 majors in six colleges, including, among others, accounting, nursing, architecture and civil engineering, business administration, design and engineering as well as physical education.

The following table sets forth the revenue, gross profit margin and average tuition fee and boarding fee for each of our schools for the periods indicated:

School	Revenue			Gross Profit Margin			Average Tuition Fee per student			Average Boarding Fee per student		
	Year ended December 31,			Year ended December 31,			Year ended December 31,			Year ended December 31,		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
		(RMB'000)			*(%)*			*(RMB)*			*(RMB)*	
Yunnan School	148,231	177,922	217,124	51	49	52	8,614.2	9,370.9	10,790.7	823.6	812.0	857.8
Guizhou School	58,264	96,072	123,872	48	53	51	8,911.4	8,748.4	8,597.0	1,255.1	1,227.0	1,133.0
Total	206,495	273,994	340,996	49	50	48	8,693.8	9,149.6	9,900.2	937.8	958.7	969.3

Our gross profit margin for any interim period may not be indicative of our financial performance for the year because tuition fees and boarding fees from all of our schools are generally paid in advance in September at the beginning of each new school year, while we record payments of (i) tuition fees on a straight-line basis over the course of the relevant program, which is generally from September to June (excluding the winter break), and (ii) boarding fees over a twelve-month period. At the same time, we record costs of sales when incurred. This results in a mismatch between our recognition of revenue and cost of sales in terms of timing. This mismatch also contributes to fluctuations in our gross profit and gross profit margin.

As tuition fees are recognized as revenue proportionately over a nine-month period, which is generally from September to June (excluding the winter break), our revenue under tuition fees for a calendar year ended December 31 includes five months' tuition fees collected at the beginning of a school year started in September of the previous calendar year, and four months' tuition fees collected at the beginning of a school year started in September of the relevant calendar year. For example, for 2014, the revenue under tuition fees included five months' tuition fees for the 2013-2014 school year, which was from September 2013 to June 2014 and four months' tuition fees for the 2014-2015 school year, which was from September 2014 to June 2015. As a result, the average tuition fee is calculated by dividing the revenue under tuition fees for a year ended December 31 by the weighted average number of students for such year, not the number of students for a specific school year.

As boarding fees are recognized as revenue proportionately over a twelve-month period, average boarding fee is calculated by dividing the revenue under boarding fees for a calendar year ended December 31 by the weighted average number of students for such calendar year, not the number of students for a specific school year.

As of December 31, 2016, we had 19,490 and 13,972 students at the Yunnan School and the Guizhou School, respectively. Both our schools are boarding schools with on-campus dormitories. As of December 31, 2016, our Yunnan School had approximately 535,800 sq.m. of land and our Guizhou School had approximately 284,850 sq.m. of land. Our school facilities include classrooms, workplace simulation training studios, gymnasiums, libraries, administrative offices, canteens and student dormitories, as well as staff apartments. By capturing and utilizing the opportunities arising from the development of the Chinese economy and the market demand for specialized technical talent in China, we have experienced rapid growth since our inception. As of December 31, 2016, our four largest majors in terms of the number of enrolled students were accounting (including computerized accounting, accounting and auditing), nursing (including nursing science and midwifery), financial management and business management, with 7,099, 4,289, 2,592 and 2,382 students and accounting for 21.2%, 12.8%, 7.8% and 7.1% of our total enrolled students, respectively. As of the same date, construction project cost assessment, civil engineering, pre-school education and construction project (including construction project management, and construction project technology) were the next four largest majors in terms of the number of enrolled students, with an aggregate of 6,376 enrolled students and accounting for 19.1% of our total enrolled students.

The following table sets forth information relating to the student enrollment, admission quota and admission quota utilization rate for our schools for the school years indicated:

	Student Enrollment(1)				Admission Quota(2)				Admission Quota Utilization Rate%			
	School Year				School Year				School Year			
School	2013-2014	2014-2015	2015-2016	2016-2017(3)	2013-2014	2014-2015	2015-2016	2016-2017(3)	2013-2014	2014-2015	2015-2016	2016-2017(3)
Yunnan School	**14,616**	**17,082**	**17,965**	**19,490**	**12,090**	**14,570**	**16,990**	**19,770**	**120.9**	**117.2**	**105.7**	**98.6**
Four-year undergraduate program(4)	5,704	7,694	8,081	8,568								
Three-year junior college program(4)	8,566	9,258	9,878	10,922								
Other programs(5)	346	130	6	–								
Guizhou School	**3,974**	**7,958**	**11,751**	**13,972**	**6,150**	**11,950**	**16,750**	**19,550**	**64.6**	**66.6**	**70.2**	**71.5**
Three-year junior college programs	3,946	7,930	11,723	13,972								
Other program(6)	28	28	28	–								
Total	**18,590**	**25,040**	**29,716**	**33,462**	**18,240**	**26,520**	**33,740**	**39,320**	**101.9**	**94.4**	**88.1**	**85.1**

Notes:

* The student enrollment information during the Track Record Period was based on the internal records of our schools.

(1) Despite the fact that our financial year ends on December 31, our school year generally ends on June 30, for consistency purposes, we use June 30 to present student enrollment for the school years other than 2016-2017 school year.

(2) As a higher education service provider, the number of new students each of our schools may admit for each school year is generally limited by an admission quota specified by the relevant education authorities, which is subject to adjustment by such education authorities at a later stage. The admission quota and the subsequent adjustment are made by the relevant education authorities, which are beyond our control. The average school utilization rate is calculated based on the aggregate student enrollments for a school for a school year divided by that school's aggregate admission quota approved by the relevant education authorities. The admission quota utilization rate of the Yunnan School exceeded 100% for certain school years because the admission quotas may be adjusted, from time to time, allowing a school to admit additional students based on the number of students that participated in the National Higher Education Entrance Exam and the number of students who selected the school in their university entrance applications, as permitted by the relevant education authorities. As a result, the number of students actually enrolled at the Yunnan School exceeded the number of students specified in the admission quota. During the Track Record Period, the admission quota utilization rate of the Yunnan School declined because its admission quota increased at a faster pace than its student enrollments. The Education Department of Yunnan Province increased the Yunnan School's admission quota during the Track Record Period in light of its expanded capacity as well as the quality of the education it provided. The Yunnan School has obtained a confirmation letter from the Education Department of Yunnan Province dated December 7, 2016, acknowledging that it has reviewed and confirmed the admission quota received by the Yunnan School and the number of enrolled students admitted by the Yunnan School. As advised by our PRC legal advisors, Jingtian & Gongcheng, the admission of additional students by the Yunnan School in excess of its admission quota during the Track Record Period was in compliance with applicable PRC laws and regulations as it is a result of adjustments made by the education authorities subsequent to the allocation of admission quota. The admission quota utilization rate of the Guizhou School is relatively low, compared with the admission quota utilization rate of the Yunnan School because our Guizhou School currently only offers junior college programs, and some students who

have been admitted for a junior college program may choose not to register with the Guizhou School, and decide to re-take the National Higher Education Entrance Exam the following year. The admission quota utilization rate of our schools may fluctuate between school years as a result of the increase or decrease in admission quota approved and any subsequent adjustment made by the relevant authorities.

(3) Student enrollments for the 2016-2017 school year were as of December 31, 2016.

(4) The number of students enrolled for four-year undergraduate education and three-year junior college education includes students enrolled in dual-degree programs which require them to complete a four-year or three-year study at the Yunnan School.

(5) Other programs refer to two-year and three-year secondary vocational programs. The Yunnan School ceased to admit new students for these programs in the 2014-2015 school year.

(6) Other program refers to three-year secondary vocational programs. The Guizhou School ceased to admit new students for this program after the 2013-2014 school year.

All of our schools listed above are boarding schools. As a result, the student capacity is limited by the number of beds available in student dormitories at each school. Accordingly, the student capacity is presented as the number of beds available in student dormitories at each school for the relevant school years. The following table sets forth information relating to the student enrollment, capacity and school utilization rate for each of our schools for the school years indicated:

	Student Enrollment[1]				Student Capacity[2]				School Utilization Rate%			
	School Year				School Year				School Year			
School	**2013-2014**	**2014-2015**	**2015-2016**	**2016-2017[3]**	**2013-2014**	**2014-2015**	**2015-2016**	**2016-2017[3]**	**2013-2014**	**2014-2015**	**2015-2016**	**2016-2017[3]**
Yunnan School	**14,616**	**17,082**	**17,965**	**19,490**	**20,224**	**20,224**	**22,000**	**21,688**	**72.3**	**84.5**	**81.7**	**89.9**
Four-year undergraduate program[4]	5,704	7,694	8,081	8,568								
Three-year junior college program[4]	8,566	9,258	9,878	10,922								
Other programs[5]	346	130	6	–								
Guizhou School	**3,974**	**7,958**	**11,751**	**13,972**	**4,952**	**8,656**	**12,920**	**16,112**	**80.3**	**91.9**	**91.0**	**86.7**
Three-year junior college programs	3,946	7,930	11,723	13,972								
Other program[6]	28	28	28	–								
Total	**18,590**	**25,040**	**29,716**	**33,462**	**25,176**	**28,880**	**34,920**	**37,800**	**73.8**	**86.7**	**85.1**	**88.5**

Notes:

* The student enrollment information during the Track Record Period was based on the internal records of our schools.

(1) Despite the fact that our financial year ends on December 31, our school year generally ends on June 30. For consistency purposes, we use June 30 to present our business operating data in this prospectus other than for the 2016-2017 school year.

(2) The number of beds available at the Yunnan School declined slightly from 2014-2015 school year to 2016-2017 school year because we converted a number of eight-bed rooms to four-bed rooms to meet our students' demand for better living conditions. We expect we will be able to increase the number of beds available at our schools in line with any increase in our student enrollment.

(3) Student enrollment, student capacity and school utilization rate for the 2016-2017 school year were as of December 31, 2016.

(4) The number of students enrolled for four-year undergraduate education and three-year junior college education includes students enrolled in dual-degree programs which require them to complete a four-year or three-year study at the Yunnan School.

(5) Other programs refer to two-year and three-year secondary vocational programs. The Yunnan School ceased to admit new students for these programs in the 2014-2015 school year.

(6) Other program refers to three-year secondary vocational programs. The Guizhou School ceased to admit new students for this program after the 2013-2014 school year.

We typically charge our students fees comprising tuition fees, boarding fees, and textbook fees. It is our mandatory policy for students to live on-campus. We charged boarding fees per student per school year ranging from RMB750 to RMB1,200 for students at the Yunnan School and RMB1,200 for students at the Guizhou School.

The following table sets forth the tuition fee information for our schools for the school years indicated:

	Tuition Fee(1) (RMB)			
School	**2013-2014 school year**	**2014-2015 school year**	**2015-2016 school year**	**2016-2017 school year**
Yunnan School(2)				
Four-year undergraduate program	5,000-12,000	5,000-12,000	5,000-20,000	5,000-20,000
Three-year junior college program	8,000	8,000	8,000	11,000-13,000
Guizhou School(3)				
Three-year junior college program	7,200-8,000	7,200-8,000	8,000-8,800	8,000-8,800

Note:

(1) Tuition fees shown above for all of our schools are applicable to students admitted in the relevant school year only, excluding boarding fees.

(2) During the Track Record Period, the Yunnan School also recruited students for two-year and three-year secondary vocational programs, and charged tuition fees of RMB3,900 per student per school year. The Yunnan School ceased to admit new students for these programs in the 2014-2015 school year.

(3) The Guizhou School recruited 28 students for a three-year secondary vocational training program in 2013 and ceased to admit new students for this program after the 2013-2014 school year. Based on relevant regulatory requirements, the Guizhou School did not charge any tuition fees for students enrolled in this program.

For the years ended December 31, 2014, 2015 and 2016, tuition fees from our schools accounted for 90.3%, 90.6% and 91.1% of our total revenue from continuing operations, respectively, while boarding fees accounted for the remainder. We require students to pay tuition fees and boarding fees for the entire school year at the beginning of the school year, and recognize tuition fees proportionately over a nine-month period and boarding fees proportionately over a 12-month period. Prior to April 2014 and December 2015, respectively, our Guizhou School and Yunnan School were required to obtain approval from relevant government authorities before they could adjust their tuition fee rates. During the period between April 2014 and January 2016 and the period between December 2015 and July 2016, respectively, our Guizhou School and Yunnan School were no longer required to obtain prior approval for tuition fee rate changes but were only subject to a filing requirement as long as their proposed tuition fee rate changes were within a government-prescribed range. Beginning in January and July 2016, respectively, our Guizhou School and Yunnan School are only required to make a filing with the relevant government authorities regarding their proposed tuition fee rate changes but are no longer subject to any prior approval requirements or government prescribed fee limits.

In the event a student withdraws during the school year, we have refund policies in place at each of our schools, setting forth the percentage of tuition and boarding fees that can be refunded to such student depending on when such student decides to leave the school. These policies were formulated pursuant to the rules and regulations issued by the PRC authorities. For example, pursuant to the *Interim Measures on Regulating Tuition Fees Charged by Private Education Providers* (《規範民辦教育收費行為暫行辦法》) promulgated by Department of Human Resources and Social Security of Guizhou Province in 2015, (i) if a student asks to withdraw after registering but before the new school year begins, 98% of the total tuition fees shall be refunded; (ii) if a student asks to withdraw within one month after the new school year begins, no less than 90% of the total tuition fees shall be refunded; (iii) if a student asks to withdraw during or after the second month but before completing half of the school year, no less than 60% of the total tuition fees shall be refunded; and (iv) if a student asks to withdraw after completing half of the school year but before completing 3/4 of the school year, no less than 50% of the total tuition fees shall be refunded. Boarding fees are also refunded on the same basis.

The following table sets out the number of students who dropped out of our schools for the school years indicated:

School	**Number of students dropped out**			
	School Year			
	2013/2014	**2014/2015**	**2015/2016**	**2016/2017[(1)]**
Yunnan School	198	222	108	71
Guizhou School	135	118	184	97
Total	333	340	292	168

Note:

(1) The number of students who dropped out for the 2016-2017 school year were as of December 31, 2016.

The table below sets forth the amount of tuition fees refunded to the students by our schools for the periods indicated:

School	**Tuition Refunded**		
	Year ended December 31,		
	2014	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Yunnan School	1,410	1,220	780.5
Guizhou School	428	567.8	567
Total	1,838	1,787.8	1,347.5

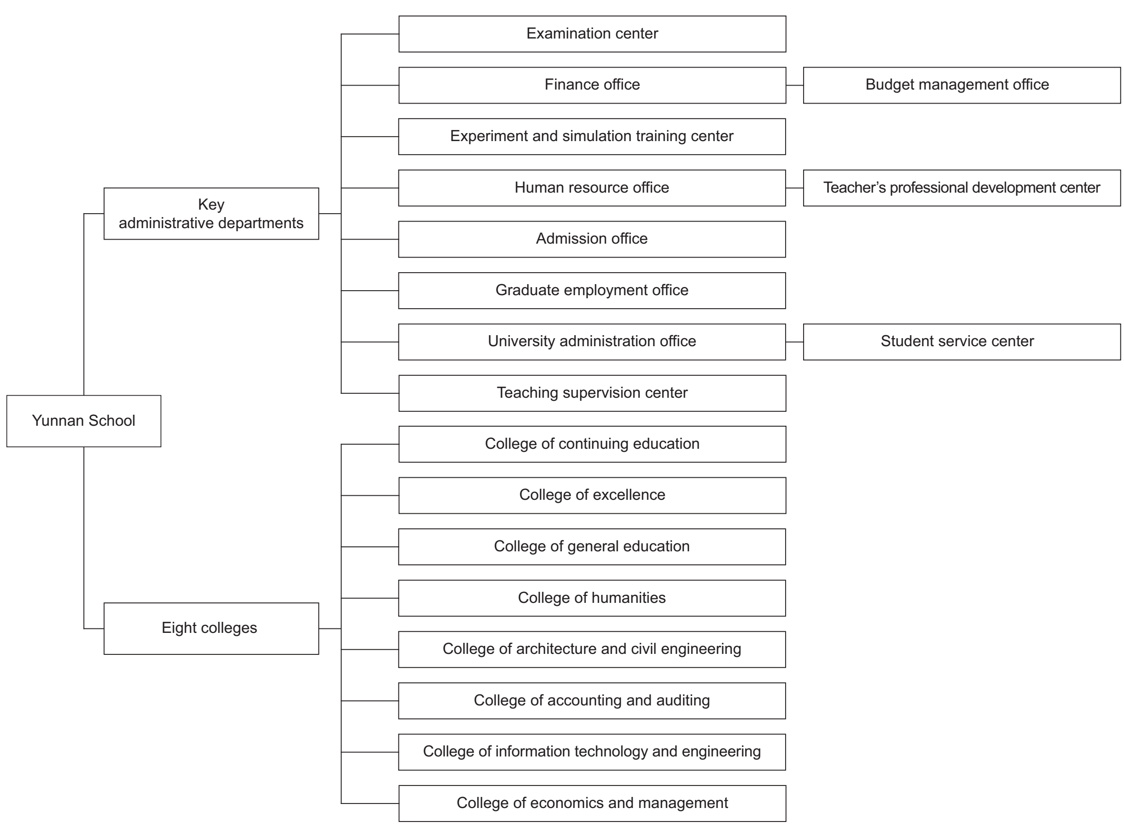
The table below sets forth the amount of boarding fees refunded to the students by our schools for the periods indicated:

School	Boarding Fee Refunded		
	Year ended December 31,		
	2014	2015	2016
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Yunnan School	93.8	70.9	49.9
Guizhou School	77.4	86.9	91.5
Total	171.2	157.8	141.4

The Yunnan School

Overview

The Yunnan School is a formal higher education institution, providing undergraduate education and junior college education focused on applied sciences. The Yunnan School's predecessor was Software College established in 2005, which was a higher education institution approved by the government of Yunnan Province to provide junior college education. After satisfying relevant standards established by the PRC educational authorities for higher education institutions qualified to grant bachelor's degrees, the Yunnan School was successfully upgraded in 2011 to a higher education institution qualified to grant bachelor's degrees, providing both undergraduate education and junior college education focused on applied sciences. The following diagram illustrates a simplified organizational structure of the Yunnan School, including its secondary colleges and key administrative departments:



As of December 31, 2016, the Yunnan School had a total of 19,490 students. As of the same date, the Yunnan school had a total of 870 teachers and occupied premises with a gross site area of approximately 535,800 sq.m., including two classroom buildings, 29 student dormitory buildings, one teacher dormitory building, one simulation training building and other facilities such as the library and dining halls. The Yunnan School is open to PRC citizens and generally recruits students who possess a high school or equivalent qualification and have achieved our required total score on the National Higher Education Entrance Exam, and students who possess a junior college degree and meet certain academic requirements and also recruits a small number of foreign students from Laos for undergraduate programs. During the Track Record Period, students from Yunnan Province and other parts of southwest China (such as Guizhou, Sichuan and Chongqing) accounted for the majority of the total students enrolled at the Yunnan School.

Major Offerings

The Yunnan School currently offers over 50 majors in six colleges, including 13 majors in the college of economics and management, 24 majors in the college of information technology and engineering, five majors in the college of accounting and auditing, seven majors in the college of architecture and civil engineering, nine majors in the college of humanities and two majors in the college of general education. These majors cover a wide variety of fields, such as airline services and commercial advertisement design. Among the majors, 24 are undergraduate majors and 28 are junior college majors. In addition to the two majors (social sports which is a junior college major and social sports instruction and management), the college of general education is also responsible for teaching basic public courses, such as computing and college English and academic writing. The Yunnan School has also established a college of excellence to provide selected students an opportunity to attend apprenticeship training during the first term of their last school year, and a college of continuing education which helps to organize and prepare junior college students to take the undergraduate exams for self-taught students and other required exams to obtain a bachelor's degree.

Credit-recognition Programs

In order to provide our students with necessary exposure to various cultures and opportunities to seek education overseas, the Yunnan School has established academic cooperation with several universities abroad, including the University of Worcester in the UK (英國伍斯特大學), the University of Northampton in the UK (英國北安普頓大學) and the Dhurakij Pundit University in Thailand (泰國博仁大學). Under the cooperation, these overseas universities will recognize the credits obtained by students for their study at the Yunnan School. Upon completing the agreed additional length of study (typically one year) at these universities abroad, these students are able to obtain degree granted by these overseas universities. The cooperation is restricted to students studying for specified majors.

Junior College-undergraduate Program

The Yunnan School also has a three-year junior college-undergraduate program, allowing a student enrolled in a junior college program to study undergraduate courses, and obtain a junior college degree awarded by the Yunnan School and a bachelor's degree awarded by another higher education institution subject to, among others, passing undergraduate exams for self-taught students and other required exams. Junior college students enrolled at the Yunnan School can register for the junior college-undergraduate program at the beginning of their first or second school year. The Yunnan

School has entered into agreements with several universities, such as Southwest University of Science and Technology (西南科技大學), regarding the cooperation for the junior college-undergraduate program.

Other Programs

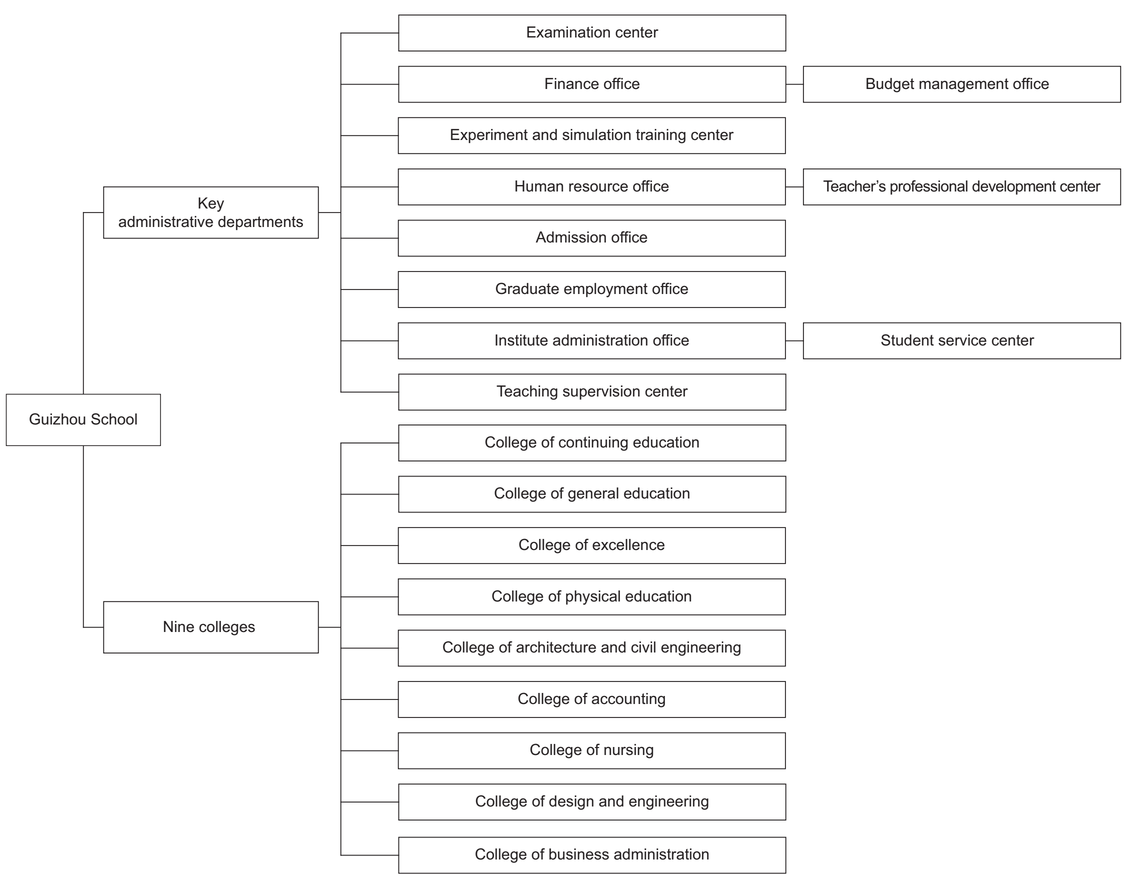
The Yunnan School also established a five-year program starting to recruit students from Laos from September 2014. It provides students enrolled in such program Chinese language training during the first school year and undergraduate courses for the next four school years. In addition, the Yunnan School entered into cooperative arrangements for a term of five years with Nanhua University (台灣南華大學) in Taiwan from 2013 and Overseas Chinese University (台灣僑光科技大學) in Taiwan from 2014, respectively regarding exchange programs. The Yunnan School also entered into a cooperative agreement with the Korea University of Technology and Education in South Korea (韓國技術教育大學) in January 2014 regarding student exchange programs.

The Guizhou School

Overview

The Guizhou School is a formal higher education institution that was established in 2012. It provides junior college education focused on applied sciences.

The following diagram illustrates a simplified organizational structure of the Guizhou School, including all of its secondary colleges and key administrative departments:



As of December 31, 2016, the Guizhou School had a total of 13,972 students under enrollment. As of the same date, the Guizhou School had a total of 626 teachers and occupied premises with a gross site area of approximately 284,850 sq.m., including one classroom building, 17 student dormitory buildings, three teacher dormitory buildings, four simulation training buildings and other facilities such as the library and dining halls. The Guizhou School is open to PRC citizens and generally recruits students who possess a high school or equivalent qualification and have achieved our required total score on the National Higher Education Entrance Exam. During the Track Record Period, students originated from Guizhou Province and other parts of southwest China (such as Yunnan, Sichuan and Chongqing) accounted for the majority of total students enrolled at the Guizhou School.

Major Offerings

The Guizhou School currently offers approximately 30 majors in six colleges, including five majors in the college of business administration, six majors in the college of design and engineering, four majors in the college of nursing, three majors in the college of accounting, ten majors in the college of architecture and civil engineering and two majors in the college of physical education. These majors cover a wide range of fields, such as midwifery in the college of nursing, vehicle inspection and maintenance in the college of design and engineering and taekwondo in the college of physical education. The Guizhou School has also established a college of excellence to provide selected students an opportunity to attend apprenticeship training during the first term of their last school year. The Guizhou School also has a college of general education to be responsible for teaching basic courses (such as college English) and a college of continuing education responsible for organizing and helping its students to participate in undergraduate exams for self-taught students and other required exams to obtain a bachelor's degree.

Junior College – Undergraduate Program

The Guizhou School also has a three-year junior college-undergraduate program, allowing a student to study undergraduate courses and obtain an undergraduate degree awarded by another higher education institution subject to, among others, passing undergraduate exams for self-taught students and other required exams.

The Guizhou School entered into agreements with the college of continuing education of Guizhou University (貴州大學繼續教育學院), Guiyang Medical University (貴陽醫學院), the college of continuing education of Guizhou University of Finance and Economics (貴州財經大學繼續教育學院), Guiyang University (貴陽學院), the college of continuing education of Guizhou Normal University (貴州師範學院繼續教育學院) regarding the cooperation for the junior college-undergraduate program. Students from the Guizhou School will be awarded bachelor's degrees by such universities upon their completion of required courses and passing the undergraduate exams for self-taught students and other required exams.

DISCONTINUED OPERATION

Zhuan Xiu School and Vocational School

We operated two other schools during the Track Record Period, the Vocational School and Zhuan Xiu School, both of which were mainly focused on the provision of vocational training. We disposed of these two schools in August 2016 to Independent Third Parties in order to focus our resources on providing formal higher education. These two schools have been accounted for as discontinued operation in the Accountants' Report of the Group in Appendix IA to this prospectus for the Track Record Period. See "History and Corporate Structure – Corporate Reorganization – 3. Disposal of Entities

Not Related to Formal Higher Education" for further information. These two schools are not included in the contractual arrangements under the Structured Contracts. After our disposal of these two schools, their results of operations will not be consolidated with our Group's results of operations in any future period.

References to the results of our continuing operations in the Accountants' Report of the Group in Appendix IA to this prospectus exclude the results of the discontinued operation.

PLANNED ADDITIONAL SCHOOLS

We intend to continue to grow our business and expand our school network to geographical markets that we believe have growth potential.

Northeast School

Overview

The Northeast School is a private institution of formal higher education focused on applied sciences. On April 20, 2016, Haxuan Company entered into an agreement with the current school sponsors of the Northeast School, which are Independent Third Parties, to acquire the entire sponsor interest of the Northeast School. On July 29, 2016, we acquired 73.91% of the equity interest in Haxuan Company. We had paid approximately RMB156.9 million toward the total consideration for the investment in the Northeast School as of the Latest Practicable Date. We expect to fund the remaining portion of the consideration with a combination of bank loans and proceeds from the Global Offering. As of the Latest Practicable Date, the application to transfer the school sponsorship from the current school sponsors to Haxuan Company is pending the final approval of the MOE and the registration with the provincial civil affairs authorities. Upon completion, the Northeast School's results of operations will be consolidated into our Group's results of operations. See the Accountants' Report of the Northeast School set out in Appendix IB to this prospectus for details.

On August 23, 2016, the Northeast School and Huihuang Company entered into an exclusive technical service and education consultancy service agreement, which took effect on September 1, 2016. Pursuant to this agreement, Huihuang Company agrees to provide technology and management consulting services to the Northeast School prior to MOE's final approval of the transfer of the school sponsorship from the current school sponsors of the Northeast School to Haxuan Company and, in return, the Northeast School will pay 73.91% of its surplus from operations on a monthly basis to Huihuang Company as service fees during the term of this agreement. Such service fees were recognized as administrative expenses by the Northeast School for the year ended December 31, 2016. Pursuant to this agreement, Huihuang Company will issue invoices to the Northeast School on a monthly basis, and the Northeast School shall pay service fees within seven days upon the receipt of the invoice. The Northeast School is expected to enter into structured contracts, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects, with Huihuang Company as soon as practicable after our acquisition of the Northeast School is duly completed and the exclusive technical service and education consultancy service agreement is expected to terminate automatically upon the approval of the change of school sponsorship and the execution of the structured contracts, and the service fees under the exclusive technical service and education consultancy service agreement will no longer be payable. Following the execution of the structured contracts, the Northeast School will become one of our PRC Operating Schools, the service fees to be paid by the Northeast School to Huihuang Company pursuant to the structured contracts will be consolidated into our Group's results of operations.

As of December 31, 2016, the Northeast School had a total of 9,518 students under enrollment, including 2,272 newly enrolled students for the 2016-2017 school year. As of the same date, the Northeast School had a total of 489 teachers and occupied premises with a gross site area of approximately 623,000 sq.m. The Northeast School is open to PRC citizens and generally recruits students who possess a high school or equivalent qualification and have achieved its required total score on the National Higher Education Entrance Exam.

The following table sets forth information relating to the student enrollment for the Northeast School for the school years indicated, which was based on the internal records of the Northeast School.

	Student Enrollment			
	School Year			
	2013 – 2014	2014 – 2015	2015-2016	2016 – 2017(2)
Four-year undergraduate program	9,020	9,101	9,203	9,232
Three-year junior college program	530	562	344	286
Total	**9,550**	**9,663**	**9,547**	**9,518**

Notes:

(1) Despite the fact that our financial year ends on December 31, our school year generally ends on June 30, for consistency purpose, we use June 30 to present student enrollment for the school years other than 2016-2017 school year.

(2) Student enrollment data for the 2016-2017 school year were as of December 31, 2016.

The Northeast School currently holds a private school operating license with a valid term from 2012 to 2018, and a registration certificate of private non-enterprise entities with a valid term from April 2016 to December 2017.

Tuition fees in the table below refer to the tuition fees applied to students admitted that school year only, excluding boarding fees. Boarding fees generally range between RMB600 to RMB1,200 per student per school year.

The table below shows the approved tuition fee rates of the Northeast School for the periods indicated:

	Tuition Fee (RMB)			
School	**2013-2014 school year**	**2014-2015 school year**	**2015-2016 school year**	**2016-2017 school year**
Northeast School				
Four-year undergraduate program	11,000-14,000	11,000-14,000	12,000-15,000	13,500-15,500
Three-year junior college program	7,000-8,400	7,500-10,000	7,500-10,000	9,800

The Northeast School raised its tuition fees rate during the periods indicated and we believe that the Northeast School is able to maintain the current tuition rates, attract more students and raise the tuition rate where appropriate as our brand awareness and market recognition grow. As we have established a strong reputation for providing quality education to our students, we believe we are in a position to optimize our pricing without compromising our reputation and our ability to attract and retain students.

Major Offerings

The Northeast School currently offers over 30 undergraduate and junior college majors in ten colleges, including nine majors in the college of electronic and information engineering, 11 majors in the college of mechatronics and automotive engineering, four majors in the college of architecture and civil engineering, four majors in the college of arts and media studies, five majors in the college of economics and management, two majors in the college of foreign languages and two majors in the college of fashion technology.

Workplace Simulation Training Programs

The Northeast School has constructed dedicated simulation training studios for its students studying, among others, automobile-related majors, welding-related majors, and mechatronic majors.

Outsourced Work Arrangements

In order to equip its students with practical skills that meet employers' needs and prepare them for the job market, the Northeast School has established cooperation relationships with a number of business entities regarding outsourced work arrangements.

The Northeast School's consolidated financial statements are set forth in the Accountants' Report of the Northeast School in Appendix IB to this prospectus.

If for any reason we are not be able obtain government approvals regarding the transfer of the school sponsorships of the Northeast School, we may not be able to implement our expansion plan. See "Risk Factors – Risks Relating to Our Business and Our Industry – If government approvals for the proposed transfers of school sponsorship interests in the Northeast School and the Central China School are not granted, we may not be able to implement our growth strategies or recover our investments relating to these two schools." for details.

New Campus at Central China School

Overview

The Central China School is a private institution of higher education focused on applied sciences. On April 28, 2014, Minzu College entered into a cooperation agreement with Enhao Company, a company owned by Independent Third Parties, and the parties agreed to be joint school sponsors of the Central China School.

On August 26, 2015, Enchang Company, a company which at the time was owned by Independent Third Parties, entered into an agreement with Enhao Company and Guo Hui under which Enchang Company agreed to take over Enhao Company's rights and obligations under its cooperation agreement with Minzu College to become a joint school sponsor with Minzu College for the Central China School and make investments to establish a new campus at the Central China School.

On August 27, 2015, we entered into a capital increase agreement with Enchang Company, Guo Hui and Jiang Mingxue to acquire a 70% interest in Enchang Company by way of a capital injection of RMB210.0 million to increase its registered capital. Pursuant to a shareholders' resolution adopted on September 1, 2015, our interest in

Enchang Company was changed to 68% and our contribution to the registered capital was changed to RMB204.0 million. The capital increase agreement provides that if Enchang Company is not registered as a joint school sponsor for the Central China School within two years following the date of the capital increase agreement, we have the right to sell our interest in Enchang Company to Guo Hui and Jiang Mingxue at a price equal to 136% of the total investments we have made up to that date in connection with the establishment of the new campus of the Central China School, which Guo Hui and Jiang Mingxue shall not raise any objections. On November 21, 2016, our shareholding in Enchang Company increased to 82% following an equity transfer from Guo Hui to Yun Ai Group. On January 12, 2017, our shareholding in Enchang Company further increased to 89.2% following a capital increase. Beginning in August 2015, we have made prepayments to fund the construction of the new campus, which has been put into use from August 31, 2016.

On August 5, 2016, Enchang Company entered into an agreement with Minzu College, which contains the same terms and conditions as the Central China School Cooperation Agreement. Under this agreement, Enchang Company is entitled to the financial results relating to those students admitted after the establishment of the new campus, and Minzu College is only entitled to a fixed fee in the amount of 5% of the tuition fees generated from such students. Minzu College is not entitled to any other amounts relating to such students. At the same time, Minzu College alone is entitled to all financial results relating to all students admitted prior to the establishment of the new campus. Enchang Company has no rights to the financial results relating to such students. In addition, we have agreed with Minzu College that neither party may engage in any civil action in the name of the Central China School without the other party's prior consent. We have also agreed the chairman of the Board of the Central China School shall be appointed by us.

Separate financial accounts will be maintained for business operations relating to students admitted prior to and after the establishment of the Central China School. As of the Latest Practicable Date, the application with the MOE to change the school sponsorship of the Central China School and add Enchang Company as a joint school sponsor is still pending upon the final approval of the MOE and the registration with the provincial civil affairs authorities. Upon completion, Enchang Company will become a joint school sponsor of the Central China School and the results of such new students will then be included into our results.

The New Campus at Central China School recruited 3,480 students for the 2016-2017 school year, among which 2,308 students were enrolled in undergraduate programs, 506 in junior college programs and 666 in pre-undergraduate programs (本科預科班), respectively. All of these students were admitted and housed at the new campus. The tuition fees for students enrolled in undergraduate programs, junior college programs and pre-undergraduate programs (本科預科班) in the new campus were RMB12,000 – RMB18,000, RMB7,500 – RMB8,500 and RMB10,000, respectively, per student per school year. The boarding fees for students enrolled in the new campus were RMB1,200 per student per school year. Based on the unaudited management accounts of the new campus of the Central China School, the new campus of the Central China School generated a total revenue of RMB19.8 million and a total net profit of RMB3.1 million for the four months ended December 31, 2016. As of December 31, 2016, the new campus of the Central China School had total assets of RMB657.0 million and total liabilities of RMB654.3 million.

For discussions of the risks relating to our planned acquisition of the Northeast School and the establishment of the new campus of the Central China School, see "If government approvals for the proposed transfers of school sponsorship interests in the

Northeast School and the Central China School are not granted, we may not be able to implement our growth strategies or recover our investments relating to these two schools." and "The business operations and prospects of the new campus of Central China School may be materially and adversely affected as a result of liabilities or negative publicity arising in respect of the students admitted prior to the establishment of the new campus of the Central China School" in "Risk Factors – Risks relating to Our Business and Our Industry".

Major Offerings

We intend that the new campus at the Central China School will offer approximately 35 undergraduate majors and nine junior college majors in 15 colleges, including three majors in the college of literature and media, two majors in the college of science, seven majors in the college of information engineering, four majors in the college of chemical and environmental engineering, six majors in the medical college, five majors in the college of economics and management, five majors in the college of biological science and technology, one major in forestry and gardening, one major in the college of foreign language, two majors in the college of physical education, two majors in the college of music and dance, four majors in the college of art and design and two majors in the college of law.

Northwest School

In August 2014, our PRC subsidiary Bei Ai Company entered into an agreement with the government of Gaolan County, Gansu Province, pursuant to which we will establish the Northwest School, a school for applied sciences-focused higher education, in Lanzhou, Gansu Province. We have obtained approval from the Education Department of Gansu Province for the establishment of the school and currently expect to establish this school in 2017. We paid the finance bureau of Gaolan County RMB5.0 million as a deposit for the establishment of the Northwest School in August 2014. We expect to fund capital expenditures relating to the establishment of the Northwest School with approximately HK$123.1 million of the net proceeds from the Global Offering.

A Higher Education Institution in the U.S.

With a view to building our presence overseas and creating synergies with our schools in China, we also plan to expand our network abroad by establishing a higher education institution in the State of California. We have engaged an agent as our consultant to assist us in establishing a company in the State of California, and filing applications with the BPPE regarding the establishment of a higher education institution in California, U.S. On July 18, 2016, we established California Academy in the State of California as our entity to operate and manage the school to be established. In July 2016, we filed an application with the BPPE to establish California School, a private higher education institution in the State of California. We expect the review by BPPE will take around 12 months. As of the Latest Practicable Date, we had incurred approximately US$56,000 for the establishment of California Academy and the application to establish California School. In addition, we had appointed Mr. Li Xiaoshen to be the executive officer of California Academy, and he is also expected to become the president of California School. We entered into a lease agreement for the lease of certain premises in Redondo Beach, California to be used as offices of the new school and the monthly rent for the lease is US$2,500. The lease has a term of one year commencing from October 1, 2016 and will expire on September 30, 2017. The lease may be renewed by us by giving to the landlord a one-month prior notice.

OUR EDUCATIONAL PRACTICE

To provide the best education at our schools focused on applied sciences to prepare our students for the job market, we have established a unified education practice, which primarily consists of:

- Employment-focused major offerings and educational plans;
- An educational approach that promotes a stimulating classroom atmosphere and motivates students to succeed;
- Modern apprenticeship training;
- Workplace simulation training programs;
- Outsourced work programs and other programs established through collaboration with business entities;
- Internship arrangements; and
- Teaching quality assessment.

Employment-Focused Majors and Education Plan

We determine our major offerings based on market demand and offer majors that are in high demand in the employment market. Our teachers and teaching management personnel conduct research regarding jobs that are in demand in target employment markets and skills employers require of their candidates and then devise and offer corresponding majors to train our students so that they will be able to meet that market demand. Each major is tailored to equip our students with the skill set required for a specific job position. For each such major, we first analyze the capabilities required for a specific job and then design and formulate the curriculum and training standards for the corresponding major. We also invite industry experts to participate in the curriculum design and formulation process.

- The majors our schools offer are largely dependent on market demand. For example, we anticipate there will be significant demand for nurses, in particular, in the elderly-care segment, due to China's aging population. As a result, we established a nursing college at the Guizhou School in 2012 and offer majors such as nursing, midwifery and pharmacy, and started to offer majors such as elderly-care and management, community care and nursing at the Yunnan School in 2015. In addition to these majors, we also offer majors tailored to the particular circumstances of the geographical region where the school is located. For example, we learned that an automobile manufacturer proposed to establish an automobile factory in the Economic and Technological Development Zone of Yanglin Songming (嵩明楊林經濟技術開發區). To capture this opportunity, our Yunnan School established four automobile-related majors, including vehicle inspection and maintenance, automobile technical services and marketing, mechanical manufacturing and automation and vehicle engineering, to equip our students with practical and readily applicable technical skills for automobile manufacturing, maintenance and service. To take advantage of Yunnan's geographic location and its tourism economy, the Yunnan School also established majors such as hotel management and international commerce.

- Typically, the curriculum for each major includes certain core courses selected from the syllabus designed by the MOE for undergraduate students and junior college students, and major-related courses which we tailor taking into account the respective educational objectives and characteristics of different majors. As a private higher education provider focused on applied sciences, we design a curriculum for each major based on the skill set required by employers and by closely observing market trends and demand. For example, for the major of computer science and technology offered at the Yunnan School, in addition to traditional programming courses, we also provide courses on mobile application development. Further, we aim to ensure that our students are able to gain more practical skills through workplace simulation training programs, which we believe will help our students learn practical skills readily applicable in a work environment and thereby find employment.

An educational approach that promotes a stimulating classroom atmosphere and motivates students to succeed

Stimulating Classroom Atmosphere

We promote education through a lively classroom atmosphere and practical learning environment. For example, our teachers carry out teaching activities through project-based simulated real-job tasks and guide our students to complete such tasks in the classroom, enabling our students to absorb knowledge while also gaining practical skills step by step.

We organize classroom atmosphere contests at each of our schools. The winning teachers in such contests will receive a bonus. Going forward, we plan to promote such teacher's teaching methods at all of our schools. We use interactive lessons and measure students' satisfaction as a key performance indicator for the purposes of teachers' reviews and assessments, which is relevant in determining teachers' compensation.

Motivational Education

To cultivate our students' independence and self-awareness and help our students set both learning and life goals, we implement motivational education in three ways: (i) we develop and teach motivational courses, such as goal and teamwork and innovation and entrepreneurship; (ii) we add motivational elements to our teaching (such as sharing of motivational stories); and (iii) we have set up a "motivational reading room" (勵志圖書室) in the library at each of our schools. For example, the book collection in our motivational reading room at the Yunnan School covers topics such as biographies, entrepreneurship and employment, thinking and cognition, accomplishment and attitude.

Modern Apprenticeship Training

With reference to the case study method adopted at Harvard University and the dual education system widely adopted in Germany, we have established an innovative college, the college of excellence, at both the Yunnan School and the Guizhou School to provide our students with a full term of modern apprenticeship training during their last school year. We aim to equip our students with practical work skills required for specific job positions and help them find satisfying employment. We select teachers who have working experience and possess practical skills to carry out the apprenticeship training. We have also established an incentive mechanism, pursuant to which a teacher will receive a bonus determined based on the amount of the starting salaries of his/her students. To ensure the quality of this project-based employment-focused training, the number of students in a class is generally kept at 30 or below. We began experimenting with this teaching model in October 2014. We established a high-salary model college (高薪示範學院) at the Yunnan School and Guizhou School in October 2015 and November 2015, respectively, which later became the "college of excellence" (卓越學院) at each school. As of December 31, 2016, 681 students had participated in our apprenticeship training, including 398 students of the Yunnan School and 283 students of the Guizhou School. We plan to further expand our apprenticeship training at each of our schools and into our newly acquired or established schools.

- The Yunnan School's college of excellence provides selected students with an opportunity to attend apprenticeship training during the first term of their last school year. For the year 2016, the college of excellence will have classes covering six majors (including computerized accounting, interior decoration, construction project cost assessment, civil engineering, computer science and technology and accounting). Each class will have 30 students who are selected among all applications received. To further hone students' professional skills, the college of excellence creates simulated work environments, and introduces simulated real work projects to the training through work scenario simulation, and completes the apprenticeship training based on the job training guidance developed by its teachers. Students at the college of excellence are required to complete a project based on a simulated real workplace scenario each month and attend a project evaluation at the end of each month. Going forward, the Yunnan School plans to expand the major offerings at the college of excellence and promote the integration of the curriculums and cooperation among different majors.

- The Guizhou School's college of excellence provides selected students with an opportunity to attend apprenticeship training during the first term of their last school year. The college of excellence has five classes covering four majors (including interior decoration, construction project cost assessment, computerized accounting and nursing). Each class has no more than 30 students who are selected from all applications received primarily based on prior academic performance. For example, students majoring in accounting and nursing are required to hold accountant qualifications or nursing qualifications in order to be admitted by the college of excellence.

Workplace Simulation Training Programs

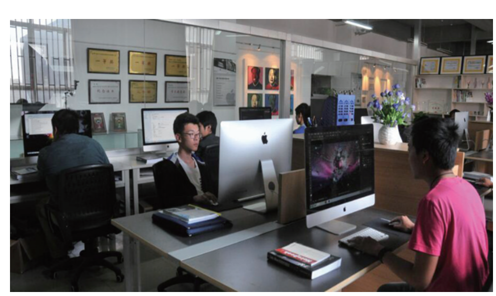
In order to provide students with the opportunity to apply and practice the knowledge and skills they learned, and to further enhance their understanding of such knowledge and hone such skills, both of our schools have constructed simulation training studios. These studios are designed and constructed in accordance with the principles of building an enterprise-like simulated training environment, implementing task-based simulation training programs, aiming to provide students with a simulated work environment to ensure the seamless connection between school studies and work requirements. Major-related simulation training courses generally begin from the second school year. During these courses, students are required to undertake practical training, usually in the form of project-based tasks, in the simulation training studios under the guidance of teachers of the relevant major.

Workplace Simulation Training Programs at the Yunnan School

The Yunnan School has constructed a simulation training building with a gross site area of approximately 17,000 sq.m., comprising approximately 54 simulation training studios. The education plan for each major contains clear guidance on the number of class hours of simulation training required to be taken by a student. For example, a student enrolled in 2014 majoring in computer science and technology was required to attend an average of 23 class hours of classroom study each week for the two terms in the 2015-2016 school year, among which, an average of 14.5 hours were simulation training courses. We set forth below some examples of the Yunnan School's simulation training programs:

- Simulation training for aviation-related majors: As a province bordering Myanmar, Laos and Vietnam and in order to capture the opportunities presented by each geographic location, the Yunnan School has established three related majors, including flight attendant training, airline services and English language studies with aviation service concentration. The Yunnan School has constructed replica airport check-in counters, self-service check-in machines and security check facilities in the simulation training building. In addition, the Yunnan School also has a simulation training space modelled after a Boeing 737-800 aircraft for students majoring in flight attendant training. The following pictures illustrate the simulation training classes for aviation-related majors:

- Simulation training for commercial advertisement design major: the Yunnan School has established a commercial advertisement design simulation training studio and equipped this studio with computers and professional software and equipment applied and used in commercial advertisement design. In a simulated project, students are assigned with different design tasks or are responsible for different parts of a design task. In addition to practicing their professional skills and techniques, our students can also experience a simulated workplace environment and understand the procedures and parties involved from obtaining and completing a commercial advertisement design project to releasing a commercial advertisement. The following pictures illustrate the simulation training classes of the commercial advertisement design major:



- Simulation training for photography-related major: the Yunnan School has also established a photography simulation training studio, consisting of an on-site shooting area, a scenery shooting area, a dressing area and a makeup station. Equipped with modern photographic equipment, this studio is designed to provide students a place to practice their photography techniques, with the aim to reinforce the integration of theoretical knowledge and practical skills. The following pictures illustrate the simulation training classes for the photography-related major:

Workplace Simulation Training Programs at the Guizhou School

The Guizhou School has constructed workplace simulation training studios for certain majors, such as nursing and automobile-related majors. We set forth below some examples of the Guizhou School's simulation training programs:

- Simulation training for nursing-related majors: the Guizhou School has built dedicated simulation training studios for students in the college of nursing. These simulation training studios were constructed to simulate different hospital departments and functional rooms and areas, such as a department of surgery, a department of obstetrics and gynaecology, a surgical care room, an operating room, a health assessment room, a first-aid and cardiopulmonary resuscitation room, an intensive care unit room, an infants care room, a delivery room, a Chinese medical room and inpatient areas. The following pictures illustrate the simulation training classes for nursing-related majors:

- Simulation training for automobile-related majors: the Guizhou School has also built a simulation training space for students majoring in vehicle inspection and maintenance and automobile services and marketing. The space was built to simulate a garage. The Guizhou School purchased 9 used automobiles and placed them in the simulation training studios. Students will have opportunities to work on various real mechanical breakdowns simulated by teachers, such as checking the chassis of the car, inspecting and fixing engine problems, spray-painting, welding small components of the car and tyre repairing. The following pictures illustrate the simulation training classes for automobile-related majors:

- Simulation training for the major of taekwondo: the Guizhou School has built a taekwondo gymnasium on its campus, simulating the traditional taekwondo dojo equipped with padded flooring and training equipment such as kick bags, shields, sparring mats and mirrors for students to observe themselves when practicing. Students are instructed by the teacher to practice a variety of styles of taekwondo, including sparring, power breaking and self-defense techniques. In addition, we also equip our students with theoretical knowledge in order to prepare them to be qualified taekwondo instructors with both professional knowledge and required sports skills and ability. The following pictures illustrate the simulation training classes of taekwondo:

Awards and Achievements

Benefiting from our simulation training programs, our students have made great achievements in various contests and competitions. For example, from 2014 to 2016, our students at the Yunnan School received four national awards and 25 provincial awards from authoritative entities, such as the MOE, and the Department of Education of Yunnan province.

Below is a list of the key awards received by students of the Yunnan School and the Guizhou School during the Track Record Period:

Year	Award
2016	Second place in the "Group Competition of Automobile Inspection and Repairing of the Guizhou Vocational Universities Skills Competition and the National Vocational Skills Competition Selection Contest of Automobile-Related Majors" (貴州省職業院校技能大賽暨全國職業院校技能大賽選拔賽高職組汽車專業汽車檢測與維修綜合技能比賽團體項目)
2016	Second place in the "Group Automobile marketing Competition of the Guizhou Vocational Universities Skills Competition and the National Vocational Skills Competition Selection Contest of Automobile-Related Majors" (貴州省職業院校技能大賽暨全國職業院校技能大賽選拔賽高職組汽車專業汽車營銷比賽團體項目)
2016	Third place in the "National Vocational School Xin Dao Cup Sand Table Simulation Operation Competition" (全國職業院校"新道杯"沙盤模擬經營大賽)
2016	First place in the "Yunnan Higher Education Institution Students Vocational Skills Competition Art Professional Skills Group Contest of Interior Designs" (雲南省高等學校學生職業技能大賽藝術專業技能(室內裝飾設計)團體賽)
2016	First place in the "Yunnan Higher Education Institution Students Vocational Skills Group Competition of E-Commerce Skills" (雲南省高等學校學生職業技能大賽電子商務技術團體賽)
2016	First place in the "Yunnan Higher Education Institution Students Vocational Skills Group Competition of Accounting Skills" (雲南省高等學校學生職業技能大賽會計技能團體賽)
2015	Second place in the "Simulative Bidding and Tendering Skills Competition of the Guizhou Vocational Universities Skills Competition and the National Vocational Skills Competition Selection Contest of Civil Engineering-Related Majors" (貴州省職業院校技能大賽暨全國職業院校技能大賽選拔賽高職組土建大類專業團體比賽招投標模擬項目)

Year	Award
2015	Third place in the "The First Red Cross Society Nursing Knowledge and Skills Competition of Guiyang City" (貴陽市首屆紅十字初級救護知識及技能競賽)
2015	First place in the "National Students Financial Elites Challenge" (大智慧杯全國大學生金融精英挑戰賽"金融操盤手")
2015	First place in "Huawei National Higher Education Institution Students Information and Communication Technology Skills Competition of Yunnan and Guizhou Division" (華為網院杯全國大學生ICT技能大賽雲南貴州賽區複賽)
2015	First place in the "Guizhou Vocational Universities Skills Competition and the National Vocational Skills Competition Selection Contest of Nursing Skills in Medicine and Hygiene-Related Majors" (貴州省職業院校技能大賽暨全國職業院校技能大賽選拔賽高職組醫藥衛生專業護理技術比賽(綜合護理技能項目))
2014	Second place in the "National Vocational School Marketing Skills Contest of the Higher Vocational Student Group" (全國職業院校技能大賽高職組市場營銷技能比賽)
2014	Third place in the "National Vocational School Computer Network and Application Skills Group Contest" (全國職業院校技能大賽高職組計算機網絡應用比賽)
2014	Third place in the "National Higher Education Institution Computer Design Competition" (中國大學生計算機設計大賽)
2014	First place in the "Guizhou Vocational School Marketing Skills Higher Vocational Student Group Contest" (貴州省職業院校市場營銷技能大賽高職組(團體))

Outsourced Work Arrangements and Other Programs Established through Collaboration with Business Entities

In order to provide our students with the opportunities to apply their skills and techniques through experiential learning, we have entered into cooperation agreements with a number of business entities regarding the establishment of outsourced work arrangements at the Yunnan School and the Guizhou School or the premises of these business entities. These outsourced work arrangements are primarily implemented in three ways:

- Through teaching cooperation: our schools formulate education plans together with business entities and invite industry experts from these entities to give lectures to our students. In addition, such business entities provide work opportunities to our teaching faculties to ensure that our teaching faculty can keep abreast of the latest skills and techniques applied in the workplace. Further, such business entities help our graduates seek employment opportunities;

- Through employer-tailored training model (訂單式培養): we offer specific employer tailored courses which are designed to meet specific needs of the relevant employer to our students recruited under such approach. Our schools formulate education plans together with business entities. Our teaching faculty and representatives from such business entities will complete teaching tasks together; and

- Through joint establishment of on-campus and off-campus training bases: we establish on-campus and off-campus training bases together with business entities to provide (i) our students with systematic training, enabling them to obtain professional certificates offered by such business entities upon completion of the required courses and passing required examinations; and (ii) opportunities for our students' experimental learning internships, field study internships and outsourced work internships.

In addition, we have established an employment information platform at each of our schools, and are in the process of establishing potential employer database. We invite potential employers to register on the employment information platforms and post their recruiting information on such platforms.

Outsourced work arrangements established at the Yunnan School

The Yunnan School has entered into a cooperation agreement (from September 8, 2014 to September 8, 2017) with Yunnan Pingyun Accounting Firm (雲南平雲會計師事務所), or, Pingyun Firm, regarding the employer-tailored training of students. Under this arrangement, the Yunnan School and Pingyun Firm will jointly determine the education plans and curriculum offerings. Pingyun Firm will assign representatives to deliver regular professional training on accounting skills. Pingyun Firm will also collaborate with the Yunnan School to assess the training outcomes. Pingyun Firm also agreed to provide internship opportunities to students with outstanding performance during the training.

In addition, the Yunnan School also entered into a three-year (from March 25, 2016 to March 25, 2019) cooperation agreement with an affiliate of a leading e-commerce company on April 5, 2016 regarding the establishment of an e-commerce training center (雲南工商學院電子商務實訓室) at the Yunnan School. Under this agreement, the e-commerce training center shall be used for teaching and training purposes, and to offer opportunities for students to provide online services to the e-commerce company's customers. The e-commerce training center started its operation in June 2016, and embodies a simulation of the real workplace and back-office system of the e-commerce company. Students work in three or four-hour sessions to adapt to the real work environment. In addition to practising their major-related knowledge and enhancing their communication skills, students are entitled to receive monthly compensation during such program. Since the establishment of the e-commerce training center and up to December 31, 2016, 186 students majoring in e-commerce and computer science and technology had worked at this e-commerce training center and were responsible for providing customer services, such as order cancellation and modification and the handling of customer complaints and refund applications.

We set forth below some other key programs established by the Yunnan School with business entities:

- Internship and simulation training talent cultivation base: the Yunnan School entered into a five-year cooperation agreement with Chinasoft International Excellency Training Center (中軟國際卓越培訓中心) in October 2014 to establish an internship and simulation training talent cultivation base (實習實訓就業人才培養基地). Through this talent cultivation base, the parties agreed to establish cooperation regarding student cultivation, graduate employment, intern recruitment, internship and simulation training and teacher training, joint research and development and participation in pro bono activities;

- Information and online college: the Yunnan School entered into a two-year cooperation agreement with an information technology company in September 2014. Subject to certain requirements regarding teaching resources, this information technology company authorized the Yunnan School to implement relevant training programs of its information and online technology and it would provide necessary training staff and support upon request. Students at the Yunnan School may take exams to obtain various certificates offered by this information technology company after systematic training.

Outsourced work arrangements established at the Guizhou School

We have established outsourced work arrangements under the employer-tailored model at the Guizhou School. For example, the Guizhou School entered into an agreement with a local hotel, in June 2014. Under this agreement, up to 30 students majoring in business management and tourism management, flight attendance, marketing and accounting may participate in this employer-tailored training program. Through this program, the Guizhou School works together with the hotel with respect to the curriculums and class arrangement for the fifth semester, and sends students to the hotel to complete their last semester through outsourced work arrangement training. All such students participating in the program will become the hotel's employees immediately after graduation.

The Guizhou School also entered into a three-year cooperation agreement with this hotel in 2013 to establish an internship and simulation training base at the hotel. Under such agreement, (i) the Guizhou School will send certain number of students to work as interns at the hotel for each year; and (ii) the hotel will provide a certain number of internship positions for students from the Guizhou School and arrange professional staff to offer guidance to these students during the internship period.

In addition, the Guizhou School entered into a cooperation agreement with a Lexus distribution company in July 2015 regarding the establishment of a internship base. The term of the agreement is three years ending in July 2018. Under this agreement, the Lexus distribution company agrees to act as the Guizhou School's student internship and simulation training base, and gives priority to recruit the Guizhou School's graduates. In addition, the Guizhou School will select a specified number of students to complete their on-the-job internship at the Lexus distribution company.

Internships

We believe practice is a critical part to ensure that our students are equipped with the practical and readily applicable skills upon their graduation. Therefore, in addition to the on-campus simulation training programs and outsourced work arrangements and other programs established through collaboration with business entities, the education research center (教育研究院) of our Group has added three periods of internships to be arranged at different stages of a student's entire study period. These internships include:

- a two-day experimental learning internship at the beginning of the first school year, aiming to provide our students with a general picture of the work environment they are going to adapt to after graduation;

- a field study internship of approximately four months (to rotate the learning and work experience) in the first semester of the third school year for four-year undergraduate students and the second school year for three-year junior college students, aiming to provide our students an opportunity to apply and practice the skills and techniques learned during the first two school years, and identify the weak parts that need to be enhanced; and

- an outsourced work internship of approximately four months in the last semester of the final school year, aiming to provide our students an opportunity to further enhance and hone their skills and techniques before graduation.

While our students can look for internships by themselves based on their job preferences (such as large or small-size, domestic or foreign enterprises) and job location, we also assist students in securing internship opportunities through teacher referrals, posting job application information on our website or via other social media, such as WeChat.

Teaching Quality Assessment System

To ensure the quality of the education we provide, we have dedicated personnel at the education research center of our Group who are responsible for education supervision and examination organization, and a teaching supervision center and examination center at each of our schools.

The teaching supervision center is responsible for supervising and evaluating the quality of daily teaching activities. Acting as an "independent third party", the center conducts teaching inspections, lesson observation and evaluation, and organizes students' feedback and evaluation of teaching quality, and teaching satisfaction surveys.

The examination center is responsible for the design, organization and independent implementation of examinations. To ensure we are able to obtain a true picture of the quality of our education, we assign different administrative departments to be respectively responsible for teaching and examination. Each of our schools organizes examinations at the end of each semester and school year. The examinations primarily take the form of written or online tests for public core courses, and project implementation tasks for major-related courses. For example, for students majoring in art design, the exam will take the form of a design task. The final grades for students are mainly based on such students' performance in the written tests or project implementation tasks, class attendance for the relevant period and class performance.

Student Management

We strictly adhere to the educational management concept that students should consider "going to school" as "going to work" and believe this can help them secure satisfying employment after graduation. We manage our students based on workplace environment requirements to help them develop a professional attitude. We conduct quantitative assessments of our students' behavior covering aspects such as moral qualities, academic performance and discipline. By doing so, we hope to create an environment simulating the workplace, and encourage our students to develop their professional principles of valuing results and performance. We aim to help our students develop good professional ethics, attitudes, spirits, abilities and image.

We also emphasize our students' life experiences on campus and make efforts to enhance students' acknowledgement of our schools. We establish a student service center at each of our schools to handle student affairs. In addition, we conduct school life satisfaction surveys from time to time and provide channels for our students to submit comments. We then seek to improve our student services based on the results of such surveys.

To diversify students' campus life, we have designed and plan to organize five categories of extracurricular activities, including ceremonies (graduation and opening ceremonies), festivals (the teacher's day, father's day, and mother's day as well as school anniversary music festivals), meetings (sports games, ball league games), competitions (speech, debate, singing and career planning competitions) and events (Taekwondo). For example, we add respecting teachers and Confucius elements in the Yunnan School's annual school opening ceremony which was reported in media outlets.

Campus Safety

We consider campus safety as a top priority for our school operations. As of the Latest Practicable Date, we had not encountered any material accidents, such as safety production accidents, mass incidents with negative impact, traffic accidents, or mass casualty incidents with negative impact. The Yunnan School was awarded as a "safe campus" by Education Department of Yunnan Province and the office of Comprehensive Social Management Committee of Yunnan Province (雲南省社會管理綜合治理委員會辦公室) in 2012. We maintain various insurance policies to safeguard against risks and unexpected events. See "– Insurance" for details.

In order to control any safety risks and ensure that we are able to timely and effectively respond to any safety incidents, we have established a safety work leading group at each of our schools and formulated a set of safety management rules. In addition, both of our schools have installed monitoring facilities and equipment. Our schools set up a security fund to cover expenditures in maintaining patrol vehicles, updating security equipment, improving on-campus traffic signs and building new parking lots. For example, our Yunnan School incurred security expenses of approximately RMB2.0 million, RMB0.3 million and RMB0.5 million, respectively, for the years ended December 31, 2014, 2015 and 2016.

We have established strict procedures regarding safety inspection, reporting and responding. We also provide targeted safety training from time to time. In addition, we also publish safety warning information and precaution measures through WeChat.

Campus Logistic Arrangements

The logistic arrangements for students at our schools include meal catering services, campus stores and medical care services.

Meal Catering Services

We lease premises to catering providers, who are all Independent Third Parties to provide campus food and meal catering services. We typically enter into lease agreements with a term ranging from two years to five years with such catering providers, setting forth the key terms of the lease. Under such arrangements, we provide premises required to operate a dining hall to a catering provider for a specified amount of rent. We require all catering providers to obtain relevant licenses and permits required by laws and regulations, such as permit for food operators (食品經營許可證) or catering service license (餐飲服務許可証), food hygiene license (食品衛生許可證) and food handler health certificate (食品從業人員健康證). In the event that the catering providers do not obtain the permit for food operators or catering service license, our schools will obtain the relevant licenses and permits. According to our PRC legal advisors, this is in compliance with PRC laws and regulations. The catering provider must ensure the food quality and safety. To oversee the services of catering providers, in addition to the regular inspections conducted by local food administrative authorities, we also conduct inspection of the daily operation of the dining halls at each school.

Campus Stores

We enter into agreements with a term typically ranging from two to three years with store operators, all of which are Independent Third Parties regarding the lease of premises to operate stores on the campus of our schools. Under such agreements, we agree to lease premises to a store operator for a specified amount of rent. The store operator is obliged to obtain permits and licenses as required by relevant laws and regulations.

Medical Care Services

We lease premises to medical care providers with a term of eight years at the Yunnan School to handle routine medical situations involving our students. All of the medical staff and health care personnel engaged by such medical care providers hold required licenses, such as medical license and nurse license. In addition, the Yunnan School has also obtained a practice license of medical institution (醫療機構執業許可證). The Guizhou School has also obtained a practice license of medical institution and operates a medical institution by itself. According to our PRC legal advisors, this is compliant with relevant PRC laws and regulations. In certain serious and emergency medical situations, we promptly send our students to local hospitals for treatment.

Graduate Employment

As a private higher education provider focused on applied sciences, we use graduate employment rates as an important criteria to measure our teaching results. To assist our students in finding suitable job opportunities that best utilize their skills and provide them with the right platform to achieve their potential, we have established a graduate employment department at our headquarters, and a graduate employment office at each of our schools. The graduate employment department of our Group is responsible for (i) identifying appropriate strategic partners and entering into strategic agreements; and (ii) overseeing and managing the graduate employment work at each of our schools carried out by the school graduate employment office.

The graduate employment office at each of our schools is responsible for (i) arranging employment guidance courses throughout the entire study period of a student; (ii) overseeing employment guidance teachers' work; and (iii) recording and continuous tracking of graduates' employment status. For the first three school years for undergraduate students and first two school years for junior college students, one counsellor is assigned to approximately 300 students to provide guidance on professional development. Such guidance includes discussing with students regarding career planning, holding employment seminars regarding employment techniques and publishing job information. For the last school year, one specialized employment counsellor is assigned to approximately 300-350 students to answer employment-related questions and provide other assistance to our graduates in finding jobs. The specialized employment counsellors are also responsible for recording and tracking students' employment status for a certain period after their graduation.

To assist our students in passing various examinations and obtaining relevant certificates and credentials that are usually valued and required by employers, we also provide targeted training for these examinations either by including the content of the examinations in the daily teaching activities or cooperating with Independent Third Parties to provide short-term centralized training. For certain professional certificates and credentials, we include courses in the curriculum to help our students gain the relevant knowledge. For other certificates and credentials (such as a driver's license), we look for appropriate partners regarding the provision of on-campus training to our students. As of December 31, 2016, the Yunnan School had entered into agreements with several entities to provide training on driving, Chinese dance teacher certificate test, interior designer test, child-care worker qualification test and dietitian qualification test. As of the same date, the Guizhou School had entered into agreements with several entities to provide training on driving and accounting-related tests. For such on-campus training activities and relevant certificate tests, we are generally responsible for recruiting students, collecting training fees and providing premises for the teaching activities. In return, we are entitled to a certain percentage of the training fees paid by students.

Through these measures, we were able to achieve industry-leading graduate employment rates in 2013, 2014 and 2015. For example:

- For the Yunnan School, for the years of 2014, 2015 and 2016, in terms of employment, approximately 98.6%, 98.8% and 98.8% of the graduates, respectively, were either employed or pursuing further studies within six months after graduation. In 2014, the Yunnan School was one of the 50 higher education institutions recognized by the MOE for its achievement in graduate employment (2014 年度全國畢業生就業典型經驗高校(就業50強)). In the same year, the Yunnan School was also recognized by the Education Department of Yunnan Province as an Exemplary Graduate Employment Higher Institution of Yunnan (雲南省高校示範性就業指導機構); and

- For the Guizhou School, for the years of 2015 and 2016 in terms of employment, approximately 97.1% and 97.6% of the graduates were either employed or pursuing further studies within six months after graduation. In terms of nature of employment, 1.2% of the students that graduated in 2015 started their own businesses after graduation, and approximately 0.2% of the students pursued further studies after graduation.

We also organize job fairs on campuses to assist students in identifying potential employment opportunities. For example, in the first half of 2016, our Guizhou School co-organized two job fairs, each attracting over 120 potential employers to participate.

In addition, we also provide career planning guidance and assistance to our students. Newly admitted students are required to take an objective psychometric test at the beginning of the first school year, upon completion of which they will receive a report regarding their individual interests and personalities. We designate personnel to regularly communicate with our students regarding their career plans. We also offer career planning courses to help them better understand their interests and personalities, and further determine their most suitable career path. Each student is required to submit a career plan report, setting out analysis of his or her interests and personality, targeted job positions and industries, initial career plans and preparation work and a draft resume.

Our Highly Qualified Teachers

Our Teachers

We believe the quality of education we provide is largely dependent on the quality of our teachers. We consider that teachers who possess the required industry expertise and practical experience, and are capable and are dedicated to teaching will be instrumental in shaping the learning habits of our students, which will be crucial to our success and our educational philosophy. We recruit teachers by posting hiring advertisements on recruiting websites, and engaging professional search firms to help us identify the appropriate candidates for certain positions and through internal referrals. We primarily seek to recruit (i) high quality experienced teachers who are knowledgeable in both theory and practice; (ii) teachers who have working experience in relevant industries, such as experienced accountants, engineers and managers; and (iii) teachers who hold relevant professional qualifications or credentials. In our recruitment efforts, we also place a strong emphasis on strong communication skills and a passion for teaching. For example, as of December 31, 2016, approximately 52.5% of our teachers had work experience in relevant industries. As of the same date, our teachers had an average of approximately two and half years of relevant industry working experience and approximately four years of teaching experience. As of the same date, approximately 70.6% of our teachers had obtained a bachelor's graduation certificate, and approximately 27.4% of our teachers had obtained a master's graduation certificate.

The following table sets forth the number of our teachers for the Yunnan School and the Guizhou School as of the dates indicated:

	Number of Teachers			
	As of December 31,			As of the Latest Practicable Date,
Teachers	**2014**	**2015**	**2016**	**2016**
Full-time teachers	954	1,074	1,093	1,093
Part-time teachers	318	377	403	403
Total	1,272	1,451	1,496	1,496

The following table sets forth the teacher-student ratio for the Yunnan School and the Guizhou School as of the dates indicated:

	Yunnan School			Guizhou School		
As of	Number of teachers	Student enrollment	Teacher-student ratio	Number of teachers	Student enrollment	Teacher-student ratio
December 31, 2014	777	17,082	1:22	495	7,958	1:16
December 31, 2015	843	17,965	1:21	608	11,751	1:19
December 31, 2016	870	19,490	1:22	626	13,972	1:22

The following table sets forth a breakdown of our teachers in terms of education qualification as of the dates indicated:

	Number of Teachers		
	As of December 31,		
Education Qualification	**2014**	**2015**	**2016**
Doctor's graduation certificate	–	2	2
Master's graduation certificate	329	389	410
Bachelor's graduation certificate	891	992	1,056
Junior college graduation certificate	52	68	28
Total	1,272	1,451	1,496

The following table sets forth a breakdown of our teachers in terms of their years of relevant industry working experience as of December 31, 2016:

	Yunnan School		Guizhou School		Group	
Years of Relevant Industry Working Experience	**Number of teachers**	**percentage** *(%)*	**Number of teachers**	**percentage** *(%)*	**Number of teachers**	**percentage** *(%)*
More than five years	169	19.4	77	12.3	246	16.4
Two to five years	248	28.5	148	23.6	396	26.5
Less than two years	88	10.1	55	8.8	143	9.6
Nil	365	42.0	346	55.3	711	47.5
Total	**870**	**100.0**	**626**	**100.0**	**1,496**	**100.0**

As a private formal higher education group focused on applied sciences and committed to equipping our students with practical and readily applicable skills sought by potential employers, we seek to retain teachers with industry working experience to teach applied science major-related courses. However, as a higher education provider, we also offer to our students basic courses as required by the MOE, such as college English, mathematics and college Chinese. We typically do not require teachers who teach these courses to have applied sciences related experience.

In addition, we collaborate with external entities in various industries and request our teachers to work for those entities on a secondment basis. We believe this helps our teachers, (including teachers who do not have industry working experience), to keep abreast of industry developments and the practical skills sought by employers.

To attract and retain high-quality teachers, we believe we offer a relatively competitive salary and benefits package to our teachers. For the years ended December 31, 2014, 2015 and 2016, salaries and benefits paid to our teachers were RMB68.0 million, RMB92.1 million and RMB118.8 million, respectively, representing 64.3%, 66.6% and 67.0% of our total cost of sales, respectively.

Teacher Recruitment

Our Group's human resources department and the human resources office at each of our schools work together to recruit qualified teachers. Before hiring a teacher, we consider his or her working experience and expertise in various areas of education background. In our recruitment efforts, we primarily target (i) candidates who hold bachelor degrees and have over five years' working experience in relevant industries; (ii) candidates who hold master degrees and have over three years' relevant working experience; and (iii) candidates who hold doctor degrees. We may also require applicants to teach a live class as part of his or her application process so we can evaluate his or her teaching performance. In addition, we also consider other criteria, such as the applicant's prior teaching experience, awards and recognitions. We conduct background checks and reference checks on newly hired teachers. Typically, our employment contract with a newly hired teacher has an initial term of three years, and is renewable upon expiration according to the PRC labor law.

Teacher Training

We have established a teachers' professional development center to organize and provide training to our teachers. For example, teachers at the Yunnan School are required to attend no less than 40 hours of training each school year. Our training programs mainly include (i) teaching theory and methodology training, such as training on managing student behavior in the classroom; (ii) teaching skills and techniques training, such as training on how to use various software to prepare teaching materials; (iii) cultural training, such as training on academic and professional improvements and team building; and (iv) professional training, such as training on stress management and professional image building. In addition, in order to provide further training to our teachers, we also provide opportunities for our teachers to (i) work for business entities on a secondment basis; and (ii) study, with subsidies, at other schools.

Teachers' Performance Reviews

We evaluate the performance of our teachers based on key performance indicators. Teachers receive a grade which is used to determine their bonuses and promotion.

As a private education service provider, we believe we offer relatively competitive compensation to our teachers. We engaged a professional service company and established a performance review system in 2014 to assist us in improving human resources management and establishing a long term incentive scheme. Our teachers' compensation typically includes a base salary, additional payment linked to the length of service, subsidies and a performance bonus.

Students and Student Recruitment

Students

We have been operating in the private education industry since 1999 and we believe the reputation of our schools, the high employment rate of our graduates, the quality of our curriculums and our high quality teachers are key attractions to our prospective students. As of December 31, 2016, we had a total of 33,462 enrolled students at our Yunnan School and Guizhou School.

Student Recruitment

As a formal higher education provider, we participate in the national unified higher education student recruitment organized by the MOE and its local equivalents. In order to be accepted by us, students need to take the PRC National Higher Education Entrance Exam and achieve the required total score for one of our schools, and then choose such school in their university entrance application. The number of students we are able to accept for each of our schools for each school year is set and approved by the relevant education authorities.

Historically, we largely relied on word-of-mouth referrals for student recruitment at our schools.

Each of our schools has an official website with a section dedicated to student recruitment. In addition to the official websites for each of our schools, we also promote our schools and provide introductions of our schools, activities and other relevant information through other social media or platforms, such as Weibo and WeChat. Furthermore, we have established student recruitment offices to support student recruitment activities. We also place student recruitment advertisements for our schools in college application guide books.

In addition to applying for various scholarships and grants offered by the national and local education authorities and other authorities and entities, students with good academic records can also apply for scholarships and grants ranging from RMB1,000 to RMB11,600 per student per school year offered by our schools. In addition, in order to help students having economic difficulties to finish their studies, we also provide our students with subsidies ranging from RMB1,000 to RMB5,000 per student per school year.

SCALABLE BUSINESS MODEL

In order to ensure that each of our schools provides high quality education focused on applied sciences, we have established an education research center at our headquarters comprising six members (each having many years of experience in teaching and education) to determine the majors to be established and offered at each of our schools, design an education plan for each major offered, and research and develop the most appropriate curriculum and teaching methods that can help us achieve our educational goals for each major.

To better capture the opportunities that have emerged from social and economic development and understand the education development trends and to further enhance our market position, we conduct strategic and centralized management of our operations. We determine and set our goals and break them into tasks to be accomplished by each of our schools and each department of our Company. We then aim to achieve these tasks through our centralized budget management, information technology management and performance management.

Major Establishment

We use market demand to guide our schools' major offerings. When market demand changes, we formulate major offering plans regarding the upgrading of existing majors, establishment of new majors or stop recruiting students for certain majors, subject to approval by relevant educational authorities. By analyzing our current major offerings, considering the national policies and social economic development trends and the special circumstances of the geographical regions where our schools are located, and examining majors offered by our competitors, we determine new majors to be offered by our schools.

For instance, in order to capture the opportunities in the sector of intelligent manufacturing and take advantage of the majors of Internet technology and mechanical manufacturing and automation currently offered at the Yunnan School, the Yunnan School has applied in 2016, to establish a new major, intelligent manufacturing, and subject to approval, we expect to recruit students for this major in the 2017-2018 school year. We believe Guizhou Province's pleasant natural environment makes it a good place for health care and recuperation, therefore the Guizhou School has given priority to offering majors relating to health care. In addition, the Yunnan School applied in July 2016, to the Education Department of Yunnan Province to offer other new majors, such as e-commerce, nursing, logistics management, art education and mobile Internet technology and the Guizhou School has applied to the Education Department of Guizhou Province for offering new majors such as cloud computing, online financing and the application of Internet of things. Both schools plan to start recruiting students for these new majors for the 2017-2018 school year, subject to approval by relevant educational authorities.

Education Plan

We use an education plan to guide the curriculum development and teaching activities at our schools. We aim to formulate the education plan by integrating our educational goals and market demand and matching curriculum offerings with the skill sets generally required by employers. Specifically, we (i) first conduct research on market demand by analyzing majors offered by other educational institutions, reviewing the skill set requirements of potential employers, interviewing various enterprises and obtaining feedback from graduates regarding suggested course improvements and knowledge and skills they wish they had learned and acquired during their school years; (ii) determine our educational goals for each major after analyzing the market research results; and (iii) then specify the practical skill set and professional quality to be achieved by our students and design and formulate our curriculums accordingly. The education research center of our Group takes the lead in formulating the education plan, and our schools participate in the process. For example, the Yunnan School can adopt the education plan formulated for the Guizhou School's nursing-related majors. Likewise, the Guizhou School can adopt the education plan formulated for the Yunnan School's accounting-related majors. We believe we are able to create synergies between majors offered at one of our schools and those offered at our other school.

Curriculum Development

Curriculum development primarily consists of designing teaching materials and teaching activities for our schools. When developing curriculums, we follow unified standards and procedures and emphasize an employment-oriented and skill-oriented approach. For this purpose, we arrange for our teachers to go to enterprises for field research, then design and compile our school-based teaching materials based on the enterprises' demand.

Teaching Method

We have adopted a teaching approach where we encourage students to take a lead role in the classroom and the teachers only act as an organizer or facilitator. Under this approach, we believe students are able to acquire knowledge, hone their skills and improve their problem-solving abilities by completing various tasks independently. For example, for students majoring in nursing-related majors, most courses are carried out in simulation training studios. The students are assigned with a wide range of nursing tasks and required to complete the tasks in the simulation training studios under the teachers' guidance, through which students are able to practice their clinical and nursing skills.

Cloud Education

We have entered into an agreement with Beijing Lianhe, a connected person, under which we are entitled to access its online content, including the 365 cloud education platform free of charge for a term of three years ending on December 31, 2018, which can be extended for another term of no more than three years (subject to compliance with the requirements on connected transactions under the Listing Rules).

Pursuant to an agreement entered into between us and Beijing Lianhe's shareholders, (i) we have a call option to acquire all or part of the equity interest in Beijing Lianhe; (ii) we have a right of first refusal to acquire all or part of the equity interest in Beijing Lianhe in the event that Beijing Lianhe's shareholders propose to sell its equity interest; and (iii) we may exercise an option requesting Beijing Lianhe's shareholders to sell all of their equity interest in Beijing Lianhe to an Independent Third Party where we consider that Beijing Lianhe directly or indirectly competes with us or the shareholding structure of Beijing Lianhe is not in our best interest.

Self-learning Mode

The 365 cloud education platform is an online teaching platform that integrates features such as teaching, management, learning, sharing and interaction. It includes major-related courses, courses on professionalism, creative thinking and innovative education, and courses relating to practical applications of knowledge, and training and tutoring. The courses are first recorded, and then uploaded to the platform in the form of on-demand videos. The courses are split into a number of sections. After one section is completed, students are typically required to take and pass an online test before proceeding to the next section.

In addition, some of the courses require the student to take an examination upon completion of all sections of a course. All courses on the 365 cloud education platform are accessible by our students and faculty members of our schools for free, and some form a part of our student credit system. In addition to lectures produced by Beijing Lianhe, Beijing Lianhe also purchased lectures and courses from other entities.

These courses mainly include (i) credit courses, including public courses and major-related courses. Public courses consist of compulsory courses, such as forms and policies, military theory and morals, ethics and legal basics, and selective courses, such as courses on personal safety, business etiquette, expression and communication and employment guidance. Major-related courses mainly consist of courses related to business administration, accounting computerization and construction management; and (ii) non-credit courses, such as courses on music, motivational education, creative thinking and arts appreciation. For these non-credit courses, students and faculty members can choose freely based on their own interests and preferences. As of December 31, 2016, six credit courses and 159 non-credit courses had been recorded and placed on the platform.

The 365 cloud education platform provides our students across our two schools with an opportunity to choose courses based on their own interest, enabling them to study at their own pace and at times that are convenient to them.

O2O Teaching Mode

Under the online-to-offline, or O2O, teaching mode, Beijing Lianhe broadcasts recorded lectures and live lectures, allowing our teachers and students to access them from their classrooms. Then teachers at our schools provide offline tutoring to complement the online learning process. Our teachers' involvement is the key difference between the O2O teaching and the 365 cloud education platform.

For instance, Beijing Lianhe has invited a well-known etiquette training expert in China to give live lectures on professionalism and business etiquette. They have also invited a professor of Chinese literature from the University of International Business and Economics, to give live lectures on practical writing and a professor from China University of Political Science and Law to give lectures on China modern history outline. By delivering these lectures through O2O teaching mode, our students from different locations can attend the same class simultaneously. These lectures are also recorded and uploaded to the 365 cloud education platform and form part of the contents accessible by our students.

The O2O teaching mode allows teachers at our schools to prepare their lessons in advance and carefully design the offline discussions to ensure seamless connection with the online courses. In addition, the O2O teaching mode provides us convenient access to high quality teachers and resources nationwide. Going forward, we plan to work together with Beijing Lianhe to expand the course coverage under the O2O teaching model, starting from public courses and then extending to major-related courses. This mode allows us to conduct centralized large-scale teaching at all our schools and the replication of our courses, maximizing the quality of teaching and minimizing the cost.

Digitized Campus

We emphasize the construction and development of information and technology systems. We currently operate four information systems:

- Office automation system, which allows us to complete internal application and approval process for various office matters online and improves our internal decision-making and approval efficiency;

- Education administration system: We have established a comprehensive information system, keeping complete records of each of our students and covering student data such as enrollment, course information and graduation;

- Evaluation system of professional conduct: We have developed an evaluation system to regulate and guide our students' learning behaviors, dormitory behaviors and social behaviors, and facilitate the development of good professional conduct. The evaluation and assessment results will be recorded in a student's portfolio and linked with the appraisal system to facilitate outstanding student selection, graduation results and employment; and

- Student service application: We have developed a student service mobile application which is expected to provide our students with online services covering aspects such as studies, campus life, student enrollment and employment. We believe this application will enable us to conduct efficient daily management of our students.

We aim for each of our schools to become a digitized campus. Centering on the ideas of Internet of Things and cloud computing, a digitized campus will facilitate the process of information collection, transmission, processing, control, display and publication, which we believe will enhance the information exchange and interaction between our headquarters and our schools and significantly improve our working efficiency.

Online Testing System

The examinations in our schools primarily take the form of written tests and online tests. The examination center at each of our schools is responsible for the design, organization and independent implementation of examinations. In order to test whether the quality standards specified in the education plans have been met, we formulate examination questions and have established an examination database with reference to a major's education plan and teaching and testing syllabuses. We assign different departments to be respectively responsible for teaching and examinations.

We have engaged a software developer, which is an Independent Third Party, to develop an online testing system, allowing all of our schools to share the examination database and students to take examinations electronically. Each student is assigned with an account name and password to log onto the online testing system to complete the exam. We update the examination database by replacing exam questions from time to time. Currently, the system allows students to take exams for over 70 courses online. Going forward, we plan to further promote the use of the system for other courses and subjects. We are planning for each of our schools hold examinations, review examination papers, grade and analyze examination results online from the final examination for the 2016-2017 school year and will also extend such examination system to our newly acquired, invested or established schools.

Centralized Budget Management

To efficiently allocate our human and financial resources and control our risk exposure, we implement centralized budget management through a unified platform which is oriented by tasks and centered on streamlined management. Specifically, we aim to effectively allocate and control risks through budget management, including revenue, expense and cash flow control. Our finance department is responsible for budget management according to our budget management rules.

We have a budget management committee at our headquarters and counterpart budget management offices at each of our schools. The budget management offices at our schools directly report to the budget management committee at our headquarters. Under the leadership of our Chairman of the Board, Mr. Li, our budget management committee at our headquarters holds regular meetings to review budget execution and discuss expenditures, such as the budget execution and capital expenditure regarding the construction of our school premises. Under the headquarters-school two-level budget management system and within the well-established authority system, we aim to ensure the effective implementation of the annual budget plan.

Centralized Information Technology Management

In order to strengthen centralized management of our schools and improve management and operation efficiency, we launched the enterprise resource planning platform, or ERP platform, OA system and student service platform, and carry out centralized budget management, business management, teaching management, student management and performance management through such platforms and systems, conduct real-time monitoring of our finance, operations, students and teaching activities.

Centralized Performance Management

We have established a comprehensive performance management system, including the individual target subsystem, KPI target responsibility subsystem, ABC result evaluation and result application subsystem. Through this system, we establish annual goals and corresponding evaluation benchmarks for our headquarters and each department and school, and position-specific (including teachers and other employees) annual goals and corresponding evaluation benchmarks.

The 2016 Amendments

Pursuant to the 2016 Amendments, the school sponsors of a private school which provides education services other than nine-year compulsory education may choose for the school to be a for-profit private school or a non-profit private school with effect from September 1, 2017. The following table sets forth the key differences between a for-profit private school and a non-profit school under the 2016 Amendments:

Item	For-profit Private School	Non-profit Private School
Receipt of operating profits	School sponsors are allowed to receive operating profits, and the surplus from operations shall be handled in accordance with the provisions of the PRC Company Law and other laws and regulations	School sponsors are not allowed to receive operating profits, and all surplus from operations shall be used for the operation of the school
Licenses and registration	Private school operating licenses, business licenses and other registrations required to go through by a corporate legal person	Private school operating licenses and registration certificate of private non-enterprise entities
Fees to be charged	Determined based on school operating costs and market demand, and no prior regulatory approval is required	Determined pursuant to the standards stipulated by the local governments
Tax treatment	Preferential tax treatment as stipulated by the State	Same preferential tax treatment as public schools
Land	Acquired either through land allocation or land transfer	Acquired through land allocation
Public funding	Public funding in the form of purchase of services, student loans, scholarships, lease or acquisition of unused State-owned assets	Public funding in the form of purchase of services, student loans, scholarships, lease or acquisition of unused State-owned assets, and government grants, incentive funds and donations
Liquidation	Liquidated in accordance with the provisions of the PRC Company Law. School sponsors can obtain the school's remaining assets after the settlement of the school's indebtedness	School sponsors will be compensated or rewarded when the private school is liquidated. The remaining portion of school assets should continually be used for the operation of a non-profit private school

In addition to the 2016 Amendments, certain implementing rules were jointly promulgated by certain governmental departments at State level in January 2017. The *Implementing Measures on Classification Registration of Private Schools* (《民辦學校分類登記實施細則》) were issued on January 5, 2017, specifying measures for the establishment and classification registration of private schools, procedures to be followed for existing private schools to register as for-profit or non-profit private schools pursuant to provincial rules to be promulgated by local governments. The *Implementing Measures 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》) were issued on January 5, 2017, specifying measures regarding the establishment, modification and termination of a for-profit private school, the education and teaching related activities and financial management conducted by a for-profit private school. *Several Opinions on Encouraging Private Entities and Individuals to Operate Schools and Promoting 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》) were issued on January 18, 2017, specifying policies to be followed to promote private education. See "Regulatory Overview – Regulations on Private Education in the PRC – the Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education – The Proposed Revisions of the Law for Promoting Private Education of the PRC" in this prospectus for details.

As advised by our PRC legal advisors, the 2016 Amendments will only take effect on September 1, 2017, and both the *Implementing Measures on Classification Registration of Private Schools* and the *Implementing Measures for the Supervision and Administration of For-profit Private Schools* promulgated by government authorities at the State level do not have any definitive effective dates. In addition, according to the 2016 Amendments, the detailed rules and regulations regarding the conversion of existing private schools into for-profit or non-profit schools shall be promulgated by the local government authorities. However, as such detailed rules and regulations have not been promulgated by the local governmental authorities, and therefore there are uncertainties involved in interpreting and implementing the 2016 Amendments with respect to various aspects of the operations of a private school, such as (i) when should we notify relevant authorities regarding our decision for our schools to be for-profit or non-profit schools; (ii) procedures to be undergone for a school to become a for-profit school or non-profit school; (iii) respective preferential tax treatment which may be enjoyed by a for-profit school and a non-profit school; and (iv) respective public fundings can be obtained by a for-profit school and a non-profit school. Consequently, we are unable to accurately evaluate the potential impact on our operations at this stage, such as tax liabilities our schools may be exposed to if we choose for our schools to be for-profit private schools, public funding our schools are able to receive, extra costs that may have to be incurred to obtain land use right for the school site of the Northwest School through land transfer. Under the existing regulatory environment and based on the current interpretation of the 2016 Amendments and the relevant implementing measures, it is our intention to register the schools we currently own and the schools we invested in or plan to establish as for-profit schools after the 2016 Amendments and its implementing measures become effective, and the detailed local rules and regulations regarding the conversion of existing schools are promulgated by relevant local authorities and take effect. As of the Latest Practicable Date, we had established a special committee to pay close attention to rules and regulations to be promulgated by relevant authorities at all levels regarding interpreting and implementing the 2016 Amendments. The special committee comprises three members and is led by Mr. Zhu Lidong. We will (i) consult with our PRC legal advisors when relevant rules and regulations are promulgated regarding the potential impact on all aspects of the operations of our schools; and (ii) make announcements when appropriate.

As of the Latest Practicable Date, neither the Yunnan School nor the Guizhou School was required to pay enterprise income tax in respect of its revenue from tuition fees and boarding fees. See "Financial Information – Key Components of Our Results of Operations – Taxation" for details. Pursuant to the 2016 Amendments, a non-profit private school may enjoy the same preferential tax treatments as a public school. In addition, pursuant to the 2016 Amendments, a for-profit private school may enjoy preferential tax treatments in accordance with relevant PRC laws and regulations. However, the existing PRC laws and regulations and the 2016 Amendments which will take effect on September 1, 2017 have not set forth any details regarding the preferential tax treatments that may be enjoyed by a for-profit private school, including any restriction on tax exemption amount or preferential tax rate. Our PRC legal advisors are of the view that, in the event that we decide to convert our Yunnan School and Guizhou School to for-profit schools, based on the current legal framework, there is insufficient legal basis to determine that our Yuannan School and Guizhou School will lose the tax benefits currently enjoyed by them. However, relevant government authorities may promulgate detailed rules and regulations regarding the preferential tax treatments that may be enjoyed by a for-profit private school in the future. There is a possibility that such rules and regulations will reduce or eliminate the preferential tax treatments currently enjoyed by our schools. See "– Risk relating to Our Business and Our Industry – Substantial uncertainties exist regarding the interpretation and application of the 2016 Amendments" and " – Risk relating to Our Business and Our Industry – The unavailability of any preferential tax treatments currently enjoyed by our schools could materially and adversely affect our results of operations" in the "Risk Factors" section of this prospectus.

COMPETITION

The market for private higher education focused on applied sciences in China is rapidly developing. We primarily compete with other private higher education institutions that provide higher education focusing on applied sciences. We believe we primarily compete with our peers on the basis of the following factors:

- the reputation of our schools;
- our industry-leading graduate employment rates;
- our well-developed curriculums and training programs;
- our well-established simulation training programs;
- our extensive operating experience;
- the abundant practical opportunities we are able to provide to our students; and
- our strong faculty team.

CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students. We did not have any single customer who accounted for more than 5% of our revenue for each of the years ended December 31, 2014, 2015 and 2016.

Our suppliers primarily consist of construction companies and equipment suppliers. For the years ended December 31, 2014, 2015 and 2016, purchases from our five largest suppliers amounted to RMB66.0 million, RMB84.2 million and RMB96.5 million, respectively, accounting for 65%, 87.6% and 75.2% of our total purchases for the relevant periods. For the same periods, purchases from our largest supplier amounted to RMB34.9 million, RMB32.0 million and RMB62.2 million accounting for 34.4%, 33.3% and 48.4%, respectively, of our total purchases for the relevant periods. The majority of our largest suppliers during the Track Record Period were construction companies, which were Independent Third Parties. None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in any of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we owned 52 trademarks in the PRC relating to education, curriculums, book publication and training. In addition, we have registered one trademark in Hong Kong. We have registered two domain names for Yun Ai Group, one domain name for the Yunnan School and three domain names for the Guizhou School in total. See "– 2. Intellectual property rights of our Group" in Appendix V Statutory and General Information – C. Further Information about Our Business" 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 adverse impact on our Group. See also "Risk Factors – Risks Relating to Our Business and Our Industry – We may face disputes from time to time relating to the intellectual property rights of third parties."

AWARDS AND RECOGNITIONS

We have received certain awards and recognitions since our establishment in recognition of the graduate employment rates we achieved, the quality of education we provide and the outstanding achievements of our students. The following table sets forth some of the awards and recognition we have received:

Year	Award/Accreditation	Awarding Organization	Awarded Entity
2015	First Place in the Assessment of 2014 Yunnan Province Higher Education Institution Graduate Employment (雲南省2014年高校畢業生就業工作目標責任考核一等獎)	Education Department of Yunnan Province	Yunnan School
2015	Advanced Unit for the Year 2014 in Yunnan Province for Encouraging University Students to Establish Their Own Business (雲南省2014年鼓勵大學生自主創業先進集體)	Education Department of Yunnan Province	Yunnan School
2014	National Model Higher Education Institution for Graduate Employment (50 best) (2014年度全國畢業生就業典型經驗高校(就業50強))	MOE	Yunnan School

Year	Award/Accreditation	Awarding Organization	Awarded Entity
2014	Exemplary Graduate Employment Higher Education of Yunnan (雲南省高校示範性就業指導機構)	Education Department of Yunnan Province	Yunnan School
2014	Pilot University in Yunnan Province for Transformation from Local Formal Undergraduate University to University Focused on Applied Sciences (雲南省地方本科院校向技術型大學轉型發展試點高校)	Education Department of Yunnan Province	Yunnan School
2015	Yunnan Exemplary School for School Spirit, Teaching Style and Learning Style Establishment (雲南省校風教風學風建設示範學校)	Education Department of Yunnan Province	Yunnan School
2016	Outstanding Organization Award of Guizhou Vocational Universities Skills Competition and the National Vocational Skills Competition Selection Contest (貴州省職業院校技能大賽暨全國職業院校技能大賽選拔賽優秀組織獎)	Education Department of Guizhou Province	Guizhou School
2015	Outstanding Organizer Award of Guizhou Vocational Universities Skills Competition and the National Vocational Skills Competition Selection Contest (貴州省職業院校技能大賽暨全國職業院校技能大賽選拔賽優秀組織獎)	Education Department of Guizhou Province	Guizhou School

EMPLOYEES

As of December 31, 2014, 2015 and 2016, we had approximately 1,567, 1,767 and 1,824 employees, respectively. The following table sets forth the total number of employees by function as of the Latest Practicable Date:

Function	Number of Employees	% of Total
Executive directors and senior management	10	0.6%
Teachers(1)	1,496	82.0%
Student accommodation staff	48	2.6%
Logistics personnel(2)	56	3.1%
Administrative staff	184	10.1%
Accounting and finance staff	15	0.8%
Other staff	15	0.8%
Total	1,824	100%

Notes:

(1) Teachers with administrative responsibilities were included in "teachers".

(2) Includes security staff.

As required by the PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance, maternity 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. During the Track Record Period, we did not make full contributions to the social insurance plans and housing provident fund. See "– Legal Proceedings and Compliance" for details.

PROPERTIES

As of December 31, 2016, we occupied 11 parcels of land in the PRC with a total gross site area of approximately 820,704.9 sq.m., 77 buildings or units with a total gross floor area of approximately 403,906.8 sq.m., and two buildings under construction with a total gross floor area of approximately 24,229.8 sq.m. All of the above properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. The total market value of our property interests as of January 31, 2017 was approximately RMB1,128.0 million, according to the property valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. As of December 31, 2016, we also leased out four parcels of land with a total gross site area of approximately 7,114.8 sq.m. and 96 units with a total gross floor area of over 19,417.7 sq.m., to Independent Third Parties. The properties are primarily leased out for canteens and stores. As of the same date, we also entered into four lease agreements to rent seven units with a total gross floor area of over 606.9 sq.m which were used as offices from Independent Third Parties.

Owned Properties

Land

As of December 31, 2016, we occupied 11 parcels of land with an aggregate gross site area of approximately 820,704.9 sq.m., including:

Land owned by	No. of parcels of land	Gross Site Area (sq.m)	Location	Existing Use	Expiry Date
The Yunnan School	2	535,819.7	Songming county, Yunnan Province	Education	August 10, 2056-July 8, 2060
	1	31.2	Kunming city, Yunnan Province	Underground garage	February 6, 2077
The Guizhou School	8	284,854.0	Qingzhen city, Guizhou Province	Education	April 28, 2061-August 2, 2066
Total	11	820,704.9			

Buildings

As of December 31, 2016, we occupied 77 buildings (including an underground garage) in the PRC with an aggregate gross floor area of approximately 403,906.8 sq.m.. The following table sets forth a summary of the buildings we occupied:

Building Used by	No. of Buildings/ Units	Gross Floor Area (sq.m.)	Location	Existing Use
The Yunnan School	43	258,353.7	Songming county, Yunnan Province	Education
	1	31.2	Kunming, Yunnan Province	Underground garage
The Guizhou School	33	145,521.9	Qingzhen city, Guizhou Province	Education
Total	77	403,906.8		

Property Defects

Building ownership certificates and other certificates

During the Track Record Period, we did not obtain the building ownership certificates and certain other requisite certificates or permits for 33 buildings located on the land occupied by the Guizhou School with an aggregate gross floor area of approximately 145,521.9 sq.m.. For details, see the paragraph headed " – Legal Proceedings and Compliance – (i) Material Non-compliance". In addition, we did not obtain the building ownership certificate and certain other requisite certificates or permits for a building with a gross floor area of approximately 306.0 sq.m. located on the land occupied by the Yunnan School. This building was originally constructed for the purpose of temporary bathroom(s). We have ceased to use such building and demolished such building in January 2017, and accordingly there is no need for us to apply for the certificates and permits.

As at the Latest Practicable Date, the above-mentioned property defects had all been rectified.

As of the Latest Practicable Date, we were not aware of any actual or contemplated actions, claims or investigations by any government authorities or third parties against us with respect to the lack of building ownership certificates and other relevant certificates or permits for certain of our owned properties. We also intend to apply for all requisite certificate and permits for our owned properties before they will be put into use in the future.

During the Track Record Period, eight buildings located on the land occupied by the Yunnan School with a total gross floor area of approximately 35,788.6 sq.m. were registered under the name of Yun Ai Group. These buildings were pledged to Kunming Guandu Bank in June 2016 to secure a loan in the amount of RMB60.0 million to be granted to the Yunnan School. Our Directors confirm that the Yunnan School owned the title of these buildings because the Yunnan School obtained the land use right certificate of the land on which these buildings were built. The eight buildings should have been registered under the name of the Yunnan School rather than Yun Ai Group. On November 3, 2016, we updated the registration of these eight buildings with relevant government authorities, and now these buildings are registered under the name of the Yunnan School. To update the registration of these eight buildings, the pledge of these eight buildings has been released. Our PRC legal advisors, Jingtian & Gongcheng, confirm that under PRC property laws, the Yunnan School is the owner of these eight buildings. In addition, another six buildings owned by the Yunnan School had been pledged to a bank to secure a loan with an amount of RMB50.0 million pursuant to a loan agreement entered in December 2016. As of the Latest Practicable Date, the pledge over these six buildings had been released. 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. Even if a pledge 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. As advised by our PRC legal advisors, no administrative penalties are stipulated in current PRC laws on schools for their pledge on school facilities. See "Risk Factors – Risks Relating to Our Business and Our Industry – The assets held by our schools may not be pledged as collateral in connection with securing bank loans and other borrowings, which reduces the schools' ability to obtain financing to fund their operations" in this prospectus.

Buildings Under Construction

As of December 31, 2016, we held two buildings under construction which are located on the campus of the Yunnan School, with a total planned gross floor area of approximately 24,229.8 sq.m.. We have obtained the requisite construction planning permits and construction work commencement permits for these buildings. These two buildings will be used as a simulation training building and a canteen after completion.

Lease Arrangements

Lessor

As of December 31, 2016, we set forth below a summary of our lease arrangements under which we act as the lessor:

Lessor	Lessee	No. of parcels of land or units	Gross site area or gross floor area (sq.m.)	Term (years)	Existing use
The Yunnan School	Independent Third Party service providers	65	12,353.0	1-8	canteens, stores and medical care centers
The Guizhou School	Independent Third Party service providers	35	14,179.5	2-11	canteens, stores, and driving school training base
Total		100	26,532.5		

Property Defects

As of December 31, 2016, all of the lease agreements we entered into with the lessees of our properties had not been registered with relevant PRC government authorities as the handling person of the logistics department of the school was not familiar with the regulatory requirements. Our PRC legal advisors have advised us that the validity and enforceability of the lease agreements is not affected by the failure to register or file the lease agreements with the relevant government authorities. We may be required by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. As of the Latest Practicable Date, we had not been fined by the relevant government authorities with respect to these non-registered leases. See "Risk Factors – Risks Relating to Our Business and Our Industry – Failure to register lease arrangements with relevant PRC authorities may subject us to penalties" in this prospectus.

Lessee

As of December 31, 2016, we set forth below a summary of our lease arrangements under which we lease as the lessee:

Lessee	Lessor	No. of units	Gross site area or gross floor area (sq.m.)	Term (years)	Existing use
Huihuang Company	Independent Third Party	1	N/A	4	Office
Bei Ai Company	Independent Third Party	1	606.9	3	Office
Haxuan Company	Independent Third Party	1	N/A	1 year 6 months	Office
Enchang Company	Independent Third Party	4	N/A	1 year 8 months	Office
Total		7	606.9		

As of December 31, 2016, none of the above-mentioned lease agreements have been registered with the relevant PRC authorities. Our PRC legal advisors have advised us that the validity and enforceability of the lease agreements is not affected by the failure to register or file the lease agreements with the relevant government authorities. We may be required by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. As of the Latest Practicable Date, we had not been fined by the relevant government authorities with respect to these non-registered leases. See "Risk Factors – Risks Relating to Our Business and Our Industry – Failure to register lease arrangements with relevant PRC authorities may subject us to penalties" in this prospectus.

As of December 31, 2016, there were 104 lease agreements under which we either acted as lessor or lessee. The earliest expiry date of these leases is April 4, 2017, and the latest is August 31, 2025. Among these 104 lease agreements, four were entered into regarding the lease of land use rights. Our PRC legal advisors advised us that under PRC laws, there is no specific penalty for not registering a lease agreement for lease of land use rights with the relevant government authorities. Therefore, the maximum penalties for not registering the 104 lease agreements with the relevant government authorities are approximately RMB1,000,000. Our PRC legal advisors have advised us that the validity and enforceability of the lease agreements will not be affected by the failure to register or file the lease agreements with the relevant government authorities. Therefore, our Directors are of the view that our business operation and financial condition will not be materially affected by the failure to register these lease agreements with the relevant government authorities. Based on the PRC legal opinion on such non-registration, discussion with the Directors and the Directors' confirmation, the Sole Sponsor concurs with the views of our Directors. In addition, for three existing lease agreements under which we lease three premises with a total gross floor area of approximately 606.9 sq.m. for office use, the relevant lessors did not provide us with any title certificates or other requisite construction permits for such premises. We are of the view that if the absence of such certificates or permits affects the validity of these three lease agreements, we are able to find other comparable alternative premises for the relevant offices, and the relocation of these offices will not have any material adverse impact on our operation. However, as advised by our PRC legal advisors, because we had registered the addresses of these premises as business addresses of our subsidiaries or PRC Consolidated Affiliated Entities with relevant local SAIC, the possibility that the SAIC requests our subsidiaries or the PRC Consolidated Affiliated Entities to change the registered business addresses or to relocate is remote.

INSURANCE

We maintain various insurance policies, such as school liability insurance and property all risk (covering earthquake risk and various other risks) insurance to safeguard against risks and unexpected events. We also take various policies for our students, such as internship liability insurance, college student insurance to safeguard students' personal safety in working places and on campuses. 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. Nevertheless, we may be exposed to other claims or liabilities not covered by our insurance. See "Risk Factors – Risks Relating to Our Business and Our Industry – We maintain limited insurance coverage" for more information.

LICENSES 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 the material or systemic non-compliance as disclosed 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 material licenses and permits held by our schools:

License/Permit[1]	Holder	Granting authority	Grant date	Expiry date
Private school operating license	Yunnan School	Education Department of Yunnan Province	May 2016	May 2021
Registration certificate of private non-enterprise entities	Yunnan School	Department of Civil Affairs of Yunnan Province	April 2016	April 2020
Private school operating license	Guizhou School	Education Department of Guizhou Province	June 2015	June 2018
Registration certificate of private non-enterprise entities	Guizhou School	Department of Civil Affairs of Guizhou Province	July 2016	July 2020

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, the Yunnan School and the Guizhou School had passed the latest annual inspection.

HEALTH AND SAFETY MATTERS

We are dedicated to protecting the health and safety of our students. See "– Our Educational Practice – Campus Safety" for further information.

We set up a college clinic at each of our schools and obtained the required license for operating the clinic. While the Yunnan School engages medical care providers to handle any medical situations involving our students at the clinic, the Guizhou School engages its own doctors and nurses to handle routine medical situations at the clinic.

With respect to school security, we employ security personnel and provide 24-hour security patrol at each of our schools to help promote the security of the students at our school premises.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any serious accidents, medical situations or safety issues involving our students.

LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we may be subject to various claims and legal actions arising in the ordinary course of our business. Our Directors and our PRC legal advisors, Jingtian & Gongcheng, have confirmed that, as of the Latest Practicable Date, there is no legal proceeding pending or threatened against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

During the Track Record Period and up to the Latest Practicable Date, except for those disclosed in the below paragraphs, we did not experience any material non-compliance and systemic non-compliance incidents, which taken as a whole, in the opinion of our Directors, are likely to have a material and adverse effect on our business, financial condition or results of operations. During the same periods, we also did not experience any non-compliance of the laws or regulations, which taken as a whole, in the opinion of the Directors, reflects negatively on the ability or tendency of our Company, the Directors or our senior management, to operate our business in a compliant manner. Our PRC legal advisors, Jingtian & Gongcheng, are of the opinion that, except for those disclosed in the below paragraphs, 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.

(i) Material Non-compliance

Set forth below is a summary of our material non-compliance matter during the Track Record Period and up to the Latest Practicable Date:

Building ownership certificates and related certificates and permits

Non-compliance incident

During the Track Record Period, 25 buildings built on the Guizhou Phase I Land had been put into use without passing fire control assessments and environmental assessments. We also did not obtain the building ownership certificates of these buildings.

In addition, during the Track Record Period, the Guizhou School constructed eight buildings with an aggregate gross floor area of approximately 44,072.2 sq.m. on the Guizhou Phase II Land without obtaining the construction planning permits and construction work commencement permits, and put into use without passing the requisite construction completion inspection, the fire control assessments, the environmental assessments and obtaining the corresponding certificates. We did not obtain the building ownership certificates of these buildings. A summary of the affected buildings is set out in "Properties – Owned Properties – Buildings – Property Defects" above.

Reasons for the non-compliance

In relation to the non-compliance incident of the buildings built on the Guizhou Phase I Land, there were delays in the fire control assessments, the environmental assessments and the issue of the building ownership certificates, primarily due to the decision of the local governments to make changes to the land planning of the Guizhou Phase I Land and its surrounding area. Procedurally, the local governments may not proceed with these processes until such changes are finally settled.

In relation to the non-compliance incident of the buildings built on the Guizhou Phase II Land, after we entered into the land use right transfer agreements with the local government, the original residents on the Guizhou Phase II Land were required to relocate due to changes in the land use. Since it took time for the local government to reach an agreement with some of these original residents on the amount of their relocation compensation to be paid by the local government, the procedures relating to the transfer of the land use rights to us, including the issue of the construction planning permits, construction work commencement permits, the requisite construction completion inspection, the fire control assessments, the environmental assessments and the application for the building ownership certificates, were therefore delayed.

Our Company had kept close communication with the local government for the establishment of the Guizhou School and the construction of the school buildings. In early in December 2009, Yun Ai Group entered into the investment cooperation agreement with the local government, pursuant to which the local government agreed to provide support to Yun Ai Group for the establishment of the Guizhou School, including but not limited to the location for the school buildings. The local government attached importance to the Guizhou School project and it was ranked one of the major projects in Guizhou Province in the year of 2011. The local government also established a specific team comprising certain governmental officers to support the establishment of the Guizhou School. Our Company confirmed that the decision to commence the operation of school buildings of the Guizhou School was made based on a mutual understanding with the local government. This understanding was acknowledged in writing by Qingzhen People's Government (清鎮市人民政府) in January 2017. Our PRC legal advisors confirm that Qingzhen People's Government (清鎮市人民政府) is the competent authority to give such acknowledgment.

Legal consequences and potential maximum penalties

For the buildings built on the Guizhou Phase I Land, our PRC legal advisors have advised that for the buildings we have put into use historically without environmental assessments, we may be subject to a fine ranging between RMB50,000 to RMB500,000, and/or suspended from using the buildings. For the buildings that we have put into use historically without passing fire control assessments, we may be subject to a fine ranging between RMB30,000 to RMB300,000 and/or temporary suspension of the usage of the relevant buildings.

For the buildings built on the Guizhou Phase II Land, our PRC legal advisors have advised us that for construction work carried out without the construction planning permit, the relevant PRC government authorities at or above the county level may order the cessation of construction. If the impact on the planning caused by such construction can be eradicated, the relevant PRC government authorities may order the construction entity to rectify such impact 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 work; (ii) confiscate the buildings or structures or any income illegally earned from such project; and/or (iii) impose a fine of not more than 10% of the construction cost. For construction work carried out without the construction work commencement permit historically, the relevant PRC government authorities may (i) order the construction entity to halt construction; (ii) order the construction entity to rectify within a prescribed period and/or (iii) impose a fine of not less than 1% but not more than 2% of the contract price of the project. Our PRC legal advisors also advised us that for construction work put into use historically without passing required fire control assessments and environmental assessments, the relevant government authorities may order us to rectify.

For the buildings that we have put into use historically without passing environmental assessments, we may be subject to a fine ranging between RMB50,000 to RMB500,000, and/or suspended from using the buildings. For the buildings that we have put into use historically without passing fire control assessments, we may be subject to a fine ranging between RMB30,000 to RMB300,000 and/or temporary suspension of the usage of the relevant buildings. For the buildings that we have put into use historically without passing required completion inspections, the relevant government authorities may order us to rectify and impose on us a fine of no less than 2% but no more than 4% of the contract price of the project.

Remedies and rectification measures taken to prevent future breach and ensure on-going compliance

For the buildings built on the Guizhou Phase I Land, our Company engaged a third party safety testing agency to conduct sample tests on the relevant buildings on the Guizhou Phase I Land. The third party safety testing agency issued the testing reports in August 2016, confirming that the structure of the relevant buildings satisfies the design and standard requirements. The Guizhou School obtained confirmation letters from the office of the government of Qingzhen City, Yunling branch of fire control department of Qingzhen City, and the environmental protection bureau of Qingzhen City in January 2017, confirming that the Guizhou School will not be held liable for the use of the 25 buildings on the Guizhou Phase I Land historically without obtaining the requisite permits and certificates.

For the Guizhou Phase II Land, we obtained confirmation letters from the land and resource bureau of Qingzhen City, Yunling branch of fire control department of Qingzhen City, the housing and urban-rural planning and construction bureau of Qingzhen City in August 2016 and January 2017 and the confirmation letters from the environmental protection bureau of Qingzhen City and the office of the government of Qingzhen City in January 2017, which are the competent authorities as advised by our PRC legal advisors, confirming to us that the eight buildings constructed on the Guizhou Phase II Land are safe to use, we will not be held liable for the use of these buildings historically without obtaining the requisite permits and certificates.

The Company has obtained all construction planning permits, construction work commencement permits, passed the construction completion inspection, and passed the fire control assessments and environmental assessments and has obtained the building ownership certificates for the properties on the Guizhou Phase I Land and the Guizhou Phase II Land in November and December 2016.

We have established internal compliance guidelines and a compliance checklist, which set forth our policies and procedures with respect to compliance issues.

In addition, we have arranged training for our Directors and senior management regarding the legal and regulatory requirements relating to non-compliance incidents in September 2016 and will continue to provide the training to them on the legal and regulatory requirements applicable to the business and operations of our Group from time to time and we will appoint external PRC legal counsels to advise us on compliance with the applicable laws and regulations in the PRC.

Director and/or personnel in charge of rectification

We have designated Mr. Zhang Ke, who is in charge of day-to-day management of the Company, and Mr. Yang Junxiong, the executive vice president of the Guizhou School, to be directly responsible for overseeing the implementation of the rectification measures, including to prepare and submit documents and materials to relevant government authorities in a timely manner and closely follow the approval status.

Potential impact on our operations and financial condition

Our Directors are of the view that, the historical lack of the relevant certificates and permits for our owned buildings, either individually or collectively, does not have a material adverse effect on our business operations or financial condition as a whole, because (i) we have obtained the requisite certificates and permits for these buildings; (ii) we have not been subject to penalties due to the lack of the relevant certificates and permits as at the Latest Practicable Date; and (iii) the buildings are safe for use.

Our Controlling Shareholders have agreed to indemnify our Group pursuant to the Deed of Indemnity for this non-compliance incident including, where required, to procure appropriate alternative suitable premises for our use.

As of the Latest Practicable Date, we have made provision of RMB3.0 million of rectification cost, which is mathematically equal to 10% of the maximum penalties that might be imposed on us in total for such non-compliance incidents. The Directors are of the view that the provision is sufficient.

(ii) Systemic Non-compliance

Set forth below is a summary of our systemic non-compliance matter during the Track Record Period and up to the Latest Practicable Date:

Non-compliance Incident

During the Track Record Period, we did not pay the social insurance for some of our employees, mainly including foreign teachers, and employees whose registration of the social insurance and the housing provident fund were remained with other employers but worked for us. In addition, we did not pay the social insurance in full for some of our logistics staff ("Incident I").

During the Track Record Period, we did not pay housing provident fund contributions for some of our employees, mainly including employees whose registration of the social insurance and the housing provident fund remained with other employers but who worked for us and logistics staff ("Incident II").

During the Track Record Period, we did not pay the social insurance and housing provident funds in full for some of our employees as the payment base of social security of some employees are not determined with reference to their own real wages in accordance with PRC laws ("Incident III").

We estimate that the aggregate amount of social insurance payments and housing provident fund contributions that we did not pay was approximately RMB4.1 million, RMB7.2 million and RMB11.2 million, as of December 31, 2014, 2015 and 2016, respectively.

Reasons for the Non-Compliance

The non-compliance occurred mainly due to administrative oversight by the handling person of the human resources department of the schools.

In relation to the employees whose registration of the social insurance and the housing provident fund remained with other employers but who worked for us, such employees have not applied for or performed the necessary procedures to transfer the social insurance and housing provident fund contributions from their previous employers to us and therefore we were unable to make the relevant payments to those employees.

Legal Consequences and Potential Maximum Penalties

Our PRC legal advisors have advised us that, under the relevant PRC laws and regulations, late fees and fines will be imposed on an employer for not making full social insurance payments for employees in a timely manner. If any competent PRC government authority is of the view that the social insurance payments we made for our employees breached the requirements under the relevant PRC laws and regulations, it can order us to pay the outstanding balance to the relevant PRC local authorities within a prescribed time period and a late fee of 0.05% of the total outstanding balance per day from the date of indebtedness. If we fail to do so within the prescribed period, we may be subject to a fine ranging between one to three times of the total outstanding balance.

Our PRC legal advisors have also advised us that, if any PRC competent government authority is of the view that the contributions for the housing provident fund do not satisfy the requirements under the relevant PRC laws and regulations, it can order us to pay the outstanding balance to the relevant PRC local authorities within a prescribed period. And if we fail to do so within the time limit, it can apply to the people's court for compulsory execution.

Remedies and Rectification Measures Taken to Prevent Future Breach and Ensure On-going Compliance

As of the Latest Practicable Date, no administrative action had been initiated against, and no 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.

As of the Latest Practicable Date, we had adopted the following rectification measures to prevent future breach and ensure on-going compliance:

Incident I and Incident II

As at the latest Practicable Date, (1) with respect to foreign teachers and the employees whose registration of the social insurance and the housing provident fund remained with other employers but who worked for us, their labor contracts with us have been legally terminated based on arm's length negotiation, and (2) with respect to the logistics staff, their labor contracts with us have been legally terminated based on arm's length negotiation and we have outsourced the logistics work to other third party qualified companies.

As advised by our PRC legal advisors and in accordance with the applicable PRC laws and regulations, as a result of the employment contracts being mutually terminated, we would not have any retrospective obligations to pay social insurance and housing provident fund contributions for such employees. These employees had already agreed that they will not make any claims against our Group for any social insurance and housing provident fund contributions that had not been paid during the Track Record Period.

Incident III

As at the latest Practicable Date, (1) with respect to the Guizhou School, since January 2017, we have adjusted the payment base of social insurances and housing provident fund contributions for employees in accordance with applicable PRC laws and accordingly have made payment in accordance with such adjusted payment base; (2) with respect to the Yunnan School, since January 2017, we have adjusted the payment base of unemployment insurance and housing provident fund contributions for employees in accordance with applicable PRC laws and have accordingly made payment in accordance with such adjusted payment base. However, as for the other social insurances including medical insurance, pension insurance, work-related injury insurance and maternity insurance, we were informed by the relevant governmental authorities that as their usual practice, our application for adjusting the payment base for the year of 2017 could only be made around the middle of 2017 before they confirm and collect the amount due based on the adjusted payment base. Nevertheless, we have made provision for the payment due based on the adjusted payment base and considered such amount in our 2017 budget accordingly. The Directors undertake that our Group will immediately apply for adjusting the payment base for the year of 2017 for the medical insurance, pension insurance, work-related injury insurance and maternity insurance and settle the relevant payments as soon as it is confirmed by the relevant government authorities.

We have established internal compliance guidelines and a compliance checklist, which set forth our policies and procedures with respect to compliance issues.

We had reviewed our internal control policy and have designated a vice president at each of the relevant schools 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. We intend to make social insurance and housing provident fund contributions in accordance with the applicable laws and regulations going forward.

In addition, we have arranged training for our Directors and senior management regarding the legal and regulatory requirements relating to non-compliance incidents in September 2016 and will continue to provide the training to them on the legal and regulatory requirements applicable to the business operations of our Group from time to time and we will appoint external PRC legal counsels to advise us on compliance with the applicable laws and regulations in the PRC.

Director and/or personnel in charge of rectification

We have designated Mr. Zhao Shuai, who is responsible for human resources management to directly assist our Board to keep track of the contribution schedules of social insurance.

Potential impact on our operations and financial condition

On the basis that as of the Latest Practicable Date, we had made full provision for the outstanding balance of the social insurance payments and housing provident fund contributions amounting to RMB22.5 million in total based on the estimation 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, 2014, 2015 and 2016 was approximately RMB4.1 million, RMB7.2 million and RMB11.2 million, respectively, and we have taken all necessary steps within our control to rectify this non-compliance, our Directors are of the view that this non-compliance will not have a material adverse effect on our business operations or financial condition as a whole.

Our Controlling Shareholders have agreed to indemnify our Group pursuant to the Deed of Indemnity for this noncompliance incident.

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 Directors are of the view that none of the non-compliances is fundamental to the daily operations of our schools.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

We have engaged an independent external firm (the "Internal Control Consultant") to conduct an evaluation of our internal control system in connection with the Listing. As part of the engagement, we have consulted with our Internal Control Consultant to identify the factors relevant to enhancing our internal control system and the steps to be taken. The Internal Control Consultant conducted its work in June 2016 and provided a number of findings and recommendations regarding corporate governance, accounting and information technology management in its report issued in July 2016. We have subsequently taken remedial actions in response to such findings and recommendations. The Internal Control Consultant performed follow-up procedures on our Company's system of internal control with regard to those actions taken by our Company and reported further commentary in August 2016 and October 2016 when we completed the remedial actions. In particular, during the follow-up review conducted in October 2016, the Internal Control Consultant observed that that we have formulated a risk management system which sets out the objectives and principles of risk management, risk management organizations and responsibilities, risk assessment, strategies and response programs, and sets out a compliance checklist for the project management process. In particular, in relation to the material non-compliance incidents referred to under "Legal Proceedings and Compliance" in this section, the Internal Control Consultant has reviewed the compliance checklist, which provides that construction work shall not be commenced before obtaining the relevant certificates and permits, including the land use right certificate, land planning permits, construction planning permits, construction plan permits, etc. In addition, in relation to the systemic non-compliance incidents identified in that section of the Prospectus, the Internal Control Consultant has conducted interviews with the management of our Company, and understood that we have made full provisions of social insurance and housing provident funds to its foreign teachers, employees whose registration of the social insurance and the housing provident fund were remained with other employers and logistic staff. In the follow-up reviews conducted by the Internal Control Consultant in January 2017 and according to the follow-up internal control issued in January 2017, they noted that (1) we had considered all their recommendations and also taken the necessary corrective actions to address our internal control deficiencies and weaknesses, (2) we had rectified the land non-compliance and taken all necessary steps to rectify social insurance and housing fund provident non-compliance.

We have established an internal control committee and each of our schools has designated the relevant personnel who will be responsible for monitoring our on-going compliance with the relevant PRC laws and regulations that govern our business operations and overseeing the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management (including the presidents and vice presidents of our schools) and employees involved with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to potential non-compliance and ensure our overall on-going compliance.

In addition, we have adopted a set of internal rules and policies governing the conduct of our employees, including teachers and personnel performing other functions. We have set up a monitoring system to implement anti-bribery and anti-corruption measures so as to ensure that our employees comply with our internal rules and policies as well as the applicable laws and regulations. For example, our management is responsible for conducting a fraud and bribery risk assessment on an annual basis and our Audit Committee reviews and approves our annual risk assessment results and policies. We have also identified certain forbidden conduct in our internal anti-bribery and anti-corruption policies, including, among others, the prohibition to (i) obtain economic and other benefits through gifts and donations, (ii) offer sponsorship or travel arrangements against fair competition, (iii) provide various kinds of membership cards, gift cards and other valuable securities, and (iv) provide and use property and automobiles for personal gain. We offer mandatory training courses to our existing and new employees to enhance their knowledge and awareness of the relevant rules and regulations, as well as their own personal and professional conduct. Moreover, we have instituted remedies and relevant economic and administrative punishment for those employees who are involved in corruption and bribery activities. During the Track Record Period, we were not aware of any corruption involving, or any other material misconduct committed by our employees.

Taking into account rectification measures taken by us and the internal control measures implemented by us in connection with the non-compliance incidents disclosed under "– Legal Proceedings and Compliance" in this prospectus, the result of the review conducted by our Internal Control Consultant, the on-going monitoring and supervision by our Board and the presidents of our schools with the assistance from professional external advisors 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 and competency of our Directors is compliant with Rules 3.08 and 3.09 of the Listing Rules; and our Company is suitable for listing under Rule 8.04 of the Listing Rules. The Sole Sponsor concurs that the suitability and competence of our Directors is compliant with Rule 3.08 and 3.09 of the Listing Rules, on the basis that i) the non-compliance incidents were primarily caused by certain actions of governmental authorities, or administrative oversight by the handling person of human resources department of the schools; ii) our Directors were neither intentional nor involving fraud or dishonesty in connection with the non-compliance incidents; iii) remedies and rectification measures has been taken by the Company to prevent future breach and ensure on-going compliance; and iv) the review of PRC Legal opinions, internal control report and other relevant documents, discussions with Directors and Directors' confirmation.

In light of the remedial measures adopted by our Group with regard to the non-compliance incidents, and the result of the review conducted by our Internal Control Consultant, our Directors are of the view that our internal control measures are adequate and effective to prevent recurrence of similar non-compliance in the future, and the Sole Sponsor, on a similar basis as our Directors', has no reason to disagree with our Directors' view in this regard.

Risk Management

We are exposed to various risks in the operation of our business and we believe that risk management is important to our success. Key operational risks faced by us include, among others, changes in general market conditions and perceptions of private education, changes in the regulatory environment in the PRC private education industry, our ability to offer quality education to our students, our ability to increase student enrollment and/or raising tuition rates, our potential expansion into other regions in China or overseas, availability of financing to fund our expansion and business operations and competition from other school operators that offer similar or higher quality of education and have similar scale. See "Risk Factors" in this prospectus for disclosures on various risks we face. In addition, we also face numerous market risks, such as interest rate, credit and liquidity risks that arise in the normal course of our business. For a discussion on these market risks, see "Financial Information – Quantitative and Qualitative Disclosures about Market Risk" in this prospectus.

To properly manage these risks, we have established the following risk management structures and measures:

- Our Board of Directors is responsible and has the general power to manage the operations of our schools, and is in charge of managing the overall risks of our Company. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures, such as our decision to expand our school network into new geographic areas, to raise our tuition fees, and to enter into cooperative business relationships with third parties to establish new schools and/or new programs;

- 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 banks to ensure that we are able to obtain credits to support our business operation and expansion.

We have also implemented a set of internal control and risk management measures to manage our risks related to investments in wealth management products. These measures were formulated by our president, chief financial officer and finance director. These measures have been reviewed by our Internal Control Consultant. Historically, we believed we could make better use of our tuition fees by making appropriate investments in low-risk and short-term wealth management products, which generated income without interfering with our business operation or capital expenditures. Before making a proposal to invest in wealth management products, the head of the financial department of the relevant school or Group company was required to assess the cash flow and operational needs and capital expenditures of such school or company. If the cash flow exceeds its operational needs and an appropriate low-risk and short-term investment opportunity is available, the head of the financial department would submit the investment proposal to the management of the Group for approval. According to our internal policies, regardless of the investment size, a proposal to invest in investment products must first be reviewed by our finance director. After the financial controller approved the proposal, the proposal then had to be approved by the chief financial officer. If the investment exceeds RMB10 million approval from our Chairman, Mr. Li is required. If the investment exceeds RMB100 million, the proposal must be approved by our Board.

In assessing a proposal to invest in wealth management products, a number of criteria must be met, including but not limited to:

- the term of the wealth management products must not exceed three months;
- the proposed investment must not interfere with our business operation or capital expenditures;
- the wealth management products should be issued by a reputable bank with which we have a long-term relationship; and
- the investment portfolio of the wealth management products should generally bear minimum risk.

We believe that our internal policies regarding investment in wealth management products and the related risk management mechanism are adequate. As of June 30, 2016, all of our wealth management products had matured. We do not plan to further invest in wealth management products in the future.

CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalization Issue and the Global Offering, the Controlling Shareholders will together control the exercise of voting rights of approximately 55.34% of the Shares eligible to vote in the general meeting of our Company (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of options granted under the Share Option Scheme).

Information on Other Companies Owned by Our Controlling Shareholders

We are currently engaged in the provision of private formal higher education focused on applied sciences. Mr. Li, a Controlling Shareholder, currently holds interests in certain companies outside of our Group (the “Non-Group Companies”), which operate certain businesses outside of our Group (the “Non-Group Business”). Apart from our Group and the Non-Group Companies, Mr. Li does not have any interest in any other companies.

As at the Latest Practicable Date, Mr. Li is interested in the following Non-Group Companies:

Company Name	Percentage of interest directly or indirectly held by Mr. Li	Principal business activities
Beijing Lianhe	90%	Provision of online courses
Daai Management	90%	Investment holding
Daai Consulting	90%	Investment holding

Details of these Non-Group Companies are set forth as below:

Beijing Lianhe

Beijing Lianhe was established on June 17, 2014 by Daai Company. It is engaged in the provision of a free online courses platform to a specific range of students of colleges/universities, some of which are members of the AUAS. On May 31, 2016, as part of the Corporate Reorganization, Daai Company entered into an equity transfer agreement to transfer all equity interest in Beijing Lianhe to Daai Management, an investment holding company wholly owned by Daai Consulting, which is in turn beneficially owned by Mr. Li as to 90%, at a consideration of RMB66,258.94. Such consideration was determined with reference to the net asset value of Beijing Lianhe as of May 31, 2016.

Reasons for not including Beijing Lianhe in our Group

(a) Beijing Lianhe does not compete directly or indirectly with our Group's business for the following reasons:

Applicable laws and regulations

Our business falls within the "restricted" category under the Foreign Investment Catalog and is mainly regulated by, among other things, the Law for Promoting Private Education of the PRC (中華人民共和國民辦教育促進法), and the Higher Education Law of the PRC (中華人民共和國高等教育法). The major competent authorities of our business include the department of civil affairs and the Ministry of Education.

The current business of Beijing Lianhe falls within the "permitted" category under the Foreign Investment Catalog and is mainly regulated by Measures for the Administration of Internet Information Services (互聯網信息服務管理辦法) and the Interim Provisions on the Administration of Internet Culture (互聯網文化管理暫行規定). The major competent authority of Beijing Lianhe is the Administration of Industry and Commerce.

It is expected that Beijing Lianhe will in the future expand its business to provide paid online education services to a specific range of students, which falls within the "restricted" and "prohibited" categories under the Foreign Investment Catalog and requires an internet culture operation license (網絡文化經營許可證), and a value-added telecommunications business operating license (增值電信業務許可證) to operate such business, which are only granted to domestic persons in accordance with the existing PRC laws and/or approval practice, as advised by our PRC legal advisors. As such, if Beijing Lianhe were to have been retained in our Group, which will be deemed as a foreign invested enterprise, Beijing Lianhe may not be able to obtain these licenses to expand its business scope in the future.

According to the applicable PRC laws and regulations, Beijing Lianhe will only be allowed to engage in the provision of paid online education services after it expands the business scope registered on its business license and obtains the above-mentioned licenses after a new business license is issued. As at the Latest Practicable Date, Beijing Lianhe has obtained the business licence for the expanded business scope on December 22, 2016 and the internet culture operation license on February 8, 2017. Beijing Lianhe intends to take all necessary steps to obtain the remaining necessary licenses for the provision of paid online education services by the end of 2017 and then our Group would only consider acquiring Beijing Lianhe at that point, with any such acquisition following the conditions and procedure as disclosed in the paragraph headed "Measures to eliminate potential competition upon Listing and option to acquire Beijing Lianhe – Option to acquire Beijing Lianhe" in this section.

See "Regulatory Overview" in this prospectus for further details.

Business model

Our Group mainly provides comprehensive formal higher education to students, while the 365 cloud online education platform operated by Beijing Lianhe only covers certain courses which account for a small portion of the formal higher education that we provide to students. Beijing Lianhe currently does not charge our students any fees for providing online education services.

See "Business – Scalable Business Model – Cloud Education" in this prospectus for further details.

Students base

The target students of our Group and Beijing Lianhe are different. Our Group recruits students who are seeking formal higher education, while Beijing Lianhe offers online education services to existing students of colleges/universities who are members of the AUAS, including the Yunnan School.

Management

Mr. Li used to act as executive director of Beijing Lianhe. Upon the completion of the Corporate Reorganization, Mr. Li no longer serves in Beijing Lianhe's management team and the management team of Beijing Lianhe and that of our Group are entirely different and separate from each other. Although Mr. Li indirectly holds a 90% equity interest in Beijing Lianhe, he is not involved in the daily operations of Beijing Lianhe after the completion of the Corporate Reorganization.

(b) Beijing Lianhe is at a preliminary stage of development and including Beijing Lianhe in our Group will not facilitate its further development

Beijing Lianhe commenced operation in 2015. The net loss of Beijing Lianhe for the year ended December 31, 2015 and the year ended December 31, 2016 according to its PRC accounts was approximately RMB3.41 million and RMB3.54 million, respectively. Beijing Lianhe was at a very preliminary stage of development as at the Latest Practicable Date.

Beijing Lianhe currently provides a free online courses platform to students at our schools and schools operated by other third parties, which falls within the "permitted" category under the Foreign Investment Catalog. It is expected that Beijing Lianhe will expand its business to provide paid online education services to a specific range of students in the future, which falls within the "restricted" and "prohibited" categories under the Foreign Investment Catalog and requires an internet culture operation license (網絡文化經營許可證), and a value-added telecommunications business operating license to operate such business, which are only granted to domestic persons, as advised by our PRC legal advisors. As such, if Beijing Lianhe were to have been retained in our Group as a foreign invested enterprise, Beijing Lianhe may not be able to obtain these licenses to expand its business scope. Accordingly, our Group may face uncertainties in developing the online education business which may not eventually bring any economic benefit to our Group. Beijing Lianhe is excluded from our Group and measures have been put in place to allow us to acquire all the equity interest in Beijing Lianhe in the future, if we deem appropriate and in the interests of our Group at the relevant time. For details, see the section headed "Measures to eliminate potential competition upon Listing and option to acquire Beijing Lianhe" below. Our Directors are of the view, and the Sole Sponsor concurs, that, (i) given that the online courses were provided by Beijing Lianhe to students at both our schools and schools operated by other third parties for free and Beijing Lianhe currently does not hold all the necessary licenses to require anyone to pay for such online courses, the provision of such services to our Group without charge would not affect our financial independence from our Controlling Shareholders, and (ii) it is not in the interests of our Company and our Shareholders to include Beijing Lianhe into our Group at this stage.

Transactions with our Group

Beijing Lianhe offers certain free online courses to students at our schools. Except for this, there were no transactions between Beijing Lianhe and our Group during the Track Record Period. We expect that such arrangement will continue after the Listing. See the section headed "Connected Transactions" in this prospectus for further details.

Measures to eliminate potential competition upon Listing and option to acquire Beijing Lianhe

In order to safeguard the interests of our Company in respect of the future business opportunities in Beijing Lianhe and against potential competition, we have adopted the following measures:

Non-competition Undertaking

Under the Structured Contracts, our Controlling Shareholders have undertaken not to engage in any business which would, directly or indirectly, compete with the business of any member of our Group. See "Structured Contracts – Operation of the Structural Contracts – Summary of the Material Terms of the Structured Contracts – (1) Business Cooperation Agreement" in this prospectus for details.

Option to acquire Beijing Lianhe

Huihuang Company, Mr. Li, Ms. Yang, Daai Consulting, Daai Management and Beijing Lianhe entered into an agreement on August 22, 2016 pursuant to which Mr. Li, Ms. Yang, Daai Consulting and Daai Management, individually and collectively, irrevocably granted the following options to Huihuang Company:

(i) an irrevocable option ("the Option") for the transfer of all the equity interest in Beijing Lianhe to Huihuang Company or its designee by equity transfer or through a series of contracts on substantially the same terms and conditions as the existing Structured Contracts at a consideration determined with reference to the then fair market value of Beijing Lianhe according to the then applicable laws and regulations;

(ii) an irrevocable right of first refusal (the "Right of First Refusal") under which, in the event any of Mr. Li, Ms. Yang, Daai Consulting and Daai Management intends to transfer his/her/its direct or indirect interest in Beijing Lianhe to any third party, Huihuang Company or its designee has the right of first refusal to acquire all the interest in Beijing Lianhe by equity transfer or through a series of contracts on substantially the same terms and conditions as the existing Structured Contracts at the consideration with reference to the then fair market value of Beijing Lianhe according to the then applicable laws and regulations; and

(iii) an irrevocable right (the "Rights of Selling Request") for our Company to require Mr. Li, Ms. Yang, Daai Consulting and Daai Management to sell all his/her/its direct or indirect interest in Beijing Lianhe to an Independent Third Party if and when, as determined by our independent non-executive Directors, Beijing Lianhe may be in direct or indirect competition with the business of our Group but it is not in the interest of our Company to exercise the option under (i) above to acquire all of the equity interest in Beijing Lianhe.

In order to ensure the independence of any decision of our Company in respect of Beijing Lianhe, our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise any of the Option, the Right of First Refusal or the Right of Selling Request. As of the Latest Practicable Date, we had no intention to purchase any equity interest of Beijing Lianhe, or exercise any

Right of Selling Request. The independent non-executive Directors shall review, at a minimum, twice each year and decide whether to exercise the Option, the Right of First Refusal or the Right of Selling Request. Our Group expects that the following factors would be taken into consideration when making such determination:

(i) the development and status of business expansion of Beijing Lianhe, including its operation scale, target students or curriculum;

(ii) the value-added telecommunications business operating and/or internet culture operation licenses (網絡文化經營許可證) then held by Beijing Lianhe, if any;

(iii) the financial positions and performance of Beijing Lianhe and our Group;

(iv) the extent of any direct or indirect competition (potential or actual) between Beijing Lianhe and our Group;

(v) the view of any independent advisors engaged by our Company at the request of our independent non-executive Directors; and

(vi) such other relevant factors or considerations as our independent non-executive Directors consider necessary or appropriate.

Any decision (positive or negative) made in relation to the Option, the Right of First Refusal and the Right of Selling Request will be disclosed, with basis, in our Company's interim and annual reports after the Listing. Our Group expects that, if we decide to acquire Beijing Lianhe by exercising the Options the Rights of First Refusal or the Right of Selling Request, the acquisition is expected to be funded by our internal resources. Such acquisitions would be made in accordance with the applicable Listing Rules and the applicable laws and regulations in the PRC.

NON-COMPETITION UNDERTAKING OF THE CONTROLLING SHAREHOLDERS

As confirmed by our Controlling Shareholders, the Non-Group Business will not, directly or indirectly, compete with our Group's business.

Our Controlling Shareholders have entered into the Deed of Non-competition on March 20, 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 would not, and would procure that its or his associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on its or his 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/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 shares 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 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 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 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 associates still holds directly or indirectly an equity interest in our Company; and (iii) our Controlling Shareholders and/or its/his 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.

Under the Structured Contracts, Mr. Li, has also provided certain non-competition undertakings in favour of our Company. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (1) Business Cooperation Agreements" for details of the non-competition undertaking provided by Mr. Li, a Registered Shareholder, under the Structured Contracts.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that we are capable of carrying on our business independently from our Controlling Shareholders and its/his respective associates after completion of the Global Offering:

Management Independence

Our Board comprises four executive Directors, two non-executive Directors (one of whom will cease to be a Director one day prior to the Listing Date) 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 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 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.

(i) During the Track Record Period, Mr. Li, one of our Controlling Shareholders, and companies controlled by Mr. Li, provided certain guarantees, pledges and mortgages for the loans of our PRC Operating Schools. See note 25 of the "Accountants' Report of our Group" in Appendix IA to this prospectus for more information. As at the Latest Practicable Date, these guarantees, pledges and mortgages have been released.

(ii) Our Controlling Shareholder provided advances to us through Pai Dui Pai primarily for our capital expenditures, including capital expenditures for the expansion of school facilities at the Yunnan School and the Guizhou School in 2013 and 2014 and construction of school facilities at the Central China School in the first six months of 2016, which is expected to be settled prior to the Listing.

(iii) Further, we entered into a facility agreement with China CITIC Bank International Limited and CSI Finance Limited on August 12, 2016. Under this agreement, China CITIC Bank International Limited agrees to lend us a loan in the amount of US$38.4 million and CSI Finance Limited agrees to lend us a loan in the amount of US$25.6 million. We also entered into a keepwell and liquidity support deed with our Controlling Shareholder, Mr. Li, and CSI Finance Limited in relation to these loans. Under this deed, Mr. Li has certain performance obligations, among other things, including to (i) ensure the continual ownership and control of Aspire Education Group, our Company, Aspire Education Holding, Fangzhou Company and Huihuang Company during the specified period, and cause Aspire Education Information and Aspire Education Group to have sufficient liquidity and remain solvent; (ii) provide irrevocable crossborder RMB standby facility (including establishing and granting Aspire Education Information and Aspire Education Group a standby facility, opening a bank account and remitting a specified amount under agreed circumstances); and (iii) invest an agreed amount in Aspire Education Information and Aspire Education Group under agreed circumstances. Mr. Li Xiaoshen's guarantee obligation under the facility agreement and Mr. Li's obligations under this deed will be released upon 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 does not have any competing business with our Group.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to avoid any conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

(a) our independent non-executive Director will review, on an annual basis, the compliance with the undertaking given by our Controlling Shareholders under the Deed of Non-competition;

(b) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the undertaking under the Deed of Non-competition;

(c) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of our Controlling Shareholders under the Deed of Non-competition in the annual reports of our Company; and

(d) our Controlling Shareholders will make annual declarations on compliance with their undertaking under the Deed of Non-competition in the annual report of our Company.

CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of continuing agreements and arrangements with our connected persons in our ordinary and usual course of business. Upon the listing of the Shares on the Stock Exchange, the transactions disclosed in this section will constitute continuing connected transactions under the Listing Rules.

No.	Transactions	Applicable Listing Rules	Waiver Sought	Proposed annual cap (in RMB) for the year ending December 31, 2016	2017	2018
	Exempt continuing connected transactions					
1	Online Education Services Provision Agreement	14A.34, 14A.52, 14A.53, 14A.76	N/A	nil	nil	nil
	Non-exempt continuing connected transactions					
1	Structured Contracts	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 to 59 and 14A.71	Requirements as to announcement, circular, shareholders approval, annual cap, and terms not more than three years	N/A	N/A	N/A

Exempt Continuing Connected Transactions

(1) Online Education Services Provision Agreement

Pursuant to the online education services provision agreement (the "Online Education Services Provision Agreement") dated August 22, 2016 entered into between Yun Ai Group and Beijing Lianhe, Beijing Lianhe has agreed to provide online education platform services under the 365 cloud online education platform operated by Beijing Lianhe to our Group at nil consideration for a term of three years with retrospective effect from January 1, 2016 to December 31, 2018, renewable for another three years unless terminated by either party by serving written notice to the other party within 30 days prior to expiry of the Online Education Services Provision Agreement (subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions).

The Directors are of the view that the transactions contemplated under the Online Education Services Provision Agreement are on normal commercial terms or terms more favorable to our Group.

Listing Rules implications

Beijing Lianhe is wholly owned by Daai Management, a wholly owned subsidiary of Daai Consulting, which is in turn beneficially owned by Mr. Li as to 90%, an executive Director and a Controlling Shareholder of our Group, and hence an associate of Mr. Li and a connected person of our Company according to Rule 14A.12(1)(c).

Since no service fees will be charged on Yun Ai Group under the Online Education Services Provision Agreement, the connected transaction contemplated under the Online Education Services Provision Agreement constitutes a de minimis connected transaction under Rule 14A.76 of the Listing Rules and is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Historical amount and annual caps

Historically, no service fees were charged by Beijing Lianhe for our use of online education platforms maintained by them. The annual cap for the years ended/ending December 31, 2016, 2017 and 2018 is nil, nil and nil, respectively.

Non-exempt Continuing Connected Transactions

(1) Structured Contracts

As disclosed in the paragraph headed "Structured Contracts – Background of the Structured Contracts" in this prospectus, the PRC laws and regulations currently restrict the operation of formal higher education to Sino-foreign ownership, in addition to imposing a qualification requirement on the foreign owners. Further, no government approval for establishing and operating a formal higher education institution in the PRC by way of Sino-foreign ownership was granted. As a result, our Group, through our wholly-owned subsidiary, Huihuang Company, our PRC Consolidated Affiliated Entities and the Registered Shareholders have entered into the Structured Contracts such that we can conduct our business operations indirectly in the PRC through our PRC Operating Schools and our School Sponsors while complying with applicable PRC law and regulations. The Structured Contracts, as a whole, are designed to provide our Group with effective control over the financial and operational policies of our PRC Operating Schools and our School Sponsors, to the extent permitted by PRC law and regulations, the right to acquire the equity interest in and/or the assets of our PRC Operating Schools and our School Sponsors after the Listing through Huihuang Company. As we operate our education business through our PRC Operating Schools, which are controlled by our School Sponsors and we do not hold any direct equity interest in our PRC Operating Schools or our School Sponsors, the Structured Contracts were entered into on September 8, 2016 pursuant to which all material business activities of our PRC Operating Schools and our School Sponsors are instructed and supervised by our Group, through Huihuang Company, and all economic benefits arising from such business of the our PRC Operating Schools and our School Sponsors are transferred to our Group.

The Structured Contracts consist of a series of agreements, including the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreement, the School Sponsors' and Directors' Rights Entrustment Agreement, the Shareholders' Rights Entrustment Agreement, the School Sponsors' Powers of Attorney, the Directors' Powers of Attorney, the Shareholders' Powers of Attorney, the Loan Agreement and the Spouse Undertakings, each of which is an integral part of the Structured Contracts. See "Structured Contracts" in this prospectus for details of these agreements.

Listing Rules Implications

The table below sets forth the connected persons of our Company involved in the Structured Contracts and the nature of their connection with our Group. The transactions contemplated under the Structured Contracts, as a whole, constitute continuing connected transactions of our Company under the Listing Rules upon the Listing.

Name	**Connected Relationships**
Mr. Li	Mr. Li is a Director and a substantial shareholder of our Company, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Ba Mu Pu	Mr. Li owns 79.19% equity interest in Ba Mu Pu. Ba Mu Pu is therefore an associate of Mr. Li and a connected person of our Company under Rule 14A.12(1)(c) of the Listing Rules.
Pai Dui Pai	Mr. Li owns 53.35% equity interest in Pai Dui Pai. Pai Dui Pai is therefore an associate of Mr. Li and a connected person of our Company under Rule 14A.12(1)(c) of the Listing Rules.
Daai Partnership	Mr. Li owns 99% limited partnership interest in Daai Partnership. Daai Partnership is therefore an associate of Mr. Li and a connected person of our Company under Rule 14A.12(1)(c) of the Listing Rules.
Shanghai Taifu	Advance Vision is one of the substantial shareholders of our Company upon the Listing and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules. Shanghai Taifu wholly owns Advance Vision and therefore Shanghai Taifu is a connected person of our Company under Rule 14A.13(1) of the Listing Rules.

Our Directors (including the independent non-executive Directors) are of the view that the Structured Contracts and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Structured Contracts and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between any of our PRC Operating Schools and/or our School Sponsors and any member of our Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Structured Contracts, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders' approval requirements.

Application for Waiver

In view of the Structured Contracts, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Structured Contracts pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Structured Contracts under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Structured Contracts to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Structured Contracts will be made without the approval of the independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Structured Contracts will be made without the approval of our Company's independent shareholders.

Once independent shareholders' approval of any change has been obtained, no further announcement or approval of the independent shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Structured Contracts in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Structured Contracts shall continue to enable our Group to receive the economic benefits derived by our PRC Operating Schools and/or our School Sponsors through (i) our Group's option, to the extent permitted under PRC laws and regulations, to acquire all or part of our School Sponsors' interest held by our School Sponsors at the lowest possible amount permissible under the applicable PRC laws and regulations, (ii) the business structure under which the net profit generated by our PRC Operating Schools is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Huihuang Company by our PRC Operating Schools and/or our School Sponsors under the Exclusive Technical Service and Management Consultancy Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of our PRC Operating Schools as appointed by our School Sponsors in our PRC Operating Schools.

(d) Renewal and reproduction

On the basis that the Structured Contracts provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and our PRC Operating Schools and our School Sponsors, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Structured Contracts. The directors, chief executives or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Structured Contracts, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar Structured Contracts shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

Our Group will disclose details relating to the Structured Contracts on an ongoing basis as follows:

- The Structured Contracts in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the Structured Contracts annually and confirm in our Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structured Contracts, have been operated so that the profit generated by our PRC Operating Schools and our School Sponsors has been substantially retained by our Group, (ii) no dividends or other distributions have been made by our PRC Operating Schools and/or our School Sponsors to the holders of its School Sponsor's interest which are not otherwise subsequently assigned or transferred to our Group, and (iii) the Structured Contracts and if any, any new contracts entered into, renewed or reproduced between our Group and our PRC Operating Schools during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.

- Our Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Structured Contracts and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Structured Contracts and that no dividends or other distributions have been made by our PRC Operating Schools and/or our School Sponsors to the holders of its school sponsor's interest which are not otherwise subsequently assigned or transferred to our Group.

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of our PRC Operating Schools and/or our School Sponsors will be treated as our Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of each of our PRC Operating Schools and our School Sponsors and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Structured Contracts, will be subject to the requirements under Chapter 14A of the Listing Rules.

- Each of our PRC Operating Schools and our School Sponsors will undertake that, for so long as our Shares are listed on the Stock Exchange, each of our PRC Operating Schools and our School Sponsors will provide our Group's management and our Company's auditors' full access to its relevant records for the purpose of our Company's auditors' review of the continuing connected transactions.

New Transactions amongst Our PRC Operating Schools and/or Our School Sponsors and Our Company

Given that the financial results of our PRC Operating Schools and School Sponsors will be consolidated into our financial results and the relationship between our PRC Operating Schools and/or our School Sponsors and our Company under the Structured Contracts, all agreements other than the Structured Contracts that may be entered into between each of our PRC Operating Schools and/or our School Sponsors and our Company in the future will also be exempted from the "continuing connected transactions" provisions of the Listing Rules.

Views of the Sole Sponsor and Directors

Our Directors (including the independent non-executive Directors) are of the view and the Sole Sponsor concurs that the transactions contemplated under the Structured Contracts have been and will be entered into in the ordinary and usual course of business of our Group, are fundamental to our Group's legal structure and business operations, are on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. With respect to the term of the relevant agreements underlying the Structured Contracts which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of our PRC Consolidated Affiliated Entities can be effectively controlled by Huihuang Company or its designee, (ii) Huihuang Company or its designee can obtain the economic benefits derived from the PRC Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of the PRC Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

OUR DIRECTORS AND SENIOR MANAGEMENT

Our Board is responsible for and has general power over the management and conduct of our business. As at the Latest Practicable Date, it consists of nine Directors, one of whom will cease to be a Director one day prior to the Listing Date. Four of them are executive Directors, two of them are non-executive Directors (one of whom will cease to be a Director one day prior to the Listing Date) and three of them are 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 Xiaoxuan (李孝軒)	42	June 1999	July 8, 2016	Chairman and executive Director	Overall management and strategic development of our Group	None
Mr. Zhao Shuai (趙帥)	37	April 2004	August 19, 2016	Chief executive officer and executive Director	In charge of setting annual operational targets and day-to-day management	None
Mr. Zhang Ke (張柯)	44	March 2000	August 19, 2016	Chief operating officer and executive Director	In charge of day-to-day operations and external communications and publications	None
Mr. Zhu Lidong (朱立東)	46	March 2016	August 19, 2016	Chief financial officer and executive Director	In charge of financial matters and investor relations management	None
Mr. Chen Shuo (陳爍)	38	August 19, 2016	August 19, 2016	Non-executive Director	Providing independent opinion and judgement to our Board	None
Mr. Wan Yuan (萬元)(1)	34	August 19, 2016	August 19, 2016	Non-executive Director	Providing independent opinion and judgement to our Board	None

Note:

(1) Mr. Wan will cease to be a Director one day prior to the Listing Date.

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. Wong Man Chung Francis (黃文宗)	52	March 20, 2017	March 20, 2017	Independent non-executive Director	Providing independent opinion and judgement to our Board	None
Mr. Chung Yue Ping Stephen (鍾宇平)	68	March 20, 2017	March 20, 2017	Independent non-executive Director	Providing independent opinion and judgement to our Board	None
Mr. Kwong Wai Sun Wilson (鄺偉信)	51	March 20, 2017	March 20, 2017	Independent non-executive Director	Providing independent opinion and judgement to our Board	None

Our senior management is responsible for the day-to-day management and operation of our business. The table below sets forth certain information regarding senior management of our Company:

Name	Age	Date of joining our Group	Appointment Date	Position	Roles and responsibilities	Relationship with other Director(s) and the senior management
Mr. Qin Hongkang (秦宏康)	41	December 2004	August 19, 2016	Vice president	In charge of student recruitment, marketing and logistics	None
Ms. Liu Fengming (劉風明)	47	September 2002	August 19, 2016	Vice president	In charge of education and human resources	None
Ms. Zheng Yanli (鄭艷麗)	46	May 2014	August 19, 2016	Vice president	In charge of investment	None
Mr. Chen Guoding (陳國定)	48	March 2014	August 19, 2016	Chief strategy officer	In charge of strategic planning and research	None

Name	Age	Date of joining our Group	Appointment Date	Position	Roles and responsibilities	Relationship with other Director(s) and the senior management
Mr. Li Xiaoshen	49	November 2015	August 19, 2016	Chief executive officer of California Academy	In charge of overall management of California Academy	None
Ms. Wang Xin (王馨)	34	October 2014	August 19, 2016	Joint chief financial officer, joint company secretary, and general manager of investor relations department	In charge of investor relations and capital operation	None

BOARD OF DIRECTORS

Executive Directors

Mr. Li Xiaoxuan (李孝軒), aged 42, the founder of our Group. He was appointed as a Director of our Company on July 8, 2016. He is the chairman of the Board. Mr. Li has more than 18 years of experience in education and is responsible for the overall management and strategic development of our Group.

The following table shows the key working experience of Mr. Li:

Period	Company	Position
1999 to 2004	Training Station	Director
2005 to present	Yun Ai Group	Chairman

As a director of the Training Station from 1999 to 2004, Mr. Li was in charge of the daily operation and management of the Training Station, overall management and strategic development of the Training Station, as well as decision-making on significant operational and administrative matters.

The following table shows the awards received by Mr. Li:

Date	Awards	Awarding Authority
February 2009	Yunnan Youth Entrepreneur Award* (雲南青年創業省長獎)	Yunnan Youth Entrepreneur Governor Award Organizer Committee* (雲南青年創業省長獎活動組織委員會)
December 2009	Yunnan Education Contribution Award* (雲南教育功勛獎)	Education Department of Yunnan Province
October 2010	The Second Huang Yanpei Outstanding Principal Award* (第二屆黃炎培傑出校長獎)	The National Association of Vocational Education of China* (中華職業教育社)
June 2011	The Advanced Individual of China's Private Higher Education* (中國民辦高等教育先進個人)	The China Association for Non-Government Education
February 2013	The Seventh China Youth Entrepreneurship Nominee Award* (第七屆中國青年創業獎提名獎)	Central Communist Youth League of China and Ministry of Human Resources and Social Security* (共青團中央及中華人民共和國人力資源和社會保障部)

Mr. Li became the first vice president of the China Private Education Association * (中國民辦教育協會) in March 2010, a council member of the 6th China Higher Education Association* (中國高等教育學會第六屆理事會理事) in August 2012, a member of the standing committee of the 11th Chinese People's Political Consultative Conference Yunnan Province* (中國人民政治協商會議雲南省第十一屆委員會常務委員會) in January 2013 and a member of the 11th Committee of the All-China Youth Federation* (中華全國青年聯合會第十一屆委員會) in August 2010. He is currently the vice chairman of Applied Technology University Association* (應用技術大學(學院)聯盟), the executive director of the China Education Development Strategy Association* (中國教育發展戰略學會), and the executive director of the Education and Finance Committee of the China Education Development Strategy Association * (中國教育發展戰略學會教育財政專業委員會).

Mr. Li completed his undergraduate studies in administrative management at the Army Officer Academy of PLA (中國人民解放軍炮兵學院), the PRC, in June 2008, and subsequently obtained the qualification as senior economist in October 2009. Mr. Li was subsequently awarded a master degree in business administration from Nankai University (南開大學), the PRC, in June 2010.

Mr. Li did not hold any directorship in any listed companies during the last three years.

Mr. Zhao Shuai (趙帥), aged 37, joined the Group in April 2004, and was appointed as the chief executive officer and an executive Director of our Company on August 19, 2016. Mr. Zhao has more than 13 years of experience in education and is responsible for setting annual operational targets and day-to-day management.

The following table shows the key working experience of Mr. Zhao:

Period	Company	Position	Roles and responsibilities
April 2004 to August 2008	Yunnan School	Student recruitment director	In charge of student recruitment
September 2008 to March 2014	Yunnan School	Associate dean	In charge of student recruitment, administrative and logistics matters
April 2014 to April 2015	Yun Ai Group	General manager of administration department	In charge of procurement, logistics and infrastructures
May 2015 to March 2016	Guizhou School	Executive dean	In charge of management and strategic development, staff recruitment and other administrative matters
March 2016 to present	Yun Ai Group	Senior president	In charge of management and strategic development

Mr. Zhao obtained the qualification as senior economist in December 2013. He was awarded a bachelor degree in Mechanical Engineering Automation from Kunming University of Science and Technology (昆明理工大學), the PRC, in July 2004, and is currently pursuing a master degree in software engineering at Jilin University (吉林大學).

Mr. Zhao did not hold any directorship in any listed companies during the last three years.

Mr. Zhang Ke (張柯), aged 44, joined the Group in March 2000 and was appointed as the chief operating officer and an executive Director on August 19, 2016. Mr. Zhang has more than 17 years of experience in education or training and is responsible for day-to-day operations and external communications and publications.

The following table shows the key working experience of Mr. Zhang:

Period	Company	Position
March 2000 to December 2005	Training Station	Vice-director, in charge of setting business objectives, and internal and external communications
January 2007 to September 2015	Beijing Crystal Stone Technology Training Co., Ltd.* (北京水晶石技術培訓有限公司)	Chief operating officer
November 2015 to present	Yun Ai Group	Senior vice president, in charge of decision-making in significant operational matters, student recruitment, marketing and publications, and investment

Mr. Zhang was awarded a diploma in accounting from Northwest University (西北大學), the PRC, in June 1997 and was awarded a master degree in agricultural marketing from Beijing Forestry University (北京林業大學), the PRC, in December 2015. Mr. Zhang did not hold any directorship in any listed companies during the last three years.

Mr. Zhu Lidong (朱立東), aged 46, was appointed as an executive Director of our Company on August 19, 2016 and he has been our chief financial officer and senior vice president since March 2016. Prior to joining our Group, he served as the vice president of China Rundong Auto Group Limited, a listed company on the Stock Exchange (stock code: 1365) (currently known as "China Greenland Rundong Auto Group Limited"), responsible for the financial management of the whole group. Previously, he served as the finance director and the chief financial officer from August 2005 to February 2013 of the three reputable automobile companies being Chery Automotive Co., Ltd. (奇瑞汽車股份有限公司), Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司), a listed company on the Shanghai Stock Exchange, (stock code: 600166) and ZAP Inc., a US-based manufacturer of electric vehicles. Mr. Zhu also spent ten years, from May 1995 to July 2005, serving in two Big Four accounting firms, Deloitte and PricewaterhouseCoopers. He graduated with a bachelor's degree in business management from Southwestern University of Finance and Economics (西南財經大學) in July 1993. He has been a member of Chinese Institute of Certified Public Accountant since December 1994. Save as disclosed above, Mr. Zhu did not hold any directorship in any listed companies during the last three years.

Non-executive Directors

Mr. Chen Shuo (陳爍), aged 38, was appointed as a non-executive Director of our Company on August 19, 2016.

The following table shows the key working experience of Mr. Chen:

Period	Company	Position
May 2002 to May 2010	Shenzhen office of Deloitte Touche Tohmatsu Limited	Taxation manager
July 2010 to Present	Ping An Trust Co., Ltd. (平安信託有限責任公司)	Executive general manager
January 2012 to February 2015	JPMF Guangdong Co., Ltd. (廣東江粉磁材股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002600)	Non-executive director

Mr. Chen obtained the qualification as registered tax agent from Shenzhen Personnel Bureau in June 2009. He was awarded a bachelor degree in real estate management from the University of Shenzhen (深圳大學), the PRC, in June 1999, and a master degree in management from University of Nottingham, the United Kingdom, in December 2001. Save as disclosed above, Mr. Chen did not hold any directorship in any listed companies during the last three years.

Mr. Wan Yuan (萬元), aged 34, was appointed as a non-executive Director of our Company on August 19, 2016.

Prior to joining our Group, Mr. Wan worked at the information services department at University of Edinburgh from October 2006 to September 2010. Mr. Wan subsequently joined the Beijing Branch of the Bank of Shanghai (上海銀行股份有限公司) until October 2012. Since November 2012, Mr. Wan has joined CCB International (China) Limited (建銀國際(中國)有限公司), currently serving as an associate director.

Mr. Wan was awarded a bachelor degree in computer science and technology from Beijing University of Technology (北京工業大學), the PRC, in July 2005, and a master degree in high performance computing from the University of Edinburgh, the United Kingdom, in November 2006. Mr. Wan did not hold any directorship in any listed companies during the last three years.

Mr. Wan will cease to be a Director one day prior to the Listing Date. Mr. Wan has confirmed that he has no disagreement with the Board and that there are no matters relating to his resignation that should be brought to the attention of the Stock Exchange and the Shareholders.

Independent non-executive Directors

Mr. Wong Man Chung Francis (黃文宗), aged 52, was appointed as an independent non-executive Director of our Company on March 20, 2017.

The following table shows the key working experience of Mr. Wong:

Period	Company	Position
August 1985 to December 1991	KPMG	Assistant manager
January 1992 to October 1993	Hong Kong Securities Clearing Co., Ltd.	Assistant manager
1996 to 2007	Francis Wong C.P.A. Co., Limited	Managing Director
2002 to present	Union Alpha C.P.A. Limited	Managing director
2008 to present	Francis M.C. Wong Charitable Foundation Limited	Founding director
2004 to present	China Oriental Group Company Limited (stock code: 581)	Independent non-executive director
2004 to present	Wai Kee Holdings Limited (stock code: 610)	Independent non-executive director
2006 to present	Digital China Holdings Limited (stock code: 861)	Independent non-executive director
2009 to present	Union Alpha CAAP Certified Public Accountants Limited	Director
October 2013 to present	Integrated Waste Solutions Group Holdings Limited (stock code: 923)	Independent non-executive director
July 2015 to present	Greenheart Group Limited (stock code: 94)	Independent non-executive director
April 2016 to present	GCL-Poly Energy Holdings Limited (stock code: 3800)	Independent non-executive director
June 2016 to present	Kunming Dianchi Water Treatment Co., Ltd	Independent non-executive director

Based on the factors that (1) for his jobs in Union Alpha C.P.A. Limited and Francis M.C. Wong Charitable Foundation Limited, he acts as the senior management of the firms and he is in charge of the overall supervision of execution staff, (2) Mr. Wong does not hold any executive role in Union Alpha CAAP Certified Public Accountants Limited and is not involved in its daily operation, and (3) as for Mr. Wong's independent non-executive Directors positions in other listed issuers, based on the review of the publicly available annual reports of these companies from 2013 and up to the Latest Practicable Date, his attendance at the board meetings and board committee meetings reached over 97%, our Directors believe, and the Sole Sponsor concurs, that Mr. Wong will be able to devote sufficient time to the Company.

Mr. Wong is a Certified Public Accountant (Practising). He was admitted as a Certified Public Accountant in October 1990 and in September 2012, enrolled in a master programme in management at Jinan University (暨南大學), the PRC, and was subsequently awarded the master degree in management in June 2005. Mr. Wong is currently a fellow member of the Chartered Association of Certified Accountants of the United Kingdom, the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Society of Chinese Accountants and Auditors, and a Certified Tax Advisor of the Taxation Institute of Hong Kong. Save as disclosed above, Mr. Wong did not hold any directorship in any listed companies during the last three years.

Mr. Chung Yue Ping Stephen (鍾宇平), aged 68, was appointed as an independent non-executive Director of our Company on March 20, 2017.

The following table shows the key working experience of Mr. Chung:

Period	Company/Institute	Position
August 1978 to August 2013	Department of Education Administration & Policy, Faculty of Education, The Chinese University of Hong Kong	Professor
August 1997 – July 2003	Faculty of Education, The Chinese University of Hong Kong	Dean
August 2013 to July 2014	Department of Education Administration & Policy, Faculty of Education, The Chinese University of Hong Kong	Part-time professor
August 2014 to July 2016	Department of Education Administration & Policy, Faculty of Education, The Chinese University of Hong Kong	Adjunct Professor
October 2014 to present	Department of Education Administration & Policy, Faculty of Education, The Chinese University of Hong Kong	Emeritus Professor

Mr. Chung was awarded the Bachelor of Arts from The University of Oregon in June 1972, the Master of Arts from Michigan State University in June 1973, the Master of Arts from The Leland Stanford Junior University in June 1986 and the Doctor of Philosophy from The Leland Stanford Junior University in June 1988. Mr. Chung was appointed as a Justice of the Peace in July 2001.

Mr. Chung did not hold any directorship in any listed companies during the last three years.

Mr. Kwong Wai Sun Wilson (鄺偉信), aged 51, was appointed as an independent non-executive Director of our Company on March 20, 2017. Mr. Kwong has more than 10 years of experience in corporate finance and equity capital markets in Asia. Mr. Kwong is an executive Director of China Metal Resources Utilization Limited (stock code: 1636), in charge of its corporate and strategic development. Mr. Kwong was the president of Gushan Environmental Energy Limited, a company whose American depositary shares were listed on the New York Stock Exchange from December 2007 to October 2012. He is also an independent non-executive director of Shunfeng International Clean Energy Limited (stock code: 1165) since July 16, 2014, C.banner International Holdings Limited (stock code: 1028) since August 26, 2011 and China Outfitters Holdings Limited (stock code: 1146) since June 8, 2011, all of which are listed on the Main Board of the Stock Exchange since July 13, 2011, September 23, 2011 and December 9, 2011, respectively. Prior to joining Gushan Environmental Energy Limited in 2006, he was the managing director of investment banking and he held the position as the head of Hong Kong and China equity capital markets at CLSA Equity Capital Markets Limited from March 2004 to July 2006. Mr. Kwong was a director from 2002 to 2003, and the general manager of the corporate finance department from 1997 to 2003 for Cazenove Asia Limited. After graduating from University of Cambridge, England with a bachelor's degree in Arts in 1987, he qualified as a chartered accountant in the United Kingdom in 1990. Mr. Kwong is currently an associate member of the Institute of Chartered Accountant in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Chartered Secretaries.

Save as disclosed above, Mr. Kwong did not hold any directorship in any listed companies during the last three years.

SENIOR MANAGEMENT

Mr. Qin Hongkang (秦宏康), aged 41, joined our Group in December 2004, and was appointed as a vice president of our Company on August 19, 2016.

The following table shows the key working experience of Mr. Qin:

Period	Company	Position
July 1999 to December 2004	Dianchi Morning News Agency* (滇池晨報社)	Reporter of social news, director of important news and economic news
December 2004 to November 2009	Yunnan School	Associate dean
December 2009 to December 2013	Guizhou School	Executive dean
December 2013 to present	Yun Ai Group	Vice president in charge of mergers and acquisitions, online education and students career advice

Mr. Qin obtained the qualification as lecturer from Intermediate Title Evaluation Committee* (中級職稱評審委員會) of Software College in September 2008. He was awarded a bachelor degree in applied chemistry from Yunnan University (雲南大學), the PRC, in July 1999.

Mr. Qin did not hold any directorship in any listed companies during the last three years.

Ms. Liu Fengming (劉風明), aged 47, joined our Group in September 2002, and was appointed as a vice president of our Company on August 19, 2016.

The following table shows the key working experience of Ms. Liu:

Period	Company	Position
September 2002 to October 2003	Training Station	Teacher and director of education research office
October 2003 to January 2005	Zhuan Xiu School	Director of education department and vice principal
January 2005 to March 2011	Yunnan School	Associate dean
March 2011 to September 2015	Zhuan Xiu School	Dean
September 2015 to July 2016	Beijing Lianhe	General manager
July 2016 to present	Yun Ai Group	Vice president

Ms. Liu was awarded a master degree in business administration from Yunnan University (雲南大學), the PRC, in December 2009. She obtained the qualification as senior economist from Yunnan Township Enterprise Senior Professional and Technical Position Evaluation Committee* (雲南省鄉鎮企業高級專業技術職務評審委員會) in November 2012 and the qualification as associate professor from Yunnan Higher Education Institution Professor and Associate Professor Evaluation Committee* (雲南省高校教師教授副教授評審委員會) in October 2013. She is currently studying for a doctor degree in management science and engineering at Kunming University of Science and Technology (昆明理工大學).

Ms. Liu did not hold any directorship in any listed companies during the last three years.

Ms. Zheng Yanli (鄭艷麗), aged 46, joined our Group in May 2014, and was appointed as a vice president of our Company in August 19, 2016.

Prior to joining our Group, Ms. Zheng worked at Ambow Education Group Limited (安博教育集團有限公司) from April 2003 to April 2014, where she left as the general manager of the operations centre. Since May 2014, Ms. Zheng serves as the vice president and general manager of the investment department at Yun Ai Group, where she is in charge of mergers and acquisitions.

Ms. Zheng was awarded a master degree in business administration from University of International Business and Economics (對外經濟貿易大學), the PRC, in January 2010.

Ms. Zheng did not hold any directorship in any listed companies during the last three years.

Mr. Chen Guoding (陳國定), aged 48, joined our Group in March 2014, and was appointed as the chief strategy officer of our Company on August 19, 2016.

Prior to joining our Group, Mr. Chen served as the deputy general manager at Beijing Century Advertising Co., Ltd.* (北京世紀博覽廣告有限公司) from July 1992 to September 1996. Mr. Chen subsequently served as the project manager at Beijing Shichuang Shangdi Technology Development Corporation* (北京實創上地科技有限公司) from April 1999 to September 2001. From September 2001 to September 2007, Mr. Chen served as the general manager at Beijing Guoding Dianji Wealth Information Company Limited* (北京國定點擊財富資訊有限公司). From December 2010 to January 2014, Mr. Chen served as the executive dean of education research institute and dean of school of Russian language at Beijing Bawei Education Group* (北京八維教育集團). Since then, Mr. Chen has joined Yun Ai Group, serving as the associate dean and dean of education research institute from March 2014 to June 2015 and the general manager of president office since July 2015, in charge of strategic planning, teaching and research.

Mr. Chen was awarded a bachelor degree in material science and engineering from Tsinghua University (清華大學), the PRC, in July 1992; a master degree in international commerce from Beihang University (北京航空航天大學), the PRC, in March 1999; a master degree in business administration from Beijing University (北京大學), the PRC, in July 2009, and a doctorate degree in educational economy and management from Beijing University (北京大學), the PRC, in July 2012. Mr. Chen is currently a council member of the Chinese Society of Educational Development Strategy (中國教育發展戰略學會) and the deputy secretary-general of the Union of University (College) of Applied Technology in China* (中國應用技術大學(學院)聯盟).

Mr. Chen did not hold any directorship in any listed companies during the last three years.

Mr. Li Xiaoshen, aged 49, was appointed as the chief executive officer of California Academy on August 19, 2016.

The following table shows the key working experience of Mr. Li Xiaoshen:

Period	**Company/Institute**	**Position**	**Roles and responsibilities**
August 2003 to July 2006	Krasnow Institute, George Mason University	Research assistant professor	Research on computer simulation of neuronal system
August 2006 to October 2015	CyberData Technologies Inc.	Senior software engineer	Software development and providing training for government personnel

Mr. Li was awarded a bachelor degree in biology from University of Science and Technology of China (中國科學技術大學) in January 1991 and a doctor of philosophy degree from University of Wisconsin – Madison in May 1999.

Mr. Li did not hold any directorship in any listed companies during the last three years.

Ms. Wang Xin (王馨), aged 34, joined our Group in October 2014. She is also the joint chief financial officer, the joint company secretary and the general manager of investor relations department of our Company.

The following table shows the key working experience of Ms. Wang:

Period	Company	Position
August 2006 to November 2010	Bayer AG	Internal control executive
December 2010 to October 2014	CP Pharmaceutical Group	Vice general manager of finance department
October 2014 to November 2015	Yun Ai Group	Vice general manager of finance department
December 2015 to present	Yun Ai Group	General manager of capital operation department, currently named as investor relations department

Ms. Wang was awarded a master degree in accounting from Nanjing University of Science and Technology (南京理工大學), the PRC, in July 2006, a master degree in business administration jointly offered by Peking University (北京大學) and Vlerick Business School, Belgium, in November 2014. She obtained the qualification of the Chinese Institute of Certified Public Accountant in August 2009 and is currently enrolled in the qualification programme of the Hong Kong Institute of Certified Public Accountants.

Ms. Wang did not hold any directorship in any listed companies during the last three years.

JOINT COMPANY SECRETARIES

Ms. Wong Wai Ling (黃慧玲), aged 37, was appointed as a joint company secretary on August 19, 2016. She has over 10 years of experience in providing company secretarial services in Hong Kong. Ms. Wong is assistant vice president of SW Corporate Services Group Limited and is responsible for assisting listed companies in professional company secretarial work. Prior to joining SW Corporate Services Group Limited, she worked in a corporate service provider and the company secretarial department of an international accounting firm. Ms. Wong has been awarded a Bachelor of Arts degree in Marketing and Public Relations from The Hong Kong Polytechnic University and Master of Corporate Governance degree from The Open University of Hong Kong. Ms. Wong is an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

Ms. Wang Xin (王馨), was appointed as a joint company secretary on August 19, 2016. Details of her qualifications and experience are set out in the paragraph headed "Senior Management" above in this section.

We have also applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 3.28 and Rule 8.17 of the Listing Rules in relation to the qualification of joint company secretaries. For details of the waiver, see "Waivers from Strict Compliance with the Listing Rules – Joint Company Secretaries" in this prospectus.

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 the Group, oversee the audit process, risk management process and external audit functions. The audit committee consists of three members, namely, Mr. Wong Man Chung Francis, Mr. Chung Yue Ping Stephen and Mr. Kwong Wai Sun Wilson. The chairman of the audit committee is Mr. Wong Man Chung Francis.

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. Chung Yue Ping Stephen, Mr. Li and Mr. Kwong Wai Sun Wilson. The chairman of the remuneration committee is Mr. Chung Yue Ping Stephen.

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 is to make recommendations to our Board on the appointment of members of the Board. The nomination committee consists of three members, namely, Mr. Li, Mr. Wong Man Chung Francis and Mr. Kwong Wai Sun Wilson. The chairman of the nomination committee is Mr. Li.

REMUNERATION POLICY

For the three years ended December 31, 2014, 2015 and 2016, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was RMB1,422,000, RMB1,875,000 and RMB3,488,000, respectively.

For the three years ended December 31, 2014, 2015 and 2016, the aggregate of the remuneration paid and benefits in kind granted to the five highest paid individuals who are neither a director nor chief executive of our Group was RMB1,450,000, RMB1,557,000 and RMB619,000, respectively.

During the Track Record Period, no emoluments were paid by the 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.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending December 31, 2017 will be approximately RMB3,488,000.

In order to incentivize our Directors, senior management and other employees for their contribution to the Group and to retain suitable personnel in our Group, we adopted the Share Option Scheme on March 20, 2017. For further details, see "Appendix V – Statutory and General Information – F. Share Option Scheme" to this prospectus.

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.

MANAGEMENT PRESENCE

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, see "Waivers from Strict Compliance with the Listing Rules – Management Presence" in this prospectus.

COMPLIANCE ADVISER

Our Company has appointed Haitong International Capital 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 our Company regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment of Haitong International Capital Limited will commence from (and including) the Listing Date and end on (and including) the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

As of the Latest Practicable Date and immediately following completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), the following persons will have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

		Immediately after the Global Offering and the Capitalization Issue(1)	
Name	**Capacity/ Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Aspire Education Management(2)	Beneficial owner	502,160,000	35.09%
Aspire Education Technology(2)	Beneficial owner	196,000,000	13.70%
Mr. Li(2)	Interest in a controlled corporation	792,000,000	55.34%
Advance Vision(3)	Beneficial owner	177,760,000	12.42%
Shanghai Taifu(3)	Interest in a controlled corporation	177,760,000	12.42%
Shenzhen Pingan Decheng Investment Co., Ltd.* (深圳市平安德成投資有限公司)(3)	Interest in a controlled corporation	177,760,000	12.42%
Shenzhen Pingan Financial Technology Consulting Co., Ltd.* (深圳平安金融科技諮詢有限公司)(3)	Interest in a controlled corporation	177,760,000	12.42%
Ping An Insurance (Group) Company of China, Ltd.(3)	Interest in a controlled corporation	177,760,000	12.42%
Design Time(4)	Beneficial owner	104,800,000	7.33%
CCBI Investments Limited(4)	Interest in a controlled corporation	104,800,000	7.33%
CCB Financial Holdings Limited (建行金融控股有限公司)(4)	Interest in a controlled corporation	104,800,000	7.33%
CCB International (Holdings) Limited* (建銀國際(控股)有限公司)(4)	Interest in a controlled corporation	104,800,000	7.33%
CCB International Group Holdings Limited* (建行國際集團控股有限公司)(4)	Interest in a controlled corporation	104,800,000	7.33%
China Construction Bank Corporation* (中國建設銀行股份有限公司)(4)	Interest in a controlled corporation	104,800,000	7.33%

Notes:

(1) Assuming the Over-allotment Option is not exercised.

(2) Mr. Li is the sole shareholder of Aspire Education Management and he is therefore deemed to be interested in the Shares held by Aspire Education Management upon the Listing.

Mr. Li holds 53.35% shares in Aspire Education Technology and he is therefore deemed to be interested in the Shares held by Aspire Education Technology upon the Listing.

Mr. Li holds 79.20% shares in Aspire Education Consulting and he is therefore deemed to be interested in the Shares held by Aspire Education Consulting upon the Listing.

Aspire Education International is owned by (i) all partners of Chengxin Investment and Huihuang Investment, being Mr. Li, 44 employees of our Group, the Principal of the Northeast School and 9 other individuals who are Independent Third Parties; and (ii) one other individual, Chan Tung Hoi (陳冬海), a friend of Mr. Li and an Independent Third Party, who invested in our Company directly through Aspire Education International. Each of the shareholders of Aspire Education International has authorized Mr. Li to exercise his or her voting rights in Aspire Education International. Mr. Li is therefore deemed to be interested in the Shares held by Aspire Education International under the SFO.

(3) Shanghai Taifu holds 100% shares in Advance Vision and it is therefore deemed to be interested in the Shares held by Advance Vision upon the Listing. The general partner of Shanghai Taifu is Shenzhen Pingan Decheng Investment Co., Ltd. (深圳市平安德成投資有限公司). Such general partner is wholly owned by Shenzhen Pingan Financial Technology Consulting Co., Ltd. (深圳平安金融科技諮詢有限公司), which is in turn owned as to 96.52% by Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司), a joint-stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (stock code: 2318) and the Shanghai Stock Exchange (stock code: 601318). Each of the Shanghai Taifu, Shenzhen Pingan Decheng Investment Co., Ltd. (深圳市平安德成投資有限公司), Shenzhen Pingan Financial Technology Consulting Co., Ltd. (深圳平安金融科技諮詢有限公司) and Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司) is deemed to be interested in the Shares held by Advance Vision upon the Listing.

(4) China Construction Bank Corporation (中國建設銀行股份有限公司) holds 100% shares in CCB International Group Holdings Limited (建行國際集團控股有限公司), which in turn holds 100% shares in CCB Financial Holdings Limited (建行金融控股有限公司). CCB Financial Holdings Limited (建行金融控股有限公司) holds 100% shares in CCB International (Holdings) Limited (建銀國際(控股)有限公司), which in turn holds 100% shares in CCBI Investments Limited. CCBI Investments Limited is the direct and sole shareholder of Design Time. Each of China Construction Bank Corporation (中國建設銀行股份有限公司), CCB International Group Holdings Limited (建行國際集團控股有限公司), CCB Financial Holdings Limited (建行金融控股有限公司), CCB International (Holdings) Limited (建銀國際(控股)有限公司) and CCBI Investments Limited is deemed to be interested in the same number of Shares held by Design Time upon the Listing.

Except 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 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$)
2,000,000,000 Shares	200,000

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 (%)
14,311	Shares in issue as of the date of this prospectus	1.4311	0.001
1,144,865,689	Shares to be issued under the Capitalization Issue	114,486.5689	79.999
286,220,000	Shares to be issued under the Global Offering	28,622	20.00
1,431,100,000	Shares in total	143,110	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 (%)
14,311	Shares in issue as of the date of this prospectus	1.4311	0.001
1,144,865,689	Shares to be issued under the Capitalization Issue	114,486.5689	77.669
329,153,000	Shares to be issued under the Global Offering	32,915.3	22.330
1,474,033,000	Shares in total	147,403.3	100.00

Notes:

(1) The Shares referred to in the above table have been or will be fully paid or credited as fully paid when issued.

(2) Assuming a total of 42,933,000 Shares will be issued upon exercise of the Over-allotment Option in full.

RANKING

The Offer Shares are ordinary Shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this prospectus.

ALTERATIONS OF SHARE CAPITAL

Our Company may from time to time by ordinary resolution or special resolution (as the case may be) of shareholders alter the share capital of our Company. For a summary of the provisions in the Article of Association regarding alterations of share capital, see paragraph "Appendix IV – Summary of the Constitution of the Company and Cayman Islands Company Law and Taxation – 2. Articles of Association – (a) Shares – (iii) Alteration of Capital" in this prospectus.

THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on March 20, 2017. The principal terms of the Share Option Scheme are summarized in the section headed "Appendix V – Statutory and General Information – F. Share Option Scheme" in 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 Capitalisation Issue and the Global Offering (excluding any Shares which may fall to be issued pursuant to the Over-allotment Option); and

(ii) the aggregate nominal value of share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in 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 "Appendix V – Statutory and General Information – A. Further information about our Company – 4. Written resolutions of the then shareholder of our Company passed on March 20, 2017" in this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue or to be issued immediately following the completion of the Capitalization Issue and the Global Offering (excluding any Shares which may fall to be issued upon the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Appendix V – Statutory and General Information – A. Further information about our Company – 5. Repurchase of our Shares" in 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 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.

For further details of this share repurchase mandate, see the paragraph headed "Appendix V – Statutory and General Information – A. Further Information about Our Company – 4. Written resolutions of the then shareholder of our Company passed on March 20, 2017" in 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 of the Group set out in Appendix IA to this prospectus. The Accountants' Report has been prepared in accordance with HKFRSs, 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.

OVERVIEW

We are a leading private formal higher education group in China, as measured by our graduate employment rates in 2013, 2014 and 2015, according to Frost & Sullivan. The graduate employment rate is calculated by including graduates either employed or pursuing further studies pursuant to the MOE Notice regarding the calculation of graduate employment rate. During the Track Record Period and as of the Latest Practicable Date, we operated two schools, the Yunnan School and the Guizhou School, which were controlled by us through the Structured Contracts. As of December 31, 2016, our schools had a total of 33,462 enrolled students and a total of 1,496 teachers.

We derive revenue from tuition fees and boarding fees paid by students of our schools. For the years ended December 31, 2014, 2015 and 2016, our revenue from continuing operations included tuition fees and boarding fees collected from students at the Yunnan School and the Guizhou School. We generally require tuition fees and boarding fees for a full school year to be paid to our schools in advance at the beginning of each school year, and we recognize tuition fees proportionately each month over the period of a nine-month school year and boarding fees proportionately each month over the period of a 12-month calendar year.

BASIS OF PRESENTATION

Pursuant to the Corporate Reorganization, our Company became the holding company of, or had control over, the companies now comprising our Group on September 6, 2016.

During the Track Record Period, due to regulatory restrictions on foreign ownership in the schools in the PRC, our higher education business operations were carried out by our PRC Operating Schools. The wholly-owned subsidiary of our Company, Huihuang Company, has entered into the Structured Contracts with, among others, our PRC Operating Schools and their respective school sponsors, which became effective on September 8, 2016. The arrangements of the Structured Contracts enable Huihuang Company to exercise effective control over our PRC Operating Schools and obtain substantially all of the economic benefits of our PRC Operating Schools. Accordingly, our PRC Operating Schools are consolidated in the financial statements continuously.

Our Group does not have any equity interest in our PRC Operating Schools. However, our PRC Operating Schools were ultimately under the control of Mr. Li, and through the Structured Contracts, both our PRC Operating Schools and the business carried out by them are under the effective control of Mr. Li. Consequently, our Company regards our PRC Operating Schools as indirect subsidiaries for the purpose of the consolidated financial statements and related notes. The companies now comprising our Group were under the common control of Mr. Li before and after the Corporate Reorganization. Accordingly, for the purpose of this prospectus, the financial statements have been prepared by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Track Record Period.

NORTHEAST SCHOOL

The Northeast School is a private institution of formal higher education focused on applied sciences. Pursuant to a series of agreements entered into in January, April and July 2016, we are in the process of acquiring the school sponsorship right of the Northeast School, pending the final approval of the MOE and registration with the provincial civil affairs authorities. Upon obtaining the relevant approval and registration and the execution of the structured contracts, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects, by the Northeast School, the Northeast School's results of operations will be consolidated into our Group's results of operations. See "History and Corporate Structure – Schools to be Established or Invested in – Northeast School" for details.

The financial information of the Northeast School for the years ended December 31, 2014, 2015 and 2016 and as of December 31 2014, 2015 and 2016 is included in the Accountants' Report of the Northeast School in Appendix IB to this prospectus.

Appendix IIB to this prospectus sets out our unaudited pro forma financial information as of December 31, 2016, after giving effect to the acquisition of the Northeast School, as if such acquisition had been completed as of December 31, 2016.

As the Northeast School was not part of our Group during the Track Record Period, the Northeast School's results of operations are not included in our results of operations contained in the Accountants' Report of the Group in Appendix IA to this prospectus.

FACTORS AFFECTING OUR RESULTS OF CONTINUING 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 Focused on Applied Sciences in China

Demand for private higher education focused on applied sciences in China is a function of a number of factors, including the level of economic development, changes in demographics, the structure of the Chinese economy, government spending on public universities and the curriculums and majors offered by public universities. Our business has benefited from the growth of China's economy and the increasing demand for private higher education in China. According to Frost & Sullivan, as China's economy has continued to grow over the past five years, its per capita GDP has also increased at a fast pace from RMB36,018 in 2011 to RMB49,351 in 2015, representing a CAGR of approximately 8.2%, 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 expenditure on education, according to Frost & Sullivan. Furthermore, the growth in the urban population in China will likely affect the demand for private higher education in the country primarily because the "one-child policy" was relaxed in 2013 and subsequently replaced by the universal "two-child policy" in 2015 by the PRC government. According to Frost & Sullivan, the relaxation and termination of the "one-child policy" and the adoption of the "two-child policy" are expected to cause the PRC urban population to grow. Therefore, we anticipate the demand for private higher education in China, including higher education focused on applied sciences, to continue to increase. On the other hand, government spending on formal higher education as a percentage of total government spending on education at all levels declined from approximately 21.6% for 2011 to 20.3% for 2015, according to Frost & Sullivan. Private providers of higher education are expected to fill in the gap created by market demand and government expenditure on higher education.

According to Frost & Sullivan, Chinese parents have historically placed a high value on their children's education, and they are willing to incur significant costs so that their children are able to receive high-quality education. This, together with the increasing PRC urban household income and wealth, has also played a significant role in the increase in the demand for private education in China.

Student Enrollment Levels

Our revenue from continuing operations depends on the number of students enrolled at our schools, as we charge tuition fees and boarding fees by person. During the Track Record Period, the total number of students enrolled at our schools increased from approximately 18,590 at the end of the 2013-2014 school year to approximately 29,716 at the end of the 2015-2016 school year. Frost & Sullivan expects that by the year 2020 there will be approximately 500 to 700 higher education institutions in China that are focused on applied sciences (including higher education institutions which shift from provision of research-oriented education to applied sciences-focused education) and qualified to provide undergraduate education with over seven to nine million enrolled students.

Our student admission levels largely depend 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; (ii) our admission quota as approved by relevant government authorities from year to year, subject to adjustment by relevant government authorities; and (iii) the capacity for student enrollment at each of our schools. We believe the educational philosophies of our schools and our well-developed curriculums and our high 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 apply stringent teacher selection criteria and maintain training programs for our newly hired and experienced teachers, as well as regular and on-going teacher evaluation processes to assess and improve their performance.

Tuition Fees and Boarding Fees

Our results of continuing 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 at the beginning of each new school year. The tuition fees we charge are typically based on the demand for our educational programs, the cost of our operations, the geographic markets where we operate our schools, the tuition fees charged by our competitors, our pricing strategy to gain market share and general economic conditions in China and the areas in which our schools are located. Since January and July 2016, respectively, our Guizhou School and Yunnan School are only required to make a filing with relevant authorities regarding proposed tuition fee adjustments but are not subject to approval requirements or any pre-set fee limits. If we raise tuition fees, the new tuition rates will only be applicable to newly admitted students, and the tuition rates for the existing students remain unchanged. While we successfully increased tuition fee rates at our schools during the Track Record Period, there is no guarantee we will be able to continue to raise tuition rates in the future. 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 withdraw from our schools, we also have refund policies in place. See "Business – Our Schools" in this prospectus for further details.

For the 2016-2017 school year, we charged tuition fees ranging between RMB5,000 and RMB20,000 per student per year at our schools. According to Frost & Sullivan, tuition rates at our schools are generally higher than those charged by public formal higher education schools in the same geographic markets. However, we believe our tuition rates are comparable to those charged by some of our competitors in the private formal higher education industry having similar scale and offering similar programs. Historically, we have kept our tuition rates at levels we believe are competitive as compared to our competitors in order to attract more students and increase our student enrollment and market share.

During the Track Record Period, the Yunnan School raised its tuition fee rate from RMB5,000-12,000 per year to RMB5,000-20,000 per year for certain majors of the undergraduate program at the beginning of the 2015-2016 school year and from RMB8,000 per year to RMB11,000-13,000 per year for the junior college program at the beginning of the 2016-2017 school year. In addition, the Guizhou School also raised its tuition fee rate from RMB7,200-8,000 per year to RMB8,000-8,800 per year for certain majors at the beginning of the 2015-2016 school year. Otherwise our tuition fee rates remained stable throughout the Track Record Period.

Ability to Control Cost of Sales and Expenses

Our profitability also depends, in part, on our ability to control our cost of sales and expenses. For the years ended December 31, 2014, 2015 and 2016, our cost of sales from continuing operations represented approximately 51.2%, 50.5% and 52.0% of our total revenue from continuing operations, respectively. Our cost of sales primarily consists of salaries and benefits for our school personnel, depreciation and amortization expenses, teaching activity costs, travelling expenses, maintenance costs, costs related to students, utilities, and other costs. Our school personnel salaries and benefits constitute approximately 34.8%, 35.5% and 36.8% of our total revenue from continuing operations for the years ended December 31, 2014, 2015 and 2016, respectively.

Our operating expenses primarily consist of administrative expenses and selling and distribution expenses. For the years ended December 31, 2014, 2015 and 2016, the total amount of administrative expenses and selling and distribution expenses from continuing operations as a percentage of our total revenue from continuing operations was approximately 16.5%, 14.7% and 18.5%, respectively. While our operating expenses remained relatively stable during most of the Track Record Period, we cannot guarantee they will not increase as we expand our business operations and become a public company.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on our financial position and operating results. Some of the accounting policies require us to apply estimates and judgments on matters that are inherently uncertain. Set forth below are discussions of the accounting policies applied in preparing our financial information that we believe are most dependent on the application of these estimates and judgments and, in addition, certain other accounting policies that we believe are material to an understanding of our financial information. For details of these critical accounting policies, judgments and estimates, and other significant accounting policies, judgments and estimates we applied in preparing our financial information, see the Accountants' Report of the Group in Appendix IA to this prospectus.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of returns, discounts and sales related taxes.

The tuition fees from our schools are paid in advance at the beginning of each academic year. Revenue is recognized after a service contract is signed, the price is fixed or determinable, and services are provided. Tuition fees and boarding fees received from each of our schools are generally paid in advance prior to the beginning of each academic year, and are initially recorded as deferred revenue. The portion of tuition fees and boarding payments received from students but not earned is recorded as deferred revenue and is reflected as a current liability as such amounts represent revenue that our Group expects to earn within one year. The academic year of our schools generally consists of nine months from September through June of the following year excluding a one-month winter break in January. We recognize tuition fees proportionately each month over the nine-month period and boarding fees proportionately each month over the period of a 12-month calendar year. The deferred revenue as of December 31, 2014, 2015 and 2016 consists of the portion of tuition fees and boarding payments received from students for five months from February to June of the following year.

Other Income and Gains

Other income and gains includes service income, rental income, government grants, investment income, interest income, dividend income from available-for-sale investments, and others.

Service income is recognized on the percentage of completion basis, in the period in which the services are rendered. Rental income is recognized on a time proportion basis over the lease terms. Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to our Group and the amount of the income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Structured Contracts

Our PRC Operating Schools are engaged in the provision of education service, which falls in the scope of the *Catalogue of Restricted Foreign Investment Industries,* and foreign investors are restricted to invest in such business. As disclosed in notes 2.1

to the Accountants' Report of the Group in Appendix IA to this prospectus, as part of the Corporate Reorganization, our Group exercises control over our PRC Operating Schools and enjoys all economic benefits of our PRC Operating Schools through the Structured Contracts.

Our Group considers that it controls our PRC Operating Schools, notwithstanding the fact that it does not hold direct equity interest in our PRC Operating Schools, as it has power over the financial and operating policies of our PRC Operating Schools and receives substantially all of the economic benefits from the business activities of our PRC Operating Schools through the Structured Contracts. Accordingly, our PRC Operating Schools have been accounted for as subsidiaries during the Track Record Period.

Property, Plant and Equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5.

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	1.9%
Leasehold improvements	19.4% – 33.3%
Motor vehicles	19.4%
Furniture and fixtures	12.1%
Electronic devices	19.4% – 32.3%

Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the relevant periods in the Track Record Period, taking into consideration interpretations and practices prevailing in the countries in which our Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Current and Deferred Tax

Significant judgment is required in interpreting the relevant tax rules and regulation so as to determine whether our Group is subject to corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes our Group to change its judgment regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such determination is made.

Government Grants

Government grants are recognized 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 recognized 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.

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, 2014, 2015 and 2016:

	Year ended December 31,		
	2014	2015	2016
	(RMB in thousands)		
CONTINUING OPERATIONS			
Revenue	206,495	273,994	340,996
Cost of sales	(105,725)	(138,367)	(177,409)
Gross profit	100,770	135,627	163,587
Other income and gains	37,057	49,329	60,859
Selling and distribution expenses	(3,877)	(3,375)	(3,174)
Administrative expenses	(30,144)	(36,892)	(59,929)
Other expenses	(2,514)	(5,068)	(12,365)
Finance costs	(20,264)	(29,554)	(36,089)
PROFIT BEFORE TAX	81,028	110,067	112,889
Income tax expense	(2,294)	(5,816)	(2,358)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	78,734	104,251	110,531
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation	2,574	(430)	1,666
PROFIT FOR THE YEAR	81,308	103,821	112,197
Attributable to:			
Owners of the parent	81,308	103,823	111,755
Non-controlling interests	–	(2)	442
Adjusted profit for the year(1)	–	–	131,717

Note:

(1) Adjusted profit for the year is derived by adding back the listing expenses we incurred in the year ended December 31, 2016 to profit for the year ended December 31, 2016. Adjusted profit for the year is not prepared in accordance with HKFRS. The amounts included in the adjusted profit for the year calculation, however, are derived from amounts included in the consolidated statements of profit or loss. We have presented adjusted profit for the year in this prospectus as we believe that adjusted profit for the year is a useful supplement to consolidated statements of profit or loss because it enables us to measure our profitability without taking into consideration the one-off listing expenses. We believe adjusted profit for the year is a more accurate indication of our profitability and operating performance for the year ended December 31, 2016 and beyond. However, adjusted profit for the year should not be considered in isolation or construed as an alternative to net income or operating income, or as an indicator of our operating performance or other consolidated operations or cash flow data prepared in accordance with HKFRS, or as an alternative to cash flow as a measurement of liquidity. Potential investors should be aware that the adjusted profit for the year measure presented in this prospectus may not be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

	Year ended December 31,		
	2014	**2015**	**2016**
	(RMB in thousands)		
Profit for the year	81,308	103,821	112,197
Add:			
Listing expenses	–	–	19,520
Adjusted profit for the year	–	–	131,717

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Continuing Operations

Revenue

Revenue represents the value of services rendered during the Track Record Period. We derive revenue from the tuition fees and boarding fees our schools collect from students. For the years ended December 31, 2014, 2015 and 2016, we generated total revenues of RMB206.5 million, RMB274.0 million and RMB341.0 million, respectively.

The table below summarizes the amount of revenue we generated from tuition fees and boarding fees for the periods indicated:

	Year ended December 31,					
	2014		**2015**		**2016**	
	(RMB'000)	*% of Revenue*	*(RMB'000)*	*% of Revenue*	*(RMB'000)*	*% of Revenue*
Tuition fees						
Yunnan School	135,347	65.5%	163,752	59.8%	201,168	59.0%
Guizhou School	51,193	24.8%	84,368	30.8%	109,510	32.1%
Total tuition fees	186,540	90.3%	248,120	90.6%	310,678	91.1%
Boarding fees	19,955	9.7%	25,874	9.4%	30,318	8.9%
Total	206,495	100%	273,994	100%	340,996	100%

Tuition Fees

For the years ended December 31, 2014, 2015 and 2016, tuition fees consisted of the tuition fees from the Yunnan School and the Guizhou School. During the Track Record Period, we raised tuition fees for certain majors offered at the Yunnan School and the Guizhou School for the 2015-2016 school year and for certain majors offered at the Yunnan School for the 2016-2017 school year. However, these tuition fee increases only applied to the students that were admitted after the increase took effect, while other students were not affected by the fee increases and continued to pay the tuition fees at pre-existing levels.

Boarding Fees

For the years ended December 31, 2014, 2015 and 2016, our boarding fees consisted of boarding fees from the Yunnan School and the Guizhou School. Boarding fees are charged separately from tuition fees.

We generally require tuition fees and boarding fees for a full school year to be paid to our schools in advance at the beginning of each school year, and we recognize tuition fees proportionately each month over the course of a nine-month school year and boarding fees proportionately each month over the course of a 12-month calendar year. In the event a student leaves his/her school during the school year, we have refund policies in place for our schools. See "Business – Our Schools" in this prospectus for further details.

Cost of Sales

Our cost of sales consists primarily of salaries and benefits paid to our school personnel, depreciation and amortization, teaching activity costs, travelling expenses, maintenance costs, costs related to students, utilities, and others. For the years ended December 31, 2014, 2015 and 2016, salaries and benefits paid to our school personnel were RMB71.8 million, RMB97.3 million and RMB125.4 million, respectively, representing 67.9%, 70.3% and 70.7% of our total cost of sales, respectively. Depreciation and amortization expenses relate to the depreciation and amortization of property, plant and equipment and leasehold land at the Yunnan School and the Guizhou School as well as other intangible assets, which are used for providing educational services. Teaching activity costs primarily consist of costs relating to curriculum design, research and publication, school events and practical training programs. Travelling expenses primarily consist of expenses incurred by school personnel to attend meetings at our headquarters and external conferences and seminars. Maintenance costs primarily consist of maintenance and repair costs for school buildings and student dormitories. Costs relating to students primarily consist of student activity costs and costs incurred for students to participate in various contests. Other primarily consists of teacher recruitment expenses, telecommunication expenses, conference expenses and membership fees for associations of education institutions.

The following table sets forth the components of our cost of sales for the periods indicated:

	Year ended December 31,					
	2014		2015		2016	
	(RMB'000)	*% of Cost of Sales*	*(RMB'000)*	*% of Cost of Sales*	*(RMB'000)*	*% of Cost of Sales*
Salaries and benefits	71,768	67.8%	97,256	70.3%	125,355	70.7%
Depreciation and amortization	22,047	20.8%	25,805	18.6%	29,823	16.8%
Teaching activity costs	4,094	3.9%	3,639	2.6%	5,205	2.9%
Travelling expenses	2,424	2.3%	2,292	1.7%	3,062	1.7%
Maintenance costs	1,548	1.5%	1,905	1.4%	2,840	1.6%
Costs related to students	692	0.7%	3,659	2.6%	5,686	3.2%
Utilities	1,881	1.8%	2,202	1.6%	3,217	1.8%
Others	1,271	1.2%	1,609	1.2%	2,221	1.3%
Total	105,725	100%	138,367	100%	177,409	100%

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 salaries and benefits paid to our school personnel during the Track Record Period, assuming no change of depreciation and amortization or any other costs. The sensitivity analysis involving tuition fees and salaries and benefits paid to our school personnel 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 from continuing operations with a 5% and 10% increase or decrease in tuition fees income and salaries and benefits paid to our school personnel. While none of the hypothetical fluctuation ratios applied in the sensitivity analysis equals the historical fluctuations of the tuition fees and salaries and benefits paid to our school personnel, we believe that the application of hypothetical fluctuations of 5% and 10% in the tuition fees income and salaries and benefits paid to our school personnel presents a meaningful analysis of the potential impact of changes in the tuition fees and salaries and benefits paid to our school personnel on our revenue and profitability.

	For the year ended December 31,		
	2014	2015	2016
	(RMB in thousands)		
Sensitivity analysis of tuition fees			
Tuition fee (decrease)/increase	**Impact on our profit for the year from continuing operations**		
(10%)	(18,654)	(24,812)	(31,068)
(5%)	(9,327)	(12,406)	(15,534)
5%	9,327	12,406	15,534
10%	18,654	24,812	31,068
Sensitivity analysis of salaries and benefit			
Salaries and benefit for school personnel (decrease)/increase	**Impact on our profit for the year from continuing operations**		
(10%)	7,177	9,726	12,536
(5%)	3,588	4,863	6,268
5%	(3,588)	(4,863)	(6,268)
10%	(7,177)	(9,726)	(12,536)

Other Income and Gains

Other income and gains consist primarily of (i) service income; (ii) rental income; (iii) government grants; (iv) investment income; (v) interest income; (vi) gain on disposal of subsidiaries; (vii) dividend income from available-for-sale investments; and (viii) others. Service income primarily consists of exam preparation and training fees and other miscellaneous fees charged by our Yunnan School and Guizhou School. Rental income primarily consists of rent we collect for the canteens and stores on the campuses of our schools that we rent out to Independent Third Party operators. Government grants primarily consist of grants from the Education Department of the provinces where our schools are located including discretionary subsidies to promote, among other objectives, higher education and private education. The amounts and timing of our government grants are determined solely at the discretion of the relevant government authorities, and there is no assurance that we will continue to receive these government grants in the future. We recognize government grants 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, such as the subsidy for improving education quality, we recognize the grant as income on a systematic basis over the periods that the costs that it is intended to compensate are expensed. Where the grant relates to an asset, such as the subsidy for construction of simulation training studios, we credit the fair value to a deferred income account and release the fair value to profit or loss over the expected useful life of the relevant asset by equal annual installments. Investment income represents returns from our wealth management products. Interest income consists of interest earned on our bank deposits. Gain on disposal of subsidiaries represents the gain we recognized upon disposal of Bai Fen Bai, Kun Ai Advertising, Kun Ai Consulting, Beijing Lianhe, Qingchuang Company, Daai Company, Si Bo Yuan, Shuren Education, Wuhu Education, Qihang Investment, Songming Shuren and Heike Company during the year ended December 31, 2016. Dividend income from available-for-sale investments represents dividends from our investment in equity securities of Kunming Guandu Bank, which we disposed of to Independent Third Parties through an equity transfer in August 2016 as part of our Corporate Reorganization.

The table below summarizes the amount of other income and gains for the periods indicated:

	Year ended December 31,		
	2014	2015	2016
	(RMB in thousands)		
Service income	25,463	32,176	45,965[(1)]
Rental income	5,898	7,180	6,436
Government grants	1,116	4,434	2,917
Investment income	2,974	2,792	2,875
Interest income	1,163	2,216	1,415
Gain on disposal of subsidiaries	–	–	758
Dividend income from available-for-sale investments	382	482	–
Others	61	49	493
Total	37,057	49,329	60,859

Note:

(1) Service income for the year ended December 31, 2016 included RMB13.5 million of service fee recognized under the exclusive technical service and education consultancy service agreement between the Northeast School and Huihuang Company.

The following table sets forth the components of our service income for the periods indicated:

	Year ended December 31,		
	2014	2015	2016
	(RMB in thousands)		
Fees from services and activities for students[(1)]	6,073	9,343	9,376
Exam preparation and training fees[(2)]	3,455	5,037	6,340
Property management fees[(3)]	14,383	15,535	14,676
Utilities	1,448	1,477	1,627
Others[(4)]	104	784	13,946
Total	25,463	32,176	45,965

Notes:

(1) Fees from services and activities for students primarily consist of fees our schools collect from students for miscellaneous services we provide and student activities we organize.

(2) Exam preparation and training fees primarily consist of fees generated from preparation courses we offer for professional qualification exams and standardized tests, and certain training programs.

(3) We rent out certain properties to Independent Third Parties for them to operate as canteens and stores on our schools' campuses. Property management fees primarily consist of management fees we charged for providing management services to these third parties that rent such investment properties.

(4) Other service income for the year ended December 31, 2016 included RMB13.5 million of service fee recognized pursuant to the exclusive technical service and education consultancy service agreement between the Northeast School and Huihuang Company.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of advertising expenses and student admission expenses. Advertising expenses consist of expenses we incurred in connection with promoting our schools, such as printing school brochures and publications in various media outlets as well as accommodation expenses for high school teachers we invite to visit our schools. Student admission expenses consist of various expenses we incurred in connection with new student admission, such as admission notice printing and delivery costs, and ground transportation and other welcoming costs for new students.

The following table sets forth the components of our selling and distribution expenses for the periods indicated:

	Year ended December 31,		
	2014	**2015**	**2016**
	(RMB in thousands)		
Advertising expenses	2,527	1,680	1,518
Student admission expenses	1,350	1,695	1,656
Total	3,877	3,375	3,174

Administrative Expenses

Administrative expenses primarily consist of salaries and benefits for our administrative staff at our headquarters and for our property management personnel, business entertainment expenses, consulting fees, rental expenses, tax expenses, depreciation and amortization, service expenses, bank charges and others. Business entertainment expenses primarily relate to expenses we incurred during social events for business purposes, consulting fees primarily consist of fees we paid to Independent Third Parties for conducting due diligence in connection with potential acquisitions and fees we paid to a human resources consultant, rental expenses consist of the rent we paid for our corporate headquarters and staff housing in Beijing and rent incurred by Bai Fen Bai, tax expenses primarily relate to property tax associated with our investment properties, which we rent out to Independent Third Parties such as operators of canteens and stores on our school campuses, and business tax and surcharges arising from the management fees we collect from our schools, depreciation and amortization expenses primarily relate to office equipment in our headquarters, service expenses primarily consist of expenses relating to our exam preparation and training services, bank charges primarily consist of bank charges we pay when remitting or receiving funds by wire, and others primarily consist of telecommunication expenses and conference fees.

The following table sets forth the components of our administrative expenses for the periods indicated:

	Year ended December 31,		
	2014	2015	2016
	(RMB in thousands)		
Salaries and benefits	8,864	12,737	17,688
Business entertainment	5,763	5,145	4,801
Consulting fee	4,138	3,717	4,103
Rental expenses	4,820	3,920	4,956
Tax expenses	3,210	6,477	2,366
Depreciation and amortization	1,450	2,010	3,005
Service expenses	1,052	434	785
Bank charges	479	1,137	2,055
Others[(1)]	368	1,315	20,170
Total	30,144	36,892	59,929

Note:

(1) We incurred RMB20.2 million in other administrative expenses for the year ended December 31, 2016 compared to RMB1.3 million in others for the year ended December 31, 2015, primarily due to the incurrence of RMB19.5 million of listing expenses in connection with our proposed Listing.

Other Expenses

Other expenses consist primarily of depreciation and amortization, bad debt provision/(reversal), maintenance costs and others. Depreciation and amortization expenses primarily relate to our investment properties, bad debt provision/(reversal) primarily relate to write-offs of unpaid tuition fees of students who had graduated from our schools, maintenance costs primarily consist of management fees for our investment properties and maintenance and upkeep expenses for equipment and facilities, and others primarily consist of water and electricity charges, cleaning expenses and losses incurred upon disposal of fixed assets.

The following table sets forth the components of our other expenses for the periods indicated:

	Year ended December 31,		
	2014	2015	2016
	(RMB in thousands)		
Depreciation and amortization	881	1,056	945
Bad debt provision/(reversal)	238	1,426	519
Maintenance costs	816	589	–
Others(1)	579	1,997	10,901
Total	2,514	5,068	12,365

Note:

(1) Other expenses for the year ended December 31, 2016 included RMB10.2 million of foreign exchange loss.

Finance Costs

Finance costs consist primarily of the interest expenses for our bank borrowings and deemed interest expenses in respect of our finance leases less interest capitalized. We leased certain items of equipment for use in our teaching activities during the Track Record Period. These leases were classified as finance leases and amortized over a period of between three and a half years to eight years. The differences between the minimum lease payments and the present value of such minimum lease payments are deemed to be finance costs for the finance leases.

	Year ended December 31,		
	2014	2015	2016
	(RMB in thousands)		
Interest on bank loans	27,086	35,958	41,362
Interest on finance lease	703	344	2,497
Total interest expense on financial liabilities not at fair value through profit or loss	27,789	36,302	43,859
Less: Interest capitalized	(7,525)	(6,748)	(7,770)
	20,264	29,554	36,089

Taxation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

No provision for Hong Kong profits tax has been made as we had no assessable profits derived from or earned in Hong Kong during the Track Record Period.

According to the *Implementation Rules for the Law for Promoting Private Education*, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing formal higher education are entitled to the same preferential tax treatment as public schools if the school sponsors of such schools do not require reasonable returns. The preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the relevant authorities. To date, no separate regulations or policies have been promulgated in this regard, as advised by our PRC legal advisors.

The School Sponsor of the Guizhou School has elected to not require reasonable returns, and therefore the Guizhou School enjoys preferential tax treatment as public schools. The School Sponsor of the Yunnan School has elected to require reasonable returns. Based on our interviews with the relevant officials at the local tax bureau and the confirmation letters from the local tax bureau and the local office of State Administration of Taxation of Yunnan Province and Guizhou Province, as well as the advice of our tax consultant, our Board is of the view that our Yunnan School and Guizhou School are not required to pay enterprise income tax in respect of revenue from tuition fees and boarding fees. For our other income and gains which are subject to taxation, based on the confirmation letters received from the local tax bureaus, the Yunnan School and the Guizhou School had complied with relevant tax laws and regulations.

In addition, we are subject to enterprise income tax and value-added tax after the Corporate Reorganization. We entered into a series of arrangements in which our wholly-owned subsidiary, Huihuang Company receives all economic benefits from the operation of our PRC Operating Schools and/or our School Sponsors. See "Structured Contracts" in this prospectus for more information. Huihuang Company was registered in the Tibet Autonomous Region, and therefore will be subject to enterprise income tax and value-added tax pursuant to applicable rules promulgated by Tibet government. After the Corporate Reorganization, our effective enterprise income tax rate initially applicable to Huihuang Company is expected to be 9% for 2016 and 2017 for the following reasons: (i) the enterprise income tax rate for Huihuang Company is 15% based on the relevant tax regulations of Tibet Autonomous Region, as advised by our PRC legal advisors; and (ii) according to *the Notice on the Clarification of Central and Local Income Tax Sharing Ratio* (《國務院關於明確中央和地方所得稅分享比例的通知》) issued by the State Council on November 13, 2003, the PRC central government is entitled to receive 60% of the income tax payable by PRC enterprises while local governments are entitled to receive the remaining 40%, and in accordance with the *Regulations on the Implementation of Enterprise Income Tax Policy of Tibet Autonomous Region* (《西藏自治區企業所得稅政策實施辦法》) promulgated on May 1, 2014, the Tibet local government has exempted 40% enterprise income tax payable by enterprises in Tibet Autonomous Region for a period of two years commencing from January 1, 2015 to December 31, 2017. Therefore, the Group's effective enterprise income tax rate shall be 9%, which is calculated by multiplying the applicable enterprise income tax rate of 15% by the 60% of the income tax payable to the PRC central government. As Huihuang Company was established in August 2016, it may enjoy the preferential enterprise income tax rate of 9% for 2016 and 2017. Beginning in 2018, Huihuang Company is expected to be subject to an enterprise income tax rate of 15%, according to our PRC legal advisors. Huihuang Company will also be subject to value-added tax, which was 3% as of the Latest Practicable Date but may be subject to change in the future, according to our PRC legal advisors. See "Risk Factors – Risks Relating to Doing Business in China – The discontinuation of any preferential tax treatments currently available to us, in particular the tax exempt status of our schools, could materially and adversely affect our results of operations" in this prospectus for details.

Our other income and gains items, including training fees, rental fees and property management fees, are subject to income tax. The school sponsor for each of the Guizhou School and Yunnan School is also subject to income tax. For the years ended December 31, 2014, 2015 and 2016, our income tax expenses were RMB2.3 million, RMB5.8 million and RMB2.4 million, respectively, representing effective income tax rates of 2.8%, 5.3%, and 2.1%.

Discontinued Operation

In June 2016, our Board decided to dispose of Vocational School and Zhuan Xiu School to Songming Zhonghe Enterprise Management Consultancy Co., Ltd. (嵩明眾合企業管理諮詢有限公司), an Independent Third Party, in order to focus our resources on formal higher education. The disposal of Vocational School and Zhuan Xiu School was completed in August 2016. As of December 31, 2016, Vocational School and Zhuan Xiu School were classified as a discontinued operation. The disposal is not expected to have any material impact on our continuing operations as during the Track Record Period the intra-group transactions between the discontinued operation and our continuing operations were immaterial. We do not expect to record the results of the discontinued operation in our financial results beginning from the year ending December 31, 2017. For more information, see No. 12 "Discontinued Operation" to "Appendix IA – Accountants' Report of the Group" and "History and Corporate Structure – Corporate Reorganization – 3. Disposal of Entities Not Related to Formal Higher Education."

The following table sets for the results of operations of the Discontinued Operation for the periods indicated:

	Year ended December 31,		
	2014	**2015**	**2016**
	(RMB in thousands)		
Revenue	13,449	8,255	2,029
Cost of sales	(7,572)	(2,947)	(787)
Other income and gains	24,289	16,279	8,668
Selling and distribution expenses	(8,272)	(3,867)	(1,341)
Administrative expenses	(1,942)	(1,185)	(399)
Other expenses	(16,315)	(16,204)	(7,599)
Profit from the discontinued operation	3,637	331	571
Gain on disposal of disposal group constituting the discontinued operation	–	–	1,267
Profit before tax from the discontinued operation	3,637	331	1,838
Income tax:			
Related to pre-tax profit	(1,063)	(761)	(172)
Profit/(loss) for the year from the discontinued operation	2,574	(430)	1,666

Profit for the Year from Continuing Operations

For the years ended December 31, 2014, 2015 and 2016, our profit for the year from continuing operations was RMB78.7 million, RMB104.3 million and RMB110.5 million, respectively.

Non-controlling Interests

For the year ended December 31, 2015, non-controlling interests represent the equity interests owned by Mr. Guo Hui and Mr. Jiang Mingxue in Enchang Company. For the year ended December 31, 2016, non-controlling interests represent the equity interests owned by Mr. Jiang Mingxue in Enchang Company. For details, see "History and Corporate Structure – History of Our School Sponsors – Future School Sponsors – (2) Enchang Company."

Sensitivity Analysis

The following table illustrates the sensitivity of our profit through the relevant years from continuing operations during the Track Record Period assuming we incurred tax expenses at the rates set out below:

	Year ended December 31,		
	2014	**2015**	**2016**
	(RMB in thousands)		
Profit for the year from continuing operations	78,734	104,251	110,531
Estimated value-added tax	(1,825)	(2,363)	(2,523)
Unaudited pro-forma adjusted profit before tax	76,909	101,888	108,008
Estimated income tax	(5,431)	(7,076)	(7,512)
Unaudited pro-forma adjusted profit for the year from continuing operations	71,478	94,812	100,496

Note:

Assumptions:

1. Assuming that the control structure established under the Structured Contracts was effective as of January 1, 2014.

2. All the profit for the year from continuing operations earned by our schools during the Track Record Period after deducting legally compulsory development fund (if applicable, 25% of the profit before tax) had been paid to Huihuang Company as technical and management consultancy service fee.

3. The enterprise income tax rate of 9% and value-added tax rate of 3% applicable to Huihuang Company as of the Latest Practicable Date were also applicable during the Track Record Period. Estimated value-added tax = -3% * profit for the year from continuing operations adjusted for estimated rental expense * (1-25%)/(1+3%). Estimated income tax = -9% * profit for the year from continuing operations adjusted for estimated technical and consultancy service fee * (1-25%)/(1+3%).

4. The value-added tax levied on technical and management consultancy service fee paid by our schools to Huihuang Company are treated as non-deductible expense as our schools are not required to pay enterprise income tax on revenue from tuition fees and boarding fees.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Continuing Operations

Revenue

Our revenue increased by 24.5% from RMB274.0 million for the year ended December 31, 2015 to RMB341.0 million for the year ended December 31, 2016. This increase was primarily due to (i) a 25.2% increase in tuition fees from RMB248.1 million for the year ended December 31, 2015 to RMB310.7 million for the year ended December 31, 2016, which was attributable to an increase in the number of students enrolled at our schools between these periods and also because the Yunnan School raised its tuition rates for junior college programs for the 2016-2017 school year; and (ii) a 17.0% increase in boarding fees from RMB25.9 million for the year ended December 31, 2015 to RMB30.3 million for the year ended December 31, 2016, which was mainly attributable to the increase in our student enrollment.

Cost of sales

Cost of sales increased by 28.2% from RMB138.4 million for the year ended December 31, 2015 to RMB177.4 million for the year ended December 31, 2016. This increase was primarily due to (i) an increase in the salaries and benefits of our school personnel due to an increase in the number of personnel in line with the increase in our student enrollments and an increase in the average salary level; (ii) an increase in depreciation and amortization expenses as a result of the increase in our student dormitories and school facilities and equipment; (iii) an increase in costs relating to students as a result of the increased number of contests participated in by our students; (iv) an increase in teaching activity costs as a result of increased costs relating to practical training programs; and (v) an increase in utilities, which was in line with the increase in our student enrollments and as a result of an increase in the water rate paid by the Guizhou School.

Gross Profit

Gross profit increased by 20.6% from RMB135.6 million for the year ended December 31, 2015 to RMB163.6 million for the year ended December 31, 2016, which was in line with the growth of our business. Our gross profit margin decreased slightly to 48.0% for the year ended December 31, 2016 from 49.5% for the year ended December 31, 2015 primarily because the increase in our cost of sales outpaced the growth in our revenue primarily due to the increase in the salaries and benefits of our school personnel.

Other Income and Gains

Other income and gains increased by 23.5% from RMB49.3 million for the year ended December 31, 2015 to RMB60.9 million for the year ended December 31, 2016. The increase was primarily due to an increase in service income from RMB32.2 million for the year ended December 31, 2015 to RMB46.0 million for the year ended December 31, 2016 as a result of the recognition of RMB13.5 million of service fee pursuant to the exclusive technical service and education consultancy service agreement between the Northeast School and Huihuang Company. This increase was partially offset by (i) a decrease of RMB1.5 million in government grants due to a decrease in the amount of government grants which have been recognized as income when the attaching conditions have been fully fulfilled; (ii) a decrease of RMB0.8 million in interest income primarily as a result of the decrease in our cash on deposit, which in turn was primarily due to our investments in Enchang Company in relation to the establishment of a new campus at the Central China School; and (iii) a decrease of RMB0.7 million in rental income primarily as a result of the termination of leases with canteen operators which in turn was due to the decoration of two canteens on the campus of the Yunnan School, and the expiration of one lease between the Yunnan School and a medical service provider.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 6.0% from RMB3.4 million for the year ended December 31, 2015 to RMB3.2 million for the year ended December 31, 2016. This decrease was primarily due to a decrease in our advertising expenses, which in turn was because we reduced promotional activities as we believed our Yunnan School and Guizhou School had become well-established brand names in their respective markets.

Administrative Expenses

Our administrative expenses increased by 62.3% from RMB36.9 million for the year ended December 31, 2015 to RMB59.9 million for the year ended December 31, 2016, primarily due to (i) the incurrence of RMB19.5 million of listing expenses in connection with our proposed Listing; (ii) an increase in salaries and benefits primarily as a result of the addition of senior management team members and an increase in the number of administrative personnel at our headquarters, as well as an increase in general salary levels in 2016; (iii) an increase in depreciation and amortization as a result of the decoration of new office by our headquarters and the increase in our office administrative assets, such as vehicles; and (iv) an increase in rental expenses as a result of the lease of new office by our headquarters. These increases were partially offset by a decrease of RMB4.1 million in tax expenses because our applicable tax regime switched from business tax to value-added tax in May 2016. Prior to May 2016, we recorded business tax as part of our administrative expenses. After we changed to the value-added tax regime in May 2016, we recorded tax payable as part of our liabilities.

Other Expenses

Other expenses increased from RMB5.1 million for the year ended December 31, 2015 to RMB12.4 million for the year ended December 31, 2016. The increase was primarily as a result of the incurrence of RMB10.2 million of foreign exchange loss, which was partially offset by a decrease of RMB0.9 million in bad debt provision because our schools took measures to reduce the amount of unpaid tuition fees.

Finance Costs

Finance costs increased by 22.0% from RMB29.6 million for the year ended December 31, 2015 to RMB36.1 million for the year ended December 31, 2016, mainly reflecting an increase in interest on bank loans as a result of the US$64.0 million loan granted to us by the China CITIC Bank International Limited and CSI Finance Limited and an increase of RMB2.2 million in interest on finance lease primarily due to the incurrence of RMB0.9 million of early termination fee as result of our early repayment of RMB25.4 million to Greenland Financial Leasing Co., Ltd. in September 2016.

Profit before Tax

As a result of the foregoing, we recognized a profit of RMB112.9 million before income tax for the year ended December 31, 2016, compared to a profit of RMB110.1 million before income tax for the year ended December 31, 2015. Our profit before tax as a percentage of revenue was 33.1% for the year ended December 31, 2016, while our profit before tax as a percentage of revenue was 40.2% for the year ended December 31, 2015.

Income Tax Expense

Our income tax expense decreased from RMB5.8 million for the year ended December 31, 2015 to RMB2.4 million for the year ended December 31, 2016 primarily due to our disposal of Bai Fen Bai, which was subject to income tax, in 2016.

Profit for the Period from Continuing Operations

As a result of the above factors, we recorded a profit of RMB110.5 million for the year ended December 31, 2016, as compared to a profit of RMB104.3 million for the year ended December 31, 2015.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Continuing Operations

Revenue

Our revenue increased by 32.7% from RMB206.5 million for the year ended December 31, 2014 to RMB274.0 million for the year ended December 31, 2015. This increase was primarily due to (i) a 33.0% increase in tuition fees from RMB186.5 million for the year ended December 31, 2014 to RMB248.1 million for the year ended December 31, 2015, which was attributable to an increase in the number of students enrolled at our schools between these periods and the Yunnan School and the Guizhou School raised tuition rates for certain majors from the 2015-2016 school year; and (ii) a 29.5% increase in boarding fees from RMB20.0 million for the year ended December 31, 2014 to RMB25.9 million for the year ended December 31, 2015, which was mainly attributable to the increase in our student enrollment.

Cost of sales

Cost of sales increased by 30.9% from RMB105.7 million for the year ended December 31, 2014 to RMB138.4 million for the year ended December 31, 2015. This increase was primarily due to (i) an increase in salaries and benefits for our school personnel as a result of an increase in the number of teaching personnel and an increase in general salary levels; (ii) an increase in depreciation and amortization expenses due to the increased depreciation expenses relating to new properties used for teaching purposes at the Yunnan School and the Guizhou School as we expanded these schools' facilities; and (iii) an increase in costs related to students as a result of the increase in our total student enrollments and expansion of student activities.

Gross Profit

Gross profit increased by 34.5% from RMB100.8 million for the year ended December 31, 2014 to RMB135.6 million for the year ended December 31, 2015. Our gross profit margin increased from 48.8% for the year ended December 31, 2014 to 49.5% for the year ended December 31, 2015 primarily because our revenue increased significantly as a result of the increase of total student enrollments and increase in tuition rates while our costs did not increase at the same rate due to economies of scale.

Other Income and Gains

Other income and gains increased by 32.9% from RMB37.1 million for the year ended December 31, 2014 to RMB49.3 million for the year ended December 31, 2015, primarily due to (i) an increase in service income from RMB25.5 million for the year ended December 31, 2014 to RMB32.2 million for the year ended December 31, 2015 as a result of the growth in income from our exam preparation and training services primarily due to the increase in our student enrollments; (ii) an increase in rental income from RMB5.9 million for the year ended December 31, 2014 to RMB7.2 million for the year ended December 31, 2015 as a result of an increase in the gross area we rented out to Independent Third Parties operating our on-campus canteens and stores as we expanded our enrollments and the pre-agreed annual increases in the rent rates we charge; (iii) an increase in government grants received by us from RMB1.1 million for the year ended December 31, 2014 to RMB4.4 million for the year ended December 31, 2015, primarily reflecting RMB2.0 million of special funds for private education development we received in 2015 and an increase of RMB0.5 million in special funds for higher education development; and (iv) an increase of RMB1.1 million in interest income primarily because we began to centralize management of our schools' funds in late 2014 and placed funds at a bank at a pre-agreed interest rate, which was higher than the prevailing market rate. In addition, the total amount of our funds on deposit increased as our business grew.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 12.8% from RMB3.9 million for the year ended December 31, 2014 to RMB3.4 million for the year ended December 31, 2015. The decrease was primarily as a result of a decrease in our advertising expenses, which in turn was because we believed the need to promote our schools decreased due to their respective growing reputation. This decrease was offset in part by an increase of RMB0.3 million in our student admission expenses, which was primarily due to the increase in the number of our newly admitted students.

Administrative Expenses

Our administrative expenses increased by 22.6% from RMB30.1 million for the year ended December 31, 2014 to RMB36.9 million for the year ended December 31, 2015 primarily due to an increase in salaries and benefits for our administrative personnel as a result of the increase in the number of administrative personnel at our corporate headquarters and an increase in salaries and benefits for property management personnel primarily due to an increase in the number of such personnel, an increase in our tax expenses due to (i) the increase in property tax as a result of the increase in our rental income due to an increase in the gross area we rented out as investment properties and (ii) an increase in business tax and surcharges relating to the school management fees our headquarters began to collect from our schools in 2014 as a result of a significant increase in the amount of such fees. These increases were partially offset by a decrease of RMB0.4 million in consulting fees because we paid one-off consulting fees to an Independent Third Party in 2014 for a human resources consulting project which we discontinued in 2015.

Other Expenses

Other expenses increased by 104.0% from RMB2.5 million for the year ended December 31, 2014 to RMB5.1 million for the year ended December 31, 2015 primarily as a result of an increase in bad debt provision because the Guizhou School had its first batch of graduates in 2015 and certain graduates failed to pay tuition fees in full.

Finance Costs

Our finance costs increased by 45.8% from RMB20.3 million in 2014 to RMB29.6 million in 2015, primarily due to an increase in interest expenses on bank loans due to the increase in our outstanding bank loans during 2015 which were primarily due to an increase in interest-bearing bank and other borrowings.

Profit before Tax

As a result of the foregoing, we recognized a profit of RMB110.1 million before income tax for the year ended December 31, 2015, compared to a profit of RMB81.0 million before income tax for the year ended December 31, 2014. Our profit before income tax as a percentage of revenue was 40.2% for the year ended December 31, 2015 compared to 39.2% for the year ended December 31, 2014.

Income Tax Expense

Our income tax expense increased by 152.2% from RMB2.3 million for the year ended December 31, 2014 to RMB5.8 million for the year ended December 31, 2015 primarily because Bai Fen Bai's income tax expense increased significantly in connection with a significant increase in its profit before tax from RMB16.9 million in 2014 to RMB34.5 million in 2015.

Profit for the Year from Continuing Operations

As a result of the above factors, we recorded a profit of RMB104.3 million for the year ended December 31, 2015, as compared to a profit of RMB78.7 million for the year ended December 31, 2014.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund our working capital requirements, our purchases of property, plant and equipment and to repay loans and related interest expenses. To date, we have funded our operations principally with cash generated from our operations, bank borrowings and shareholder contributions. 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 our student enrollments 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, 2014, 2015 and 2016, we had cash and cash equivalents of RMB299.2 million, RMB83.0 million and RMB178.8 million, respectively.

We combine the results of our PRC Operating Schools and our access to their cash balance or future earnings through our Structured Contracts with them. See "History and Corporate Structure" and "Structured Contracts" in this prospectus.

Cash Flow

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,		
	2014	2015	2016
	(RMB in thousands)		
Net cash from/(used in) operating activities	156,160	254,364	225,100
Net cash used in investing activities	(138,706)	(343,744)	(666,546)
Net cash from/(used in) financing activities	178,019	(126,811)	537,369
Effect of change in cash and cash equivalents	–	–	(117)
Cash and cash equivalents at beginning of the year	103,697	299,170	82,979
Cash and cash equivalents at the end of the year	299,170	82,979	178,785

Cash Flows from/(used in) Operating Activities

We generate cash from operating activities primarily from tuition fees and boarding fees, all of which are typically paid in advance in September before the respective services are rendered. Tuition fees and boarding fees are initially recorded under deferred revenue. We recognize tuition fees over a nine-month school year over the course of the relevant periods in a school year, which is generally from September to June, and boarding fees over a 12-month calendar year. As we generally collect tuition fees and boarding fees upfront at the beginning of a school year in September, we typically have cash outflows for operating activities for the first half year. Cash flows from operating activities reflects (i) profit before tax adjusted for non-cash and non-operating items, such as finance costs, depreciation of items of property, plant and equipment, investment income, recognition of prepaid land lease payments, interest income recognition of finance lease, government grants released and impairment of prepayments, deposits and other receivables; (ii) movements in working capital, such as increase or decrease in prepayments, deposits and other receivables, increase or decrease in other payables and accruals, and increase or decrease in deferred revenue; and (iii) other cash items consisting of income tax paid and interest received.

Net cash from operating activities amounted to RMB225.1 million for the year ended December 31, 2016, primarily reflecting (i) profit before tax from continuing operations of RMB112.9 million; (ii) positive total adjustments before movements in working capital of RMB61.4 million, which in turn primarily reflected RMB36.1 million of positive adjustment for finance costs and RMB33.3 million of positive adjustment for depreciation of items of property, plant and equipment, as partially offset by RMB2.9 million of negative adjustment for investment income and RMB2.9 million of amortization of government grants; and (iii) positive movements in working capital of RMB53.6 million, which primarily reflected RMB38.1 million of increase in deferred revenue and RMB179.2 million of increase in other payables and accruals, as partially offset by RMB163.8 million of increase in prepayments, deposits and other receivables.

Net cash from operating activities amounted to RMB254.4 million for the year ended December 31, 2015, primarily reflecting (i) profit before tax from continuing operations of RMB110.1 million; (ii) positive total adjustments before movements in working capital of RMB50.2 million, which in turn primarily reflected RMB29.6 million of positive adjustment for finance costs and RMB26.6 million of positive adjustment for depreciation of items of property, plant and equipment; and (iii) positive movements in working capital of RMB97.4 million, which primarily reflected RMB34.0 million of decrease in prepayments, deposits and other receivables, RMB22.2 million of increase in other payables and accruals, and RMB41.1 million of increase in deferred revenue.

Net cash from operating activities amounted to RMB156.2 million for the year ended December 31, 2014, primarily reflecting (i) profit before tax from continuing operations of RMB81.0 million; (ii) positive total adjustments before movements in working capital of RMB38.9 million, which in turn primarily reflected RMB22.5 million of positive adjustment for depreciation of items of property, plant and equipment and RMB20.3 million of positive adjustment for finance costs; and (iii) positive movements in working capital of RMB33.5 million, which primarily reflected RMB35.1 million of increase in deferred revenue and RMB8.5 million of increase in other payables and accruals, as partially offset by RMB10.1 million of increase in prepayments, deposits and other receivables.

Cash Flows used in/from Investing Activities

Investing activities consist primarily of purchases of items of property, plant and equipment and intangible assets, prepaid land lease payments, purchases of and proceeds from disposal of wealth investment products, and deposits into or withdrawals from pledged time deposits.

Net cash used in investing activities amounted to RMB666.5 million for the year ended December 31, 2016, primarily reflecting (i) RMB350.9 million of prepayment on investments to finance the construction of the new campus at the Central China School and RMB156.9 million of prepayment toward the total consideration for the investment in the Northeast School; (ii) RMB155.5 million used to purchase property, plant and equipment in connection with school facilities at the Yunnan School and the Guizhou School; and (iii) RMB32.7 million increase in pledged time deposits that were used to secure bank loans, which were partially offset by RMB20.0 million in proceeds from disposal of wealth management products which matured in January 2016.

Net cash used in investing activities amounted to RMB343.7 million for the year ended December 31, 2015, primarily reflecting (i) RMB150.1 million used to purchase property, plant and equipment in connection with school facilities at the Yunnan School and the Guizhou School; (ii) RMB141.6 million of prepayment on investments to finance the construction of the new campus at the Central China School; (iii) RMB20.0 million increase in pledged time deposits that were used to secure bank loans; and (iv) RMB20.0 million of prepaid land lease payments, which were partially offset by RMB10.0 million in proceeds from disposal of wealth management products.

Net cash used in investing activities amounted to RMB138.7 million for the year ended December 31, 2014, primarily reflecting (i) RMB115.6 million used to purchase property, plant and equipment in connection with our expansion of the school facilities at the Yunnan School and the Guizhou School; (ii) RMB71.0 million used to purchase wealth investment product; and (iii) RMB25.7 million in prepaid land lease payments, which were partially offset by RMB61.0 million of proceeds from disposal of wealth management products and a RMB15.0 million decrease in pledged time deposits.

Cash Flows from/(used in) Financing Activities

Financing activities primarily include borrowing and repaying bank loans, and the distribution by Yun Ai Group to its shareholders.

Net cash generated from financing activities amounted to RMB537.4 million for the year ended December 31, 2016, primarily reflecting RMB430.7 million of capital injection from an investor, RMB725.4 million in proceeds from new bank loans, RMB11.9 million of receipt of government grants, and RMB18.6 million of capital contribution from non-controlling shareholder, which was partially offset by RMB587.8 million used for repayment of bank loans, RMB50.4 million used for payment of interest and RMB10.9 million of capital element of finance lease rental payments.

Net cash used in financing activities amounted to RMB126.8 million for the year ended December 31, 2015, primarily reflecting (i) RMB209.5 million used for repayment of bank loans; (ii) RMB137.0 million used by Yun Ai Group to pay dividends to its shareholders; and (iii) RMB3.0 million of capital element of finance lease rental payments, which were offset in part by RMB245.8 million in proceeds from new bank loans and RMB12.9 million of receipt of government grants.

Net cash generated from financing activities amounted to RMB178.0 million for the year ended December 31, 2014, primarily reflecting RMB328.0 million in proceeds from new bank loans and RMB9.5 million of receipt of government grant, which were partially offset by (i) RMB117.1 million used for repayment of bank loans; (ii) RMB12.0 million used by Yun Ai Group for a distribution to one of its shareholders pursuant to an agreement with this shareholder; and (iii) RMB3.3 million of capital element of finance lease rental payments.

Working Capital

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 acquiring schools and 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.

We intend to continue to finance our working capital with cash generated from our operations, proceeds from private placements of our Shares prior to the Global Offering, and the net proceeds from the Global Offering.

Our Directors are of the view that our available cash balance, the anticipated cash flow from operations, bank loans and other borrowings, Pre-IPO Investments and the net proceeds from the Global Offering will be sufficient to meet our present and anticipated cash requirements for at least 12 months following the date of this prospectus. Based on the review of financial documents and other due diligence documents, discussion with the Directors and the Directors' confirmation, the Sole Sponsor concurs with the Directors' view.

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 February 28,
	2014	2015	2016	2017
	(RMB in thousands)			
				(Unaudited)
Current Assets				
Prepayments, deposits and other receivables	43,128	48,794	50,516	59,241
Amounts due from related parties	4,011	–	–	–
Pledged deposits	–	20,000	52,749	42,455
Cash and cash equivalents	299,170	82,979	178,785	155,856
Available-for-sale investments	10,000	20,000	–	–
Other current assets	240	42	3,415	5,088
	356,549	171,815	285,465	262,640
Total Current Assets	356,549	171,815	285,465	262,640
Current Liabilities				
Deferred revenue	138,908	180,019	217,047	180,819
Other payables and accruals	156,935	177,230	240,262	168,162
Interest-bearing bank and other borrowings	100,599	319,496	102,500	102,500
Deferred income	3,655	2,324	2,122	2,122
Tax payable	1,359	2,472	1,511	1,163
Total Current Liabilities	401,456	681,541	563,442	454,766
Net Current Liabilities	(44,907)	(509,726)	(277,977)	(192,126)

As of December 31, 2014, 2015 and 2016, we had net current liabilities of RMB44.9 million, RMB509.7 million and RMB278.0 million, respectively. We had net current liabilities as of each of these dates primarily because (i) we used a large amount of cash to finance, among others, the expansion of our school facilities at the Yunnan School and the Guizhou School, the investments in the Northeast School, and the Central China School. These capital expenditures and prepayments, which are recorded as non-current assets were partially financed by non-current liabilities, such as long-term interest-bearing bank loans and other borrowings and equity, and partially financed by current liabilities, such as short-term interest-bearing bank loans and other borrowings; and (ii) tuition fees and boarding fees from our schools were generally paid in advance at the beginning of each school year, and we record payments of tuition fees and boarding fees initially as a current liability under deferred revenue and recognize tuition fees as revenue over a nine-month period and boarding fees over a 12-month period. As a school year typically starts in September each year and ends in June the following year, the amounts of deferred revenue, which were part of our current liabilities, as of December 31, 2014, 2015 and 2016 generally represented the amount of tuition fees and boarding fees received from all of our students for the 2014-2015, 2015-2016 and 2016-2017 school years, respectively, but have yet to be recognized as revenue for the remainder of the school year (generally from January to June). In the meantime, certain portion of the cash derived from tuition fees and boarding fees was used to finance the capital expenditures and prepayments described above, which are recorded as non-current assets.

We expect to improve our net current liabilities position with (i) proceeds from the private placements of our Shares prior to the Global Offering. See "History and Corporate Structure – Pre-IPO Investments" for details; (ii) the net proceeds from the Global Offering. See "Future Plans and Use of Proceeds – Use of Proceeds" for further information; (iii) funds generated from our business operations; and (iv) debt restructuring to reduce the percentage of the short-term loans in our total borrowings. Following the acquisition or establishment of our planned new schools and the consolidation or inclusion of their results in our results of operations, we expect our total deferred revenue as of December 31 of each year to increase, which will result in an increase in our current liabilities and may cause us to have a net current liabilities position in the future.

Prepayments, deposits and other receivables

	As of December 31,		
	2014	**2015**	**2016**
	(RMB in thousands)		
Prepaid rent and other prepaid expenses	5,868	3,329	9,442
Advance to third parties and other receivables	13,490	18,900	24,352
Deposits	7,787	15,790	6,212
Other miscellaneous receivables	9,850	8,025	9,755
Staff advances	6,133	2,750	755
	43,128	48,794	50,516

Prepayments, deposits and other receivables consist of prepaid rent and other prepaid expenses, advance to third parties and other receivables, deposits, other miscellaneous receivables and staff advances. Prepaid rent and other prepaid expenses primarily consist of prepaid implementation fees for the information technology project at our corporate headquarters, and Zhuan Xiu School's prepaid rent and property management tax. Advance to third parties and other receivables primarily consist of loans extended to third parties and receivables from disposal of subsidiaries. Deposits primarily consist of deposits for loans and other financing and other deposit payments. Other miscellaneous receivables primarily consist of tuition fees receivables and other receivables. Staff advances primarily consist of advances we made to our staff from time to time for business purposes.

Prepayments, deposits and other receivables increased from RMB43.1 million as of December 31, 2014 to RMB48.8 million as of December 31, 2015, primarily reflecting (i) a RMB8.0 million increase in deposits primarily due to RMB10.0 million paid to Enhao Company as Enchang Company's performance guarantee under its agreement with Enhao Company to take over Enhao Company's rights and obligations under its agreement with Minzu College and become a joint school sponsor for the Central China School, as partially offset by a RMB2.0 million refund in 2015 of a deposit we had paid in 2014 in connection with a financing arrangement; and (ii) a RMB5.5 million increase in advance to third parties and other receivables primarily due to the RMB3.0 million we advanced to Yunnan Kexin (雲南科信), an Independent Third Party, for its working capital purposes. These increases were partially offset by a decrease of RMB3.4 million in staff advances primarily because we increased our efforts to have our staff settle their advances from us, and a decrease of RMB2.5 million in prepaid rent and other prepaid expenses primarily because we decided not to make the Yunnan School's proposed promotional video and the RMB2.0 million we had prepaid in 2014 was refunded to us in 2015.

Prepayment, deposits and other receivables increased from RMB48.8 million as of December 31, 2015 to RMB50.5 million as of December 31, 2016, primarily reflecting (i) an increase in prepaid rent and other prepaid expenses as a result of the capitalization of RMB6.4 million of listing expenses; (ii) an increase in advance to third parties and other receivable primarily due to RMB13.9 million (inclusive of value-added tax) of service fee recorded pursuant to the exclusive technical service and education consultancy service agreement between the Northeast School and Huihuang Company, which was partially offset by RMB6.3 million of debt repayment received by Yun Ai Group and RMB4.0 million of debt repayment paid by an Independent Third Party to Yun Ai Group as a reset of the disposal of Peihua Company to such Independent Third Party; and (iii) an increase in other miscellaneous receivables primarily attributable to RMB0.4 million in tuition fees receivables due to the increase in the number of our students, as well as a decrease of RMB0.9 million in bad debt provision. These increases were partially offset by (i) a decrease in deposits primarily due to the RMB10.0 million paid to Enhao Company in 2015 by Enchang Company was transferred to Central China School as its deposits payment in 2016 when the new campus of the Central China School commenced operation in 2016; and (ii) a decrease in staff advances as a result of our enhanced management of staff advances, requesting the timely repayment by our staff.

Other payables and accruals

	As of December 31,		
	2014	2015	2016
	(RMB in thousands)		
Payables for purchase of property, plant and equipment	32,280	20,547	32,286
Accrued bonus and social insurance	28,491	34,048	46,179
Miscellaneous expenses received from students	42,384	48,609	67,524
Other payables	43,184	64,455	86,146
Accrued expenses	10,596	9,571	8,127
	156,935	177,230	240,262

Other payables and accruals consist of payables for purchase of property, plant and equipment, accrued bonus and social insurance, miscellaneous expenses received from students, other payables, and accrued expenses. Payables for purchase of property, plant and equipment primarily consists of payables for school facilities and equipment at our schools. Accrued bonus and social insurance primarily consists of accrued bonus and social insurance payments for our staff. Miscellaneous expenses received from students primarily reflects student subsidies received by us from governments to be distributed to our students and various deposits and fees for textbooks and teaching materials paid by our students. Other payables primarily consists of government grants received by us which have not yet been recognized as income, exam registration costs collected from students which need to be paid out to exam organizers, deposits, payables relating to cooperative arrangements relating to junior college-undergraduate programs, staff costs, training costs and other miscellaneous payables, which mainly consist of balances to be paid to canteen and store operators and deposits paid by canteen and store operators and miscellaneous costs (including deposits), collected from students. Accrued expenses primarily consists of travelling expenses, entertainment expenses, consulting fees, interest expenses on bank loans, maintenance costs, utilities and teaching-related expenses.

Other payables and accruals increased from RMB156.9 million as of December 31, 2014 to RMB177.2 million as of December 31, 2015, primarily reflecting (i) a RMB21.3 million increase in other payables as a result of RMB10.4 million of government grants and RMB10.0 million of bill payables in connection with construction costs for our school facilities; (ii) a RMB5.6 million increase in accrued bonus and social insurance as a result of the increase in the number of our employees and senior administrative staff; and (iii) a RMB6.2 million increase in miscellaneous expenses received from students primarily because the Yunnan School had a higher amount of undistributed government scholarships as of December 31, 2015 which were paid out at the beginning of 2016. In addition, the Guizhou School had a higher amount of miscellaneous expenses received from students because its student enrollments increased significantly in 2015. These increases were partially offset by a RMB11.7 million decrease in payables for purchase of property, plant and equipment because the Yunnan School and the Guizhou School had settled certain payables for construction costs for their school facilities.

Other payables and accruals increased significantly from RMB177.2 million as of December 31, 2015 to RMB240.3 million as of December 31, 2016, primarily reflecting: (i) a RMB11.7 million increase in payables for purchase of property, plant and equipment due to the RMB11.4 million to be paid by the Guizhou School for a construction project; (ii) a RMB18.9 million increase in miscellaneous expenses received from students primarily reflecting RMB15.6 million increase in deposits paid by our students in line with the growth in our student enrollments, and RMB3.3 million of fees for textbooks and teaching materials collected from students in September when the new school year starts and make payments to our suppliers in the last quarter of a year. However, we had not paid this RMB3.3 million to our suppliers by the end of 2016; and (iii) a RMB21.7 million increase in other payables, primarily reflecting RMB30.1 million of increase in payable to Independent Third Parties by Enchang Company for construction work carried on the new campus at the Central China School, which was partially offset by the settlement of RMB10.0 million of bill payables in connection with construction costs for our school facilities. These increases were partially offset by a RMB1.4 million decrease in accrued expenses because we recorded RMB1.4 million in accrued expenses as of December 31, 2015 for our subsidiaries which had been disposed of as part of our Corporate Reorganization in 2016.

The Directors confirm that we did not have any material defaults in any payables during the Track Record Period.

Amounts due to/from related parties

	As of December 31,		
	2014	**2015**	**2016**
	(RMB in thousands)		
Amounts due from related parties			
Ba Mu Pu	4	–	–
Pai Dui Pai	4,007	–	–
	4,011	–	–

We had RMB4.0 million in amounts due from Pai Dui Pai as of December 31, 2014, as a result of advances to Pai Dui Pai for its working capital purposes.

CAPITAL EXPENDITURES

Our capital expenditures consisted of purchases or construction costs relating to property, equipment, prepaid land lease payments and other intangible assets. For the years ended December 31, 2014, 2015 and 2016, our capital expenditures were RMB171.3 million, RMB156.0 million and RMB184.5 million, respectively. Our capital expenditures during the Track Record Period primarily related to construction of buildings and school facilities and prepaid land lease payments at the Yunnan School, the Guizhou School and the new campus at the Central China School and purchases of equipment and software. We have funded these capital expenditures primarily with cash generated from operations and bank loans.

We expect to incur capital expenditures of RMB269.6 million for 2017, primarily to finance the purchases and construction of school facilities at the Yunnan School, the Guizhou School and the new campus at the Central China School. We expect to fund these capital expenditures with cash generated from our operations, proceeds from the Pre-IPO Investments and the net proceeds from the Global Offering.

CONTRACTUAL COMMITMENTS

Capital Commitments

Our capital commitments primarily relate to the acquisition of property, plant and equipment. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As of December 31,		
	2014	**2015**	**2016**
	(RMB in thousands)		
Contracted but not provided for: property, plant and equipment	12,943	39,022	22,724
Total	12,943	39,022	22,724

As of December 31, 2014, 2015 and 2016, we did not have any significant authorized but not contracted for capital commitment.

Operating Lease Commitments

As lessor

We leased out our investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to nine 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.

As of the dates indicated, we had total future minimum lease receivables under non-cancellable operating leases with our tenants falling due as follows:

	As of December 31,		
	2014	**2015**	**2016**
	(RMB in thousands)		
Within one year	11,730	12,787	9,011
After one year but not more than five years	10,135	16,891	10,567
More than five years	850	700	600
	22,715	30,378	20,178

As lessee

We lease certain of our office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to 15 years, and those for office equipment are for terms ranging from one to three years.

As of the dates indicated, we had future aggregate minimum lease payments under non-cancellable operating leases falling due as follows:

	As of December 31,		
	2014	**2015**	**2016**
	(RMB in thousands)		
Within one year	7,335	4,596	4,813
After one year but not more than five years	6,595	3,323	7,519
More than five years	525	225	–
	14,455	8,144	12,332

INDEBTEDNESS

Bank Loans and Other Borrowings

Our bank loans and other borrowings primarily consisted of short-term working capital loans and long-term project loans for the construction of our school buildings and facilities. Our bank loans and other borrowings as of December 31, 2014, 2015, 2016 and February 28, 2017, being the latest practicable date for the purpose of indebtedness statement, were as follows:

	As of December 31,			As of February 28,
	2014	2015	2016	2017
	(RMB in thousands)			
				(Unaudited)
Bank loans and other borrowings				
Current				
Bank loans – secured	72,000	142,800	80,000	80,000
Current portion of long term bank loans – secured	25,500	175,500	22,500	47,500
Finance lease payables	3,099	1,196	–	–
Non-current				
Bank loans – secured	316,000	131,500	493,968	562,000
Finance lease payables	1,196	–	–	–
Transaction cost	–	–	(17,840)	(16,003)
Total indebtedness	417,795	450,996	578,628	673,497
Carrying amount repayable:				
Bank loans				
Within one year	97,500	318,300	102,500	127,500
In the second year	181,500	106,500	476,128	478,997
In the third to fifth years, inclusive	134,500	25,000	–	67,000
	413,500	449,800	578,628	673,497
Finance lease payables				
Within one year	3,099	1,196	–	–
In the second year	1,196	–	–	–
In the third to fifth years, inclusive	–	–	–	–
	4,295	1,196	–	–
Total indebtedness	417,795	450,996	578,628	673,497

We primarily borrow loans from banks and use finance leases to supplement our working capital and finance our expenditure. The bank loans and finance lease payables as of December 31, 2014, 2015 and 2016 were all denominated in Renminbi. As of December 31, 2014, our bank loans bore effective interest rates ranging from 6.4% to 9.0% per annum. As of December 31, 2015, our bank loans bore effective interest rates ranging from 5.22% to 10.5% per annum. Moreover, as of December 31, 2016, our bank loans bore effective interest rates ranging from 4.57% to 7.13% per annum. As of February 28, 2017, we had RMB300 million of unutilized banking facilities.

We entered into a facility agreement with China CITIC Bank International Limited and CSI Finance Limited on August 12, 2016. Under this agreement, China CITIC Bank International Limited agreed to lend us a loan in the amount of US$38.4 million and CSI Finance Limited agreed to lend us a loan in the amount of US$25.6 million. Each of these loans has a term of 13 months ending on September 12, 2017, which can be extended to September 12, 2018 according to the terms of the facility agreement. These loans are secured by share charges over all the issued shares of Aspire Education Information and Aspire Education Holding, pledge of 51% of the equity interest in Fangzhou Company, and other securities in the form of assignment of intercompany loan and account charge. These loans are also guaranteed by one of our senior management, Mr. Li Xiaoshen,and a corporate guarantee provided by Aspire Education Group. We also entered into a keepwell and liquidity support deed with our Controlling Shareholder, Mr. Li and CSI Finance Limited in relation to these loans. Under this deed, Mr. Li has certain performance obligations, among other things, including to (i) ensure the continual ownership and control of Aspire Education Group, our Company, Aspire Education Holding, Fangzhou Company and Huihuang Company as well as the continual ownership and control of Yunnan School, Guizhou School, Enchang Company, to Bei Ai Company and Haxuan Company by Yun Ai Group during the specified period, and to cause Aspire Education Information and Aspire Education Group to have sufficient liquidity and remain solvent; (ii) provide irrevocable cross-border RMB standby facility (including to establish and grant Aspire Education Information and Aspire Education Group a standby facility, open a bank account and remit specified amount under agreed circumstances); and (iii) invest an agreed amount in Aspire Education Information and Aspire Education Group under agreed circumstances. Mr. Li Xiaoshen's guarantee and Mr. Li's obligations under this deed will be released upon the Listing. The annual interest rates of these loans are LIBOR plus 3.3%. The facility agreement contains a number of customary affirmative and negative covenants and included customary default terms which provide that the lenders may declare any or all indebtedness under the facility immediately due and payable in the event of any breach or untrue statements of representations and warranties made by us or non-performance of any covenants specified in the facility agreement. For example, subject to certain exceptions contained in the facility agreement, our subsidiaries are prohibited from merger, restructuring, spin-off, material asset transfer, liquidation, change of control, change of scope of business, declaration of dividends and incurring further indebtedness without the prior consent of the lenders. We and our subsidiaries are restricted from declaring or distributing any dividend, except, among others, (i) any dividend in an aggregate amount of not more than their respective profits from the previous financial year made, paid or distributed in any financial year after the Listing; and (ii) any dividend declared, paid or made pursuant to the Structured Contracts. We are required to maintain a ratio of net debt (equalling the amount of our financial indebtedness less the amount of our cash balance) to EBITDA of less than 4.5:1 for as long as the loans shall remain outstanding ("Net Debt Covenant").

We entered into a loan agreement with Hengfeng Bank in December 2015, pursuant to which Hengfeng Bank agreed to grant us a credit facility of up to RMB180.0 million, and we agreed to pledge Yunnan School's charging right, 20% of equity interest in Yun Ai Group held by Pai Dui Pai and 30% of equity interest in Enchang Company held by Yun Ai Group as security. We borrowed an aggregate amount of RMB84.9 million in five tranches from December 2015 to March 2016. On August 15, 2016, we repaid the loan in full to Hengfeng Bank. Upon repayment of this loan, the pledge of the Yunnan School's charging right, 20% of equity interest in Yun Ai Group held by Pai Dui Pai and 30% of equity interest in Enchang Company held by Yun Ai Group was released on August 17, 2016, August 19, 2016 and August 22, 2016, respectively.

On August 27, 2015, we entered into a loan agreement with Dianchi Branch of Fudian Bank Co., Ltd. (富滇銀行股份有限公司滇池支行), or Fudian Bank, pursuant to which Fudian Bank agreed to grant us a loan in the amount of RMB20.0 million, and we agreed to pledge the land use right of a parcel of land owned by Yunnan School as security. On August 28, 2016, we repaid the loan in full to Fudian Bank, and subsequently the pledge of the land use right has been released.

We entered into a finance lease agreement with Greenland Financial Leasing Co., Ltd. (綠地融資租賃有限公司), or Greenland Financial, in February 2016. Pursuant to this agreement, Greenland Financial agreed to grant us a financing in the amount of RMB35.1 million for the purchase of certain items of equipment from the Yunnan School and lease back such equipment to the Yunnan School for use in the teaching activities. As of September 27, 2016, we had repaid the financing in full to Greenland Financial.

We entered into a loan agreement with Kunming Guandu Bank in December 2013, pursuant to which Kunming Guandu Bank agreed to grant us a loan in the amount of RMB98.0 million, and we agreed to pledge property ownership of 11 buildings owned by the Yunnan School as security. On October 8, 2016, we repaid the outstanding portion of RMB93.0 million of this loan in full to Kunming Guandu Bank, and subsequently the pledge of the property ownership of those 11 buildings has been released.

We entered into a loan agreement with Kunming Guandu Bank in July 2014, pursuant to which Kunming Guandu Bank agreed to grant us a loan in the amount of RMB48.0 million, and we agreed to pledge the land use right of two parcels of land owned by the Yunnan School as security. On October 13, 2016, we repaid the outstanding portion of RMB44.0 million of this loan in full to Kunming Guandu Bank, and subsequently the pledge of the land use right of those two parcels of land has been released.

We entered into a loan agreement with Yunnan Branch of Bank of Communications (交通銀行雲南省分行) in March 2015, pursuant to which Yunnan Branch of Bank of Communications agreed to grant us a loan in the amount of RMB30.0 million, and we agreed to pledge the land use right of a parcel of land and the property use right of six buildings owned by the Yunnan School as security. On October 8, 2016, we repaid the loan in full to the Yunnan Branch of Bank of Communications, and subsequently the pledge of the land use right of that parcel of land and the property use right of those six buildings has been released.

We entered into a loan agreement with Zhongrong International Trust Co., Ltd (中融國際信託有限公司) in April 2014, pursuant to which Zhongrong International Trust Co., Ltd agreed to grant us a loan in an amount of RMB80.0 million, and the loan was secured by a pledge of 100% equity interest in Bei Ai Company held by Yun Ai Group, corporate guarantee provided by Yun Ai Group and guaranteed by Mr. Li and Ms. Yang. On

October 27, 2016, we repaid the outstanding portion of RMB68.0 million of this loan in full to Zhongrong International Trust Co., Ltd, and subsequently, the pledge of 100% equity interest in Bei Ai Company held by Yun Ai Group, corporate guarantee provided by Yun Ai Group and personal guarantee provided by Mr. Li and Ms. Yang have been released.

We entered into a loan agreement with Shanghai Pudong Development Bank, Guiyang Branch (上海浦東發展銀行貴陽分行) in September 2014, pursuant to which Shanghai Pudong Development Bank, Guiyang Branch agreed to grant us a loan in an amount of RMB30.0 million, and the loan was secured by corporate guarantee provided by Yun Ai Group and guaranteed by Mr. Li and Ms. Yang. On October 10, 2016, we repaid the outstanding portion of RMB24.0 million of this loan in full to Shanghai Pudong Development Bank, Guiyang Jinding Branch, and subsequently, the guarantee provided has been released.

We entered into a loan agreement with Kunming Guandu Bank in December 2016, pursuant to which Kunming Guandu Bank agreed to grant us a loan in the amount of RMB50.0 million for a term of three years, and we agreed to pledge six buildings owned by the Yunnan School as security. As of the Latest Practicable Date, the pledge over these six buildings had been released.

We entered into a loan agreement with Beijing Branch of China Minsheng Bank on January 17, 2017, pursuant to which Beijing Branch of China Minsheng Bank agreed to grant us a loan in the amount of RMB147.0 million for a term of five years, and the loan was secured by corporate guarantee provided by Bei Ai Company, Fangzhou Company and Huihuang Company.

The RMB33.4 million in amounts due to Huihuang Investment was transferred to Yun Ai Group in full to increase its registered capital and the registration with competent authorities regarding such capital injection was completed on July 11, 2016. We had repaid RMB71.0 million in amounts due to Pai Dui Pai in full as of October 27, 2016 by using internal resources from operations.

For our outstanding loan of RMB12.5 million under a loan agreement entered into between the Guizhou School and the Qingzhen sub-branch of the Guizhou branch of Industrial and Commercial Bank of China which is secured by the corporate guarantee provided by Yun Ai Group, the Guizhou School is restricted from declaring any dividend before the principals and interests under the loan agreement are fully repaid. The Guizhou School obtained a written confirmation from the bank on June 27, 2016, confirming that the Guizhou School may, after repaying any debt incurred in its operations, pay service fees pursuant to the Structured Contracts. For our outstanding loan of RMB60.0 million under a loan agreement entered into between the Yunnan School and the Kunming Guandu Bank which is secured by eight buildings owned by the Yunnan School, the Yunnan School is restricted from declaring any dividend before the principals and interests under the loan agreement are fully repaid. The Yunnan School obtained a written confirmation from the bank on July 1, 2016, confirming that the Yunnan School may, after repaying any debt incurred in its operations, pay service fees pursuant to the Structured Contracts. Except for those disclosed above, we are not subject to restrictions from distribution of dividends under covenants contained in various bank facilities agreements.

Our Directors confirm that as of the Latest Practicable Date, other than the Net Debt Covenant, there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Statement of Indebtedness

Except as disclosed above, as of February 28, 2017, being the latest practicable date for determining our indebtedness, we did not have any debt securities or 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 December 31, 2016 except as disclosed "– Indebtedness" and "– Contingent Liabilities" in this section.

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.

LISTING EXPENSES

We expect to incur a total of RMB73.7 million of listing expenses (assuming an Offer Price of HK$2.89, being the mid-point of the indicative Offer Price range between HK$2.56 and HK$3.22, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, of which RMB19.5 million has been charged to our consolidated statements of profit or loss and other comprehensive income and RMB6.4 million has been capitalized in the year ended December 31, 2016. For the remaining listing expense, RMB23.1 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending December 31, 2017 and RMB24.7 million is to be capitalized. Listing expenses represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions and 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.

FINANCIAL RATIOS

	As of/for the year ended December 31,		
	2014	2015	2016
Net profit margin(2)	39.4%	37.9%	32.9%
Return on assets(3)	8.6%	8.9%	6.9%
Return on Equity(4)	23.5%	27.2%	16.9%
Current Ratio(5)	0.9	0.3	0.5
Debt to equity ratios(6)	31.1%	96.4%	42.4%
Gearing ratio(7)	109.6%	118.2%	61.4%
Interest coverage ratio(8)	5.1	4.7	4.2

Notes:

(1) Results of discontinued operation are included in the calculation of the financial ratios in the table above.

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

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

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

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

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

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

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

Analysis of Key Financial Ratios

Net Profit Margin

Our net profit margin decreased from 39.4% for the year ended December 31, 2014 to 37.9% for the year ended December 31, 2015, primarily due to the decrease in the profitability of Vocational School and Zhuan Xiu School and the increase in finance costs as a result of increased bank loans to advance to Enchang Company to finance construction of school facilities for the new campus at the Central China School. Net profit margin decreased from 37.9% for the year ended December 31, 2015 to 32.9% for the year ended December 31, 2016, mainly due to significant increases in cost of sales and administrative expenses as a result of (i) the incurrence of RMB19.5 million of listing expenses; (ii) the incurrence of RMB10.2 million of foreign exchange loss; and (iii) increases in salaries and benefits for our teaching personnel and administrative personnel.

Return on Assets and Return on Equity

Our return on assets ratio increased from 8.6% as of December 31, 2014 to 8.9% as of December 31, 2015, and return on equity ratio increased from 23.5% as of December 31, 2014 to 27.2% as of December 31, 2015, respectively, primarily due to increases in our net profit during these periods.

Return on assets ratio decreased from 8.9% as of December 31, 2015 to 6.9% as of December 31, 2016, and return on equity ratio decreased from 27.2% as of December 31, 2015 to 16.9% as of December 31, 2016, primarily due to decreases in our net profit during these periods and as well as the significant increases in our assets as a result of our investments in Enchang Company and Northeast School, and significant increases in equity as a result of (i) the Pre-IPO Investments of RMB251.2 million and USD28.1 million from Pre-IPO Investors; and (ii) an increase in our net profit during these periods.

Current Ratio

Our current ratio as of December 31, 2014 was significantly higher than December 31, 2015 and 2016, primarily because as of December 31, 2014 our current liabilities represented a smaller percentage of our total liabilities as we had significantly higher long-term bank loans in 2014 compared with other periods during the Track Record Period.

Debt to Equity Ratio

Our debt to equity ratio increased from 31.1% as of December 31, 2014 to 96.4% as of December 31, 2015, primarily because our Interest-bearing bank loans and other borrowings net of cash and equivalents increased by 210% as we used a large amount of cash and obtained additional financing to fund the construction of school facilities at the Yunnan School, the Guizhou School and the new campus at the Central China School, while our equity remained stable because our RMB137.0 million dividend distribution offset our equity growth in 2015.

Our debt to equity ratio decreased from 96.4% as of December 31, 2015 to 42.4% as of December 31, 2016 primarily because our Interest-bearing bank loans and other borrowings net of cash and equivalents increased by 8.6% while our equity increased by 147.0% as a result of (i) the Pre-IPO Investment of RMB251.2 million and USD28.1 million from Pre-IPO Investors; and (ii) an increase in our net profit during these periods.

Gearing Ratio

Our gearing ratio increased from 109.6% as of December 31, 2014 to 118.2% as of December 31, 2015, primarily because our interest-bearing bank loans and borrowings increased but our equity remained stable because our RMB137.0 million dividend distribution offset our equity growth in 2015.

Our gearing ratio decreased from 118.2% as of December 31, 2015 to 61.4% as of December 31, 2016, primarily because our interested bearing bank loans and other borrowings increased by 28.3% while our equity increased by 147.0% as a result of (i) the Pre-IPO Investment of RMB251.2 million and USD28.1 million from Pre-IPO Investors; and (ii) an increase in our net profit during these periods.

Interest Coverage Ratio

Our interest coverage ratio decreased from 5.1 for 2014 to 4.7 for 2015 and further to 4.2 for 2016, primarily because our finance costs increased significantly over these periods as a result of the increase in our outstanding bank loans.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, we had certain advances to and from related parties. See "– Current Assets and Current Liabilities – Amounts due to/from related parties" for details. We intend to settle all balances with related parties prior to the Listing. These balances were unsecured, interest-free and had no fixed term of repayment. According to our PRC legal advisors, Jingtian & Gongcheng, because these advances were interest-free, they were not in contravention of the relevant lending provisions under the applicable PRC laws and regulations. Please see note 34 to the Accountants' Report of the Group in Appendix IA 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 34 to the Accountants' Report of the Group in Appendix IA 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.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our Group's principal financial instruments comprise bank loans and cash and cash equivalents. Our Group has various other financial assets and liabilities such as amounts due from related parties, other receivables, amounts due to related parties and other payables and accruals, which arise directly from its operations. The main risks arising from our Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarized below.

Interest Rate Risk

Our Group's fair value interest rate risk relates primarily to its bank borrowings with floating interest rates. Our Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly bank balances and bank and other borrowings which carried interest at prevailing market interest rates. It is our Group's policy to keep certain borrowings at floating rates of interest so as to minimize the fair value interest rate risk. Our Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the Directors will consider hedging significant interest rate risk should the need arise.

Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate bank borrowings at the end of each reporting period and assumed that the amount of liabilities outstanding at the end of each reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, our Group's post-tax profit for the years ended December 31, 2014, 2015 and 2016 would decrease/increase by RMB1.6 million, RMB1.1 million and RMB2.6 million, respectively. This is mainly attributable to our Group's exposure to interest rates on its bank borrowings.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure at the end of each year in the Track Record Period does not reflect the exposure during the respective years/periods.

Credit Risk

The credit risk of our Group's other financial assets, which comprise cash and cash equivalents, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since our Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by product type. There are no significant concentrations of credit risk within our Group.

Liquidity risk

Our Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. Our Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of our Group's financial liabilities as at the end of each of period in the Track Record Period, based on the contractual undiscounted payments, was as follows:

	As of December 31, 2014				
	On demand	**Less than three months**	**Three to twelve months**	**One to five years**	**Total**
	RMB in thousands				
Finance lease payables	–	1,341	2,102	1,238	4,681
Interest-bearing bank and other borrowings	–	60,190	67,627	364,055	491,872
Financial liabilities included in other payables and accruals	96,164	–	32,280	–	128,444
	96,164	61,531	102,009	365,293	624,997

	As of December 31, 2015				
	On demand	**Less than three months**	**Three to twelve months**	**One to five years**	**Total**
	RMB in thousands				
Finance lease payables	–	1,238	–	–	1,238
Interest-bearing bank and other borrowings	–	60,191	287,010	146,145	493,346
Financial liabilities included in other payables and accruals	122,635	–	20,547	–	143,182
	122,635	61,429	307,557	146,145	637,766

	As of December 31, 2016				
	On demand	**Less than three months**	**Three to twelve months**	**One to five years**	**Total**
	RMB in thousands				
Interest-bearing bank and other borrowings	–	7,082	121,355	496,617	625,054
Financial liabilities included in other payables and accruals	194,083	–	–	–	194,083
	194,083	7,082	121,355	496,617	819,137

FINANCIAL INFORMATION OF THE NORTHEAST SCHOOL

The Northeast School is a private institution of formal higher education focused on applied sciences. On April 20, 2016, Haxuan Company entered into an agreement with the current school sponsors, which are Independent Third Parties, to acquire the entire sponsor interest of the Northeast School. On July 29, 2016, we acquired 73.91% of the equity interest in Haxuan Company. We had paid approximately RMB156.9 million toward the total consideration for the investment in the Northeast School as of the Latest Practicable Date. We expect to fund the remaining portion of the consideration with a combination of bank loans and proceeds from the Global Offering. As of the Latest Practicable Date, the application to transfer the school sponsorship from the current school sponsors to Haxuan Company has been filed with the MOE. Upon obtaining the MOE's approval and registration with the provincial civil affairs authorities, the transfer of the school sponsorship of the Northeast School to Haxuan Company will be officially completed, after which the Northeast School's results of operations will be consolidated into our Group's results of operations upon its execution of the structured contracts, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects.

On August 23, 2016, the Northeast School and Huihuang Company entered into an exclusive technical service and education consultancy service agreement, which took effect on September 1, 2016. Pursuant to this agreement, Huihuang Company agrees to provide technology and management consulting services to the Northeast School prior to MOE's final approval of the transfer of the school sponsorship from the current school sponsors of the Northeast School to Haxuan Company and registration with the provincial civil affairs authorities regarding the same and, in return, the Northeast School will pay 73.91% of its surplus from operations to Huihuang Company as service fees during the term of the exclusive technical service and education consultancy service agreement. Huihuang Company has the right to demand pro rata payment at any time prior to the end of a full year after it commences service. The Northeast School is expected to enter into the structured contracts, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects, with Huihuang Company as soon as practicable after the MOE grants its approval for the transfer of the school sponsorship to Haxuan Company, and the exclusive technical service and education consultancy service agreement is expected to terminate automatically upon the approval of change of school sponsorship and the execution of the Structured Contracts. Following the execution of the Structured Contracts, the Northeast School will become an entity controlled by us and its results of operations will be consolidated into our Group's results of operations.

The Accountants' Report of the Northeast School is set out in Appendix IB to this prospectus.

Results of Operations of the Northeast School

The following table presents the selected consolidated statements of profit or loss and other comprehensive income of the Northeast School for the years ended December 31, 2014, 2015 and 2016:

	Year ended December 31,		
	2014	2015	2016
	(RMB in thousands)		
Revenue	121,068	124,052	128,545
Cost of sales	(63,956)	(71,949)	(83,509)
Gross profit	57,112	52,103	45,036
Other income and gains	15,069	18,267	21,005
Selling and distribution expenses	(1,140)	(1,348)	(1,187)
Administrative expenses	(30,285)	(494)	(14,462)
Other expenses	(13,022)	(12,374)	(14,448)
Finance costs	(4,252)	(2,550)	(730)
Profit before tax	23,482	53,604	35,214
Income tax expense	(39)	(135)	(624)
Profit for the year	23,443	53,469	34,590

Revenue

Revenue represents the value of services rendered during the Track Record Period. The Northeast School derives revenue from tuition fees and boarding fees it collects from students. Tuition and boarding fees are generally paid in advance at the beginning of each school year and recognized proportionately over an eight-month period, as the school year is generally from September to June of the following year excluding a two-month winter break. For the years ended December 31, 2014, 2015 and 2016, the Northeast School generated a total revenue of RMB121.1 million, RMB124.1 million and RMB128.5 million, respectively. Based on the confirmation letters from the local tax bureau, the Northeast School has historically enjoyed preferential tax treatment during the Track Record Period.

The table below summarizes the amount of revenue of the Northeast School generated from tuition fees and boarding fees for the periods indicated:

	Year ended December 31,		
	2014	2015	2016
	(RMB in thousands)		
Tuition fees	113,118	115,977	120,252
Boarding fees	7,950	8,075	8,293
Total	121,068	124,052	128,545

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Total revenue increased by 3.5% from RMB124.1 million for the year ended December 31, 2015 to RMB128.5 million for the year ended December 31, 2016. This increase was primarily due to the increase in the Northeast School's tuition rate for certain majors from RMB12,000-15,000 per year to RMB13,500-15,500 per year for the undergraduate program at the beginning of the 2016-2017 school year.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Total revenue increased by 2.5% from RMB121.1 million for the year ended December 31, 2014 to RMB124.1 million for the year ended December 31, 2015. This increase was primarily due to the increase in the Northeast School's tuition rate for certain majors from RMB11,000-14,000 per year to RMB12,000-15,000 per year for the undergraduate program at the beginning of the 2015-2016 school year.

Cost of Sales

Total cost of sales of the Northeast School consists primarily of salaries and benefits for school personnel, depreciation and amortization, teaching activity costs, travelling expenses, maintenance costs, costs related to students, utilities, vehicle use, rental fee and others. The following table sets forth the components of the Northeast School's cost of sales for the periods indicated.

	Year ended December 31,		
	2014	**2015**	**2016**
	(RMB in thousands)		
Salaries and benefits	30,083	36,232	45,048
Depreciation and amortization	16,737	15,879	16,807
Teaching activity costs	3,786	3,072	3,313
Maintenance costs	1,356	4,062	5,247
Utilities	8,887	9,735	9,970
Others	3,107	2,969	3,124
Total cost of sales	63,956	71,949	83,509

For the years ended December 31, 2014, 2015 and 2016, salaries and benefits for teaching personnel were RMB30.1 million, RMB36.2 million and RMB45.0 million, respectively, representing 47.0%, 50.4% and 53.9% of the Northeast School's 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. Teaching activity costs primarily consist of costs relating to curriculum design, research and publication, school events and practical training programs. Maintenance costs primarily consist of maintenance and repair costs for school buildings and student dormitories. Others primarily consists of telecommunication expenses, conference fees and other miscellaneous expenses.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Cost of sales increased by 16.1% from RMB71.9 million for the year ended December 31, 2015 to RMB83.5 million for the year ended December 31, 2016. This increase was primarily due to (i) the increase in salaries and benefits for teaching personnel as a result of the general increase in salary levels; and (ii) an increase in maintenance costs as a result of the maintenance work the Northeast School undertook in 2016 to prepare for the undergraduate program evaluation conducted by the MOE.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Cost of sales increased by 12.3% from RMB64.0 million for the year ended December 31, 2014 to RMB71.9 million for the year ended December 31, 2015. This increase was primarily due to the increase in general salary levels and a RMB2.7 million increase in maintenance costs as a result of a pavement maintenance and waterproofing project the Northeast School undertook in 2015.

Gross Profit Margin

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Gross profit margin decreased to 35.0% for the year ended December 31, 2016 from 42.0% for the year ended December 31, 2015 primarily because the increase in the cost of sales outpaced the growth in the revenue primarily due to the increase in the salaries and benefits of the school personnel and maintenance costs.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Gross profit margin decreased to 42.0% for the year ended December 31, 2015 from 47.2% for the year ended December 31, 2014 primarily because the increase in the cost of sales outpaced the growth in the revenue primarily due to the increase in the salaries and benefits of the school personnel and maintenance costs.

Other Income and Gains

Other income and gains of the Northeast School consists primarily of (i) service income; (ii) rental income; (iii) government grants; (iv) interest income; (v) canteen income; and (vi) gains on disposal of fixed assets.

The table below summarizes the amount of the Northeast School's other income and gains for the periods indicated:

	Year ended December 31,		
	2014	2015	2016
	(RMB in thousands)		
Canteen income	12,582	11,364	11,550
Service income	458	3,944	2,741
Rental income	445	1,653	3,647
Government grants	1,007	1,190	2,636
Interest Income	79	116	431
Gains on disposal of property, plant and equipment	498	–	–
Total	15,069	18,267	21,005

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Other income and gains increased by 14.8% from RMB18.3 million for the year ended December 31, 2015 to RMB21.0 million for the year ended December 31, 2016. The increase was primarily due to an increase in rental income as a result of the new lease entered into by the Northeast School and an Independent Third Party in April 2016 and an increase in government grants. These increases were partially offset by a decrease in service income because the Northeast School provided training services to teachers of secondary vocational schools in September 2015 and did not provide such training services in 2016.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Other income and gains increased by 21.2% from RMB15.1 million for the year ended December 31, 2014 to RMB18.3 million for the year ended December 31, 2015. The increase was primarily due to an increase in service income as a result of additional exam preparation and training programs the Northeast School offered in 2015 and increased rental income. These increases were partially offset by a decrease in canteen income.

Selling and Distribution Expenses

Selling and distribution expenses of the Northeast School consist primarily of student admission expenses.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Selling and distribution expenses decreased by 7.7% from RMB1.3 million for the year ended December 31, 2015 compared to RMB1.2 million for the year ended December 31, 2016, primarily as a result of a decrease in student admission expenses due to the decline in promotion activities in other provinces.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Selling and distribution expenses increased by 18.2% from RMB1.1 million for the year ended December 31, 2014 to RMB1.3 million for the year ended December 31, 2015, primarily due to an increase in expenses the Northeast School incurred relating to advertisements and printing costs for admission notices.

Administrative Expenses

Administrative expenses of the Northeast School primarily consist of educational experiment fee, foreign affairs fee, consulting fee, tax expense and others.

The following table sets forth the components of our administrative expenses for the periods indicated:

	Year ended December 31,		
	2014	**2015**	**2016**
	(RMB in thousands)		
Educational experiment fee	30,000	–	–
Foreign affairs fee	105	124	103
Consulting fee	50	189	14,171
Tax expense	130	170	178
Others	–	11	10
Total	30,285	494	14,462

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Administrative expenses increased from RMB0.5 million for the year ended December 31, 2015 to RMB14.5 million for the year ended December 31, 2016, primarily due to the RMB13.5 million of service fee recorded pursuant to the exclusive technical service and education consultancy service agreement between the Northeast School and Huihuang Company.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Administrative expenses decreased by 98.3% from RMB30.3 million for the year ended December 31, 2014 to RMB0.5 million for the year ended December 31, 2015. The decrease was primarily because the Northeast School stopped its contractual arrangements with Huake Group, pursuant to which Huake Group provided to the Northeast School curriculum design consulting services, sourced workplace simulation training sites, facilities and equipment with an aggregate of service fees paid by the Northeast School to Huake Group of approximately RMB30 million, and, as a result, did not incur any service fee in 2015.

Other Expenses

Other expenses of the Northeast School consist primarily of cost of sales incurred for on-campus canteens, losses incurred upon disposal of fixed assets and tax expense.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Other expenses increased by 16.1% from RMB12.4 million for the year ended December 31, 2015 to RMB14.4 million for the year ended December 31, 2016, primarily due to a RMB2.0 million of losses incurred upon disposal of fixed assets.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Other expenses decreased by 4.6% from RMB13.0 million for the year ended December 31, 2014 to RMB12.4 million for the year ended December 31, 2015, primarily due to a decrease in costs relating to on-campus canteens as a result of decreased sales by those canteens.

Finance Costs

Finance costs of the Northeast School consist primarily of interest expenses for bank loans and other borrowings.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Finance costs decreased by 73.1% from RMB2.6 million for the year ended December 31, 2015 to RMB0.7 million for the year ended December 31, 2016 because the Northeast School repaid a loan of RMB41.2 million in September 2015 for which the Northeast School paid interest for the nine months ended September 30, 2015.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Finance costs decreased by 39.5% from RMB4.3 million for the year ended December 31, 2014 to RMB2.6 million for the year ended December 31, 2015, primarily because the Northeast School had been repaying its loans and the amount of outstanding loans and interest payments decreased.

Profit for the Year

For the years ended December 31, 2014, 2015 and 2016, the Northeast School's profit for the year was RMB23.4 million, RMB53.5 million and RMB34.6 million, respectively.

Current Assets and Current Liabilities

The following table sets forth details of the Northeast School's current assets and current liabilities as of the dates indicated:

	As of December 31,		
	2014	2015	2016
	(RMB in thousands)		
CURRENT ASSETS			
Prepayments, deposits and other receivables	1,236	634	718
Amount due from related parties	401	596	470
Cash and cash equivalents	32,298	39,319	102,529
TOTAL CURRENT ASSETS	33,935	40,549	103,717
CURRENT LIABILITIES			
Deferred revenue	61,194	62,857	65,688
Interest-bearing bank and other borrowings	4,119	–	–
Other payables and accruals	46,351	46,245	60,218
Amount due to related parties	9,957	–	–
Tax payable	–	–	520
Deferred income current	1,002	1,285	2,519
TOTAL CURRENT LIABILITIES	122,623	110,387	128,945
NET CURRENT LIABILITIES	(88,688)	(69,838)	(25,228)

As of December 31, 2014, 2015 and 2016, the Northeast School had net current liabilities of RMB88.7 million, RMB69.8 million and RMB25.2 million, respectively. The Northeast School had net current liabilities as of each of these dates primarily because (i) tuition fees and boarding fees were generally paid in advance at the beginning of each school year, and the Northeast School records payments of tuition fees and boarding fees initially as a current liability under deferred revenue and recognizes the payments as revenue proportionately over the relevant period of the applicable program. As a school year typically starts in September of each year and ends in June the following year, the amounts of deferred revenue, which were part of the Northeast School's current liabilities, as of December 31, 2014, 2015 and 2016 generally represented the amount of tuition fees and boarding fees received from its students for the 2014-2015, 2015-2016 and 2016-2017 school years, respectively, but had yet to be recognized as revenue for the remainder of the school year (generally from January to June); (ii) the Northeast School made investments in property, plant and equipment, which are recorded as non-current assets, while the corresponding capital expenditures were financed in the forms of short-term bank loans and other borrowings as well as reflected in payables for purchase of property, plant and equipment, both of which were recorded as current liabilities; and (iii) the Northeast School had significant amounts of miscellaneous expenses received from students, which consisted of government subsidies payable to students which the Northeast School received from the government on behalf of the students.

Cash Flow

The following table sets forth a summary of the Northeast School's cash flows for the periods indicated.

	Year ended December 31,		
	2014	2015	2016
	(RMB in thousands)		
Net cash from/(used in) operating activities	50,015	66,049	72,551
Net cash used in investing activities	(24,211)	(16,223)	(14,186)
Net cash from/(used in) financing activities	(10,480)	(42,805)	4,845
Cash and cash equivalents at beginning of the year	16,974	32,298	39,319
Cash and cash equivalents at the end of the year	32,298	39,319	102,529

Cash Flows from/(used in) Operating Activities

The Northeast School generates 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. The Northeast School recognizes such amounts received as revenue proportionately over the relevant period of the applicable program.

Net cash from operating activities amounted to RMB72.6 million for the year ended December 31, 2016, primarily reflecting (i) profit before tax of RMB35.2 million; (ii) positive total adjustments before movements in working capital of RMB17.1 million, which in turn primarily reflected RMB16.0 million of positive adjustment for depreciation of items of property, plant and equipment, as partially offset by RMB2.5 million of amortization for government grants received; and (iii) positive movements in working capital of RMB20.4 million, which primarily reflected RMB2.8 million increase in deferred revenue and RMB17.3 million increase in other payables and accruals.

Net cash from operating activities amounted to RMB66.0 million for the year ended December 31, 2015, primarily reflecting (i) profit before tax of RMB53.6 million; (ii) positive total adjustments before movements in working capital of RMB17.1 million, which in turn primarily reflected RMB15.0 million of positive adjustment for depreciation of items of property, plant and equipment and RMB2.6 million of positive adjustment for finance costs, as partially offset by RMB1.2 million of amortization for government grants received; and (iii) negative movements in working capital of RMB4.7 million, which primarily reflected RMB10.0 million decrease in amounts due to related parties, as partially offset by RMB3.2 million increase in other payables and accruals and RMB1.7 million increase in deferred revenue.

Net cash from operating activities amounted to RMB50.0 million for the year ended December 31, 2014, primarily reflecting (i) profit before tax of RMB23.5 million; (ii) positive total adjustments before movements in working capital of RMB19.8 million, which in turn primarily reflected RMB15.8 million of positive adjustment for depreciation of items of property, plant and equipment and RMB4.3 million of positive adjustment for finance costs, as partially offset by RMB1.0 million of amortization for government grants; and (iii) positive movements in working capital of RMB6.7 million, which primarily reflected RMB4.3 million increase in other payables and accruals and RMB1.3 million increase in deferred revenue.

Cash Flows used in Investing Activities

The Northeast School's expenditures for investing activities were primarily for the purchase of property, plant and equipment.

Net cash used in investing activities amounted to RMB14.2 million for the year ended December 31, 2016, reflecting RMB15.3 million used to purchase property, plant and equipment.

Net cash used in investing activities amounted to RMB16.2 million for the year ended December 31, 2015, primarily reflecting RMB16.8 million used to purchase property, plant and equipment.

Net cash used in investing activities amounted to RMB24.2 million for the year ended December 31, 2014, primarily reflecting RMB24.4 million used to purchase property, plant and equipment.

Cash Flows from/(used in) Financing Activities

The Northeast School's expenditures for financing activities were primarily for the prepayments of borrowings and payment of interest expense.

Net cash from financing activities amounted to RMB4.8 million for the year ended December 31, 2016, primarily reflecting RMB30.0 million in proceeds from new bank loans and RMB5.6 million in government grants, which was partially offset by RMB30.0 million used to repay bank loans.

Net cash used in financing activities amounted to RMB42.8 million for the year ended December 31, 2015, primarily reflecting RMB71.2 million used to repay bank loans, which was partially offset by RMB30.0 million in proceeds from new bank loans.

Net cash used in financing activities amounted to RMB10.5 million for the year ended December 31, 2014, primarily reflecting RMB105.9 million used to repay bank loans, which was partially offset by RMB100.8 million in proceeds from new bank loans.

Contractual Commitments

Capital Commitments

The Northeast School's capital commitments primarily relate to the acquisition of plant and equipment. The following table sets forth a summary of the Northeast School's capital commitments as of the dates indicated:

	As of December 31,		
	2014	**2015**	**2016**
	(RMB in thousands)		
Contracted but not provided for:			
Property, plant and equipment	6	21	1,115

Operating Lease Commitments

During the Track Record Period, the Northeast School leased a number of buildings under operating leases. Leases for buildings were negotiated for a term of one to ten years. The table below sets forth the Northeast School's future minimum lease payments payable under non-cancellable operating leases as of the dates indicated:

	As of December 31,		
	2014	2015	2016
	(RMB in thousands)		
Within one year	1,101	1,101	4,700
After one year but not more than five years	5,610	5,759	10,678
More than five years	4,583	3,333	2,083
Total	11,294	10,193	17,461

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 December 31, 2016.

DIVIDEND POLICY

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and, particularly, our PRC Operating Schools, which are primarily incorporated in the PRC. Our PRC Operating Schools must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and paying dividends to us. Pursuant to the laws applicable to the PRC's Foreign Investment Enterprises, our Company's subsidiaries and our PRC Operating 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. The school sponsor of the Yunnan School has elected to require reasonable returns, while the school sponsor of the Guizhou School has elected to not require reasonable returns.

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. Our Board intends to recommend at the relevant shareholder meetings an annual dividend of no less than 30% of our profits available for distribution generated in each financial year beginning from the year ending December 31, 2017. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. The determination to pay dividends, however, will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we currently have or that we may enter into in the future.

In 2014 and 2015, we declared and paid dividends of RMB12.0 million and RMB137.0 million, respectively, to our shareholders, and we did not declare any dividends for the year ended December 31, 2016.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, other than the keepwell and liquidity support deed entered into by our Controlling Shareholder Mr. Li with CSI Finance Limited in relation to loans in an aggregate amount of US$64.0 million granted to us by CSI Finance Limited and China CITIC Bank International Limited and Enchang Company's prepayments of approximately RMB522.6 million to fund the construction of the new campus at the Central China School, and RMB156.9 million toward the total consideration for the investment in the Northeast School 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. See "– Indebtedness – Bank Loans and Other Borrowings" and "Business – Planned Additional Schools – New Campus as Central China School" for details.

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuation firm, has valued the properties held by us as of January 31, 2017. The text of its letter, summary of values and valuation certificate are set out in the property valuation report as set forth in Appendix III to this prospectus.

The following table presents the reconciliation of the net book value of the relevant property interests as of December 31, 2016 to their market value as of January 31, 2017 attributed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited as stated in the valuation certificate in the property valuation report as set forth in Appendix III to this prospectus:

	RMB'000
Net book value of the following properties as of December 31, 2016:	
Building and construction in process included in property, plant and equipment	803,862
Prepaid lease payments	99,173
Investment properties	31,817
Less: Depreciation for the one month ended January 31, 2017	(955)
	933,897
Valuation surplus	194,088
Valuation as of January 31, 2017	1,127,985

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Upon completion of an equity transfer on November 21, 2016 between Guo Hui and Yun Ai Group, Enchang Company became owned as to 82% by Yun Ai Group and 18% by Jiang Mingxue. Upon completion of a capital increase on January 12, 2017, Enchang Company became owned as to 89.2% by Yun Ai Group and 10.8% by Jiang Mingxue (蔣明學). See "History and Corporate Structure – History of Our School Sponsors – Future School Sponsors" in this prospectus for details.

Our Directors confirm that, except as stated above, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since December 31, 2016 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since December 31, 2016 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report of the Group in Appendix IA to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following our unaudited pro forma adjusted 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 net tangible assets as of December 31, 2016 as if it had taken place on that date.

The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of December 31, 2016 or any future date. It is prepared based on our consolidated net tangible assets as of December 31, 2016 as set out in the Accountants' Report of the Group in Appendix IA to this prospectus, and adjusted as described below:

	Consolidated net tangible assets of our Group attributable to owners of the Company as of December 31, 2016[(1)]	Estimated net proceeds from the Global Offering[(2)]	Unaudited pro forma adjusted net tangible assets of our Group attributable to owners of the Company	Unaudited pro forma adjusted net tangible assets per Share[(3)]	
	(RMB in thousands)			RMB	HK$[(4)]
Based on the Offer Price of HK$2.56 per Share	879,851	603,639	1,483,490	1.04	1.18
Based on the Offer Price of HK$3.22 per Share	879,851	764,395	1,644,246	1.15	1.30

Notes:

(1) The consolidated net tangible assets attributable to owners of our Company as of December 31, 2016 is extracted from "Appendix IA – Accountants' Report of the Group", which is based on the audited consolidated equity attributable to owners of our Company as of December 31, 2016 of approximately RMB888,169,000 less intangible assets as of December 31, 2016 of approximately RMB8,318,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$2.56 per Share and HK$3.22 per Share, after deduction of the underwriting fees, discretionary bonus 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 RMB0.8846.

(3) The unaudited pro forma adjusted net tangible assets per Share is calculated based on 1,431,100,000 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 net tangible assets attributable to owners of the Company does not take into account the proposed acquisition of Northeast School by the Group. Had the acquisition been taken into account, the unaudited pro forma net tangible assets of the enlarged group would be RMB1,228 million, the unaudited pro forma adjusted net tangible assets per share would be RMB1.28 (assuming an offer price of HK$2.56 per share) and RMB1.39 (assuming an offer price of HK$3.22 per share), respectively. The unaudited pro forma net tangible assets of the enlarged group is extracted from "Appendix IIB – Unaudited Pro Forma Financial Information of the Enlarged Group", which is based on the unaudited pro forma net assets of the enlarged group as of December 31, 2016 of approximately RMB1,325 million less unaudited pro forma intangible assets as of December 31, 2016 of approximately RMB97 million.

(5) The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.0 to RMB0.8846.

Appendix IIB sets forth the unaudited pro forma statement of assets and liabilities of the enlarged group after giving effect to the acquisition of the Northeast School, as if such acquisition had been completed as of December 31, 2016.

FUTURE PLANS

See "Business – Our Business Strategies" in this prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$773.2 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 public Offer Price of HK$2.89 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus. If the Over-allotment Option is exercised in full, we estimate that our additional net proceeds from the offering of these additional Shares will be approximately HK$119.4 million, after deducting the underwriting commissions, discretionary bonus and our estimated expenses, assuming an Offer Price of HK$2.89 per Share.

We intend to use the proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 63.0%, or HK$487.1 million, is expected to be used primarily to expand our business, including constructing new schools and acquiring schools that are qualified to grant bachelor's degrees:

  – approximately HK$214.2 million towards acquiring or establishing schools in 2017. As of the Latest Practicable Date, we had not identified any acquisition target or engaged in any discussions or negotiations except as disclosed under "History and Corporate Structure – Schools to be Established or Invested in" in this prospectus. However, we had formulated clear strategies for our future acquisitions. Specifically, we aim to expand our school network in capital cities in the northwestern, central and northeastern China where we believe there exists significant growth potential because the higher education enrollment rates in these regions are lower than the national average enrollment rates, and compared with economically more developed areas in China. For 2015, the higher education enrollment rate was 29.3%, 36.7% and 33.5% in the northwestern, central and northeastern China, respectively, compared to a national average of 37.1%, and 41.6% and 44.1% for north China and east China, respectively, according to Frost & Sullivan. In addition, the higher education enrollment rate in the northwestern, central and northeastern China is expected to grow to 42.0%, 51.3% and 47.4% by 2020, respectively, according to Frost & Sullivan. In addition, we intend to acquire or invest in independent colleges and other higher education institutions (i) offering undergraduate programs, or high quality junior college programs and which will be qualified to offer undergraduate programs in the near future; (ii) with a total student enrollment of approximately 8,000 to 20,000; and (iii) with clear operation history and shareholding structure, and good financial performance;

  – approximately HK$123.1 million towards constructing school facilities at the Northwest School; and

  – approximately HK$149.8 million towards settling a portion of the outstanding consideration for our investment in the Northeast School.

- approximately 27.0%, or HK$208.8 million, is expected to be used primarily to improve our financing structure and repay a portion of our bank loans, the details of which are set forth below; and

Lender	Amount	Interest Rate	Maturity Date	Expected Repayment Date	Loan Purpose
China CITIC Bank International Limited	US$38.4 million (approximately HK$297.6 million)	3.3%+LIBOR	September 12, 2017	September 12, 2017	General corporate purposes
CSI Finance Limited	US$25.6 million (approximately HK$198.4 million)	3.3%+LIBOR	September 12, 2017	September 12, 2017	General corporate purposes

- approximately 10.0%, or HK$77.3 million, is expected to be used to fund our working capital and general corporate purposes including for teachers training and professional development centers, workplace simulation studios and smart campus construction.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we intend to deposit the proceeds into interest-bearing bank accounts, such as demand deposit accounts, with licensed commercial banks and/or authorized financial institutions in Hong Kong.

In the event that the Offer Price is set at the high-end or low-end of the proposed Offer Price range and the Over-allotment Option is not exercised at all, we will receive net proceeds of approximately HK$864.1 million and HK$682.4 million, respectively. Under such circumstances, our intended use of proceeds will be increased or decreased 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$892.6 million, assuming an Offer Price of HK$2.89 per 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 of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase or decrease by approximately HK$104.5 million, respectively. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

HONG KONG UNDERWRITERS

BNP Paribas Securities (Asia) Limited
CCB International Capital Limited
CLSA Limited
China International Capital Corporation Hong Kong Securities Limited
Haitong International Securities Company Limited
First Capital Securities Limited
Pacific Foundation Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially Hong Kong Offer Shares (subject to adjustment and re-allocation) for subscription by way of a Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

One of the conditions is that the Offer Price must be agreed between us and the Joint Global Coordinators, on behalf of the Hong Kong Underwriters. For applicants applying under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Placing will be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators, on behalf of the Hong Kong Underwriters, the Global Offering will not proceed.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or to procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by written notice to us from the Joint Global Coordinators (for themselves and on behalf of the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters) if prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any local, national, regional or international event or circumstance or a series of events or circumstances in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, or pandemic (including but not limited to Severe Acute Respiratory Syndrome, H1N1 and H5N1 and such related/mutated form), outbreak of disease, accident or interruption or delay in transportation, economic sanctions, labour disputes, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the Republic of Korea, Singapore, the British Virgin Islands, the Cayman Islands, the United States, the United Kingdom, the European Union (or any member thereof), Japan, or any other jurisdiction relevant to any member of the Group) (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any 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 any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(iv) the imposition of any general moratorium on commercial banking activities or foreign exchange trading or securities settlement or clearance services in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or by other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, the PRC, the Cayman Islands, the British Virgin Islands, the European Union (or any member thereof), Japan, Singapore, or any other jurisdiction relevant to any member of the Group, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or

(v) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of the Company listed or quoted on a stock exchange or an over-the-counter market; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or the European Union (or any member thereof) on the PRC or any other jurisdiction relevant to any member of the Group; or

(vii) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting the Relevant Jurisdictions; or

(viii) any adverse change or development involving a prospective adverse change (whether permanent or not) in the assets, liabilities, conditions (financial or otherwise), business affairs, prospects, earnings, profits, losses or financial or trading position of the Group taken as a whole; or

(ix) a change or development involving a prospective change in or affecting 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 the Relevant Jurisdictions; or

(x) a demand by any tax authority for payment for any tax liability for any member of the Group; or

(xi) any litigation or claim, or investigation or action of any third party being announced, threatened or instigated against any member of the Group, the Controlling Shareholders, the executive Directors or the Yun Ai Group; or

(xii) 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

(xiii) the chairman, chief executive officer or the chief financial officer of our Company vacating his or her office; or

(xiv) an authority or a political body or organization in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xv) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including Shares to be allotted and issued under the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xvi) a contravention by any member of the Group of the Listing Rules or applicable laws; or

(xvii) non-compliance of this prospectus (or any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws; or

(xviii) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offering, issue, subscription or sale of the Shares) pursuant to the Companies (WUMP) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xix) any change or prospective change in, or materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus;

(xx) an order or petition for the winding up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up or liquidation of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (1) has or will have or may have a material adverse effect 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 the Group as a whole; or (2) has or will have or may 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 (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus; or (4) has or will have or may have the effect of making any part of this Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or materially delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or any of the Hong Kong Underwriters:

(i) that any statement contained in any of the this prospectus, the Application Forms and/or in any notices, announcements, post hearing information pack, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering or the Global Offering (including any supplement or amendment thereto) was, when it was issued, or has or may become, untrue, incorrect, inaccurate, in any material respect or misleading, or that any forecast, estimate, 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 our 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

(ii) 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 an omission or a misstatement from any of this prospectus, the Application Forms and/or in any notices, announcements, post hearing information pack, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering or the Global Offering (including any supplement or amendment thereto); or

(iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(iv) any material adverse change, or any development involving a prospective 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 any member of the Group; or

(v) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the terms of the Hong Kong Underwriting Agreement; or

(vi) any breach of, or any event or circumstance rendering untrue, inaccurate or incorrect in any respect, any of the warranties under the Hong Kong Underwriting Agreement; 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, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(ix) any of Ernst & Young as the reporting accountant, 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, Jones Lang LaSalle Corporate Appraisal and Advisory Limited as the property valuer, or Frost & Sullivan as the independent industry consultant, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(x) a material portion of the orders in the bookbuilding process or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Joint Global Coordinators, in their absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except the issue of Shares pursuant to the Capitalization Issue and pursuant to the exercise of any options which may be granted pursuant to the Share Option Scheme.

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-month Period**"), we have undertaken to each of the Joint Global Coordinators and the Hong Kong Underwriters not to, and to procure each other member of the Group not to, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create 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 other securities of our Company or any shares or other securities of such other member of the Group, 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 member of the Group, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of the Group, 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 any Shares or other securities of our Company or any shares or other securities of such other member of the Group, 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 member of the Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-month Period). In the event that, during the period of six months commencing on the date on which the First Six-month Period expires, our Company enters into any of the transactions specified in (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.

The Company has agreed and undertaken that it will not effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below 25% on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Sole Sponsor and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters).

Similar undertakings are expected to be given by us to the International Underwriters under the International Underwriting Agreement.

(B) Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to each of the Company, the Joint Global Coordinators and the Hong Kong Underwriters that, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) he/it will not, 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 other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts, or (ii) (in the case of Mr. Li) transfer, issue, allot, or create any encumbrances over, or otherwise dispose of his direct or indirect interests in Aspire Education Technology, Aspire Education Management, Aspire Education Consulting and Aspire Education International, or (iii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iv) enter into any transaction with the same economic effect as any transaction specified in (i), (ii) or (iii) above, or (v) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii), (iii) or (iv) above, in each case, whether any of the transactions specified in (i), (ii), (iii) or (iv) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-month Period);

(b) he/it will not, during the period of six months commencing on the date on which the First Six-month Period expires, enter into any of the transactions specified in (a)(i), (ii), (iii) or (iv) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, 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 period referred to in paragraph (b) above, in the event that it enters into any of the transactions specified in (a)(i), (ii), (iii) or (iv) above or offer to or agrees to or announce any intention to effect any such transaction, it will 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 have agreed and undertaken that he/it will not, and each of them further undertakes to procure that our Company will not, effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below 25% on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Sole Sponsor and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters).

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company will not, any time within six months from the Listing Date, issue any Shares or other securities into equity securities (whether or not of a class already listed) of our Company or enter into any agreement or arrangement to issue such shares or securities (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), that he/it will not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

(a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the "**Relevant 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 our Shares in respect of which he/it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the "**Parent Shares**"); or

(b) during the period of six months commencing on the date on which the Relevant First Six-month Period expires (the "**Relevant 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 Parent Shares to such options, rights, interests or encumbrances, he/it would cease to be our controlling shareholder (as defined in the Listing Rules).

Further, pursuant to Note (3) of Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that, during the Relevant Six-month Period and the Relevant Second Six-month Period, he/it will:

(a) if he/it pledges or charges any of our securities beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately informs us of such pledge or charge together with the number of securities so pledged or charged; and

(b) if he/it receives indications, either verbal or written, from the pledgee or chargee that any of his/its pledged or charged securities will be disposed of, immediately inform us of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Indemnity

Each of our Company and the Controlling Shareholders has 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 of our Company and the Controlling Shareholders of the Hong Kong Underwriting Agreement.

International Placing

In connection with the International Placing, we expect to enter into the International Underwriting Agreement with the International Underwriters and other parties thereto. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, agree to purchase the International Placing Shares or procure subscribers or purchasers for the International Placing Shares. The International Underwriting Agreement is expected to provide that it may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors will be reminded that in the event the International Underwriting Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, we will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement as described in paragraph headed "Underwriting Arrangements and Expenses – Hong Kong Public Offering – Undertakings pursuant to the Hong Kong Underwriting" in this section.

Under the International Underwriting Agreement, we are expected to grant to the International Underwriters the Over-allotment Option, exercisable by BNP Paribas (after consultation with the Joint Global Coordinators to the extent practicable) at any time and from time to time from the Listing Date until (and including) 30 days after the last date for lodging of Application Forms under the Hong Kong Public Offering, to sell up to an aggregate of 42,933,000 additional Shares, representing in aggregate of approximately 15% of the number of Shares initially available under the Global Offering. These Shares will be sold at the Offer Price.

Underwriting Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 2.8% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. The commissions payable to the Underwriters will be borne by us in proportion in relation to the new Shares to be issued in relation to the Global Offering. In addition, we may pay to the Joint Global Coordinators a discretionary bonus of up to 1.0% of the Offer Price multiplied by the total number of Offer Shares (subject to the Over-allotment Option).

Assuming an Offer Price of HK$2.89 per Share (being the mid-point of the indicative Offer Price range), the aggregate commissions and fees, discretionary bonus, together with listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering (collectively the "**Commissions and Fees**") are estimated to be approximately RMB73.7 million (assuming the Over-allotment Option is not exercised at all) in total.

The Commissions and Fees were determined after arm's length negotiation between over Company and the Hong Kong Underwriters or other parties by reference to the current market conditions.

Hong Kong Underwriters' Interests in the Company

Save as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement, the Hong Kong Underwriters do not have any shareholding in any member of our Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of Shares as a result of fulfilling their obligations under the Underwriting Agreements.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws, rules and regulatory requirements in place. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, or its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

The Stabilizing Manager, its affiliates or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

(a) purchase, or agree to purchase, any of the Offer Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Offer Shares;

(b) in connection with any action described in paragraph (a) above:

   (i) (1) over-allocate the Shares; or (2) sell or agree to sell the Offer Shares so as to establish a short position in them;

   (ii) purchase or subscribe for or agree to purchase or subscribe for the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (i) above;

   (iii) sell or agree to sell any of the Offer Shares to liquidate a long position held as a result of those purchases; or

   (iv) offer or attempt to do anything as described in paragraph (b)(i)(2), (b)(ii) or (b)(iii) above.

The Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Offer Shares, and there is no certainty regarding the extent to which and the time period for which it will maintain any such position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilizing Manager, its affiliates or any person acting for it and selling in the open market, which may include a decline in the market price of the Offer Shares.

Stabilization cannot be used to support the price of the Offer Shares for longer than the stabilization period, which begins on the Listing Date and ends on the thirtieth day after the last day for lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilization action may be taken, demand for the Shares, and therefore their market price, could fall.

Any stabilizing action taken by the Stabilizing Manager, its affiliates or any person acting for it may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilization period. Stabilizing bids or market purchases effected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Offer Shares.

In connection with the Global Offering, Joint Global Coordinators may over-allocate up to and not more than an aggregate of 42,933,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 28,622,000 Hong Kong 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 257,598,000 International Placing Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong), in offshore transactions in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A or another exemption from the registration requirements under the U.S. Securities Act.

Investors may apply for Hong Kong 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 28,622,000 Hong Kong 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 Hong Kong Offer Shares will represent approximately 2.0% 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 Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (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 Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong 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 Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong 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 Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Hong Kong 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 Hong Kong 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 14,311,000 Hong Kong Offer Shares, being the number of Hong Kong 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 85,866,000, 114,488,000 and 143,110,000 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.

In addition, the Joint Global Coordinators, in their sole discretion, allocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may be re-allocated as between these offerings at the discretion of the Joint Global Coordinators. If either the Hong Kong Public Offering or the International Placing is not fully subscribed, the Joint Global Coordinators have the authority to re-allocate any or all unsubscribed Offer Shares from such offering to the other in such proportion as the Joint Global Coordinators deem appropriate.

Details of any re-allocation of Offer Shares between the Hong Kong Public Offering and the International Placing will be disclosed in the results announcement of the allocations, which is expected to be published on Tuesday, April 18, 2017.

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$3.22 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$3.22 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 Hong Kong Offer Shares" in this prospectus for further details.

THE INTERNATIONAL PLACING

Number of Offer Shares initially offered

We are initially offering 257,598,000 Offer Shares under the International Placing, representing 90% of the total number of Offer Shares initially available under the Global Offering. The International Placing is subject to the Hong Kong Public Offering becoming unconditional. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the International Placing Shares will represent approximately 18.0% 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 BNP Paribas (after consultation with the Joint Global Coordinators to the extent practicable) on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by BNP Paribas (after consultation with the Joint Global Coordinators to the extent practicable) (on behalf of the International Underwriters) 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 May 10, 2017), to require us to allot and issue up to 42,933,000 additional Offer Shares representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Placing, to, among other things, cover over-allocations in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 2.9% 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. However, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Should stabilizing transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it. The number of Shares over-allocated will not be greater than the maximum number of Shares which may be issued upon exercise of the Over-allotment Option, being 42,933,000 Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, its affiliates or any person acting for it, will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it, may have a material and adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on May 10, 2017, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions may be effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions may be effected at a price below the price paid by applicants for, or investors in, the Shares.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Monday, April 10, 2017, and in any event on or before 6:00 p.m. on Tuesday, April 11, 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$3.22 per Offer Share and is expected to be not less than HK$2.56 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.hkexnews.hk** and our Company at **www.xingaojiao.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, April 18, 2017 in the manner set forth in the section headed "How to Apply for Hong Kong 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$773.2 million, assuming an Offer Price of HK$2.89 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$892.6 million, assuming an Offer Price of HK$2.89 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);

(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 May 4, 2017, being the 30th day after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company (for ourselves) and the Joint Global Coordinators (on behalf of the Underwriters) on or before 6:00 p.m. Tuesday, April 11, 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 Hong Kong Offer Shares – Despatch/Collection of Share Certificates and Refund Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination" in this prospectus has not been exercised.

Application for Listing on the Hong Kong Stock Exchange

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

Shares will be eligible for CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS established and operated by the HKSCC. If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealing

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on April 19, 2017, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on April 19, 2017.

The Shares will be traded in board lots of 1,000 Shares each and the stock code of the Shares will be 2001.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a WHITE or YELLOW Application Form;
- apply online via the White Form eIPO service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a WHITE or YELLOW Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the White Form eIPO service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of White Form eIPO service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong 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 HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a WHITE Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong 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 Wednesday, April 5, 2017 until 12:00 noon on Monday, April 10, 2017 from:

(i) any of the following offices of the Joint Bookrunners:

BNP Paribas Securities (Asia) Limited	59/F-63/F, Two International Finance Centre 8 Finance Street Central Hong Kong
CCB International Capital Limited	12/F CCB Tower 3 Connaught Road Central Central Hong Kong
CLSA Limited	18/F, One Pacific Place 88 Queensway Hong Kong
China International Capital Corporation Hong Kong Securities Limited	29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong

Haitong International Securities Company Limited	22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
First Capital Securities Limited	Unit 4512, 45/F, The Center 99 Queen's Road Central Hong Kong

(ii) any of the the following branches of the receiving bank:

Standard Chartered Bank (Hong Kong) Limited

District	Branch	Address
Hong Kong Island	Hennessy Road Branch	399 Hennessy Road, Wanchai
	Aberdeen Branch	Shop 4A, G/F and Shop 1, 1/F, Aberdeen Centre Site 5, No.6-12 Nam Ning Street, Aberdeen
Kowloon	Telford Gardens Branch	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kwun Tong
	Mei Foo Manhattan Branch	Shop Nos.07 & 09, Ground Floor, Mei Foo Plaza, Mei Foo Sun Chuen
New Territories	Maritime Square Branch	Shop 308E, Level 3, Maritime Square, Tsing Yi

You can collect a YELLOW Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Wednesday, April 5, 2017 until 12:00 noon on Monday, April 10, 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 "HORSFORD NOMINEES LIMITED – CHINA NEW HIGHER 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:

Wednesday, April 5, 2017 – 9:00 a.m. to 5:00 p.m.
Thursday, April 6, 2017 – 9:00 a.m. to 5:00 p.m.
Friday, April 7, 2017 – 9:00 a.m. to 5:00 p.m.
Saturday, April 8, 2017 – 9:00 a.m. to 1:00 p.m.
Monday, April 10, 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 Monday, April 10, 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, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong 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 Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong 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 Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong 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 the "Personal Collection" section in the Prospectus to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong 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 for the Hong Kong 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 are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the White Form eIPO service.

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 Wednesday, April 5, 2017 until 11:30 a.m. on Monday, April 10, 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, April 10, 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 to make an application for Hong Kong 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 service 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 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** service is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "China New Higher Education Group Limited" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang-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 Hong Kong 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 Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong 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 Hong Kong 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 Hong Kong 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;

- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong 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 Hong Kong 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 authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the WHITE Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong 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 Hong Kong 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:

Wednesday, April 5, 2017	**–**	**9:00 a.m. to 8:30 p.m.(1)**
Thursday, April 6, 2017	**–**	**8:00 a.m. to 8:30 p.m.(1)**
Friday, April 7, 2017	**–**	**8:00 a.m. to 8:30 p.m.(1)**
Saturday, April 8, 2017	**–**	**8:00 a.m. to 1:00 p.m.(1)**
Monday, April 10, 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 Wednesday, April 5, 2017 until 12:00 noon on Monday, April 10, 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 Monday, April 10, 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 Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong 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 Hong Kong 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 Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the White Form eIPO service is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Sole Sponsor, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the White Form eIPO service will be allotted any Hong Kong 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 Monday, April 10, 2017.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong 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, 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 HONG KONG 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 in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong 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 Monday, April 10, 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 Monday, April 10, 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 Hong Kong Offer Shares on or before Tuesday, April 18, 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.xingaojiao.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.xingaojiao.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, April 18, 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, April 18, 2017 to 12:00 midnight on Monday, April 24, 2017;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, April 18, 2017 to Friday, April 21, 2017;
- in the special allocation results booklets which will be available for inspection during opening hours on Tuesday, April 18, 2017, Wednesday, April 19, 2017 and Thursday, April 20, 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 Hong Kong 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 HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong 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 Hong Kong Offer Shares is void:

The allotment of Hong Kong 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) Hong Kong 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 Hong Kong 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$3.22 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Tuesday, April 18, 2017.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong 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 Hong Kong 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 Hong Kong 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, April 18, 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, April 19, 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 Hong Kong 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, 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, April 18, 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 authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong 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, April 18, 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 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Tuesday, April 18, 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, April 18, 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 Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong 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, April 18, 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong 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, April 18, 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 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, April 18, 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 Hong Kong Offer Shares

For the purposes of allocating Hong Kong 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, April 18, 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, April 18, 2017. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, April 18, 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 Hong Kong 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 Hong Kong 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, April 18, 2017. Immediately following the credit of the Hong Kong 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 Hong Kong 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, April 18, 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 reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong prepared for the purpose of incorporation in this report.

5 April 2017

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

EY 安永

The Directors
China New Higher Education Group Limited

BNP Paribas Securities (Asia) Limited

Dear Sirs,

We set out below our report on the financial information of China New Higher Education Group 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 2014, 2015 and 2016 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016, together with the notes thereto (the "Financial Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the prospectus of the Company dated 5 April 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 8 July 2016. Pursuant to a group reorganization (the "Reorganization") as set out in note 2.1 of Section II below, which was completed on 6 September 2016, the Company became the holding company of the other subsidiaries comprising the Group. Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the date of this report, the Company 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 Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2014, 2015 and 2016 were audited by us in accordance with Hong Kong Standards on Auditing issued by 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 and the Financial Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial 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 on the Financial Information, and to report our opinion 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.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the financial position of the Group as at 31 December 2014, 2015 and 2016, and the financial position of the Company as at 31 December 2016, and of the consolidated financial performance and cash flows of the Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2014	2015	2016
		RMB'000	*RMB'000*	*RMB'000*
CONTINUING OPERATIONS				
REVENUE	6	206,495	273,994	340,996
Cost of sales		(105,725)	(138,367)	(177,409)
Gross profit		100,770	135,627	163,587
Other income and gains	6	37,057	49,329	60,859
Selling and distribution expenses		(3,877)	(3,375)	(3,174)
Administrative expenses		(30,144)	(36,892)	(59,929)
Other expenses		(2,514)	(5,068)	(12,365)
Finance costs	7	(20,264)	(29,554)	(36,089)
PROFIT BEFORE TAX	8	81,028	110,067	112,889
Income tax expense	11	(2,294)	(5,816)	(2,358)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		78,734	104,251	110,531
DISCONTINUED OPERATION				
Profit/(loss) for the year from a discontinued operation	12	2,574	(430)	1,666
PROFIT FOR THE YEAR		81,308	103,821	112,197
Attributable to:				
Owners of the parent		81,308	103,823	111,755
Non-controlling interests		–	(2)	442
OTHER COMPREHENSIVE LOSS TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT YEAR				
Exchange differences on translation of foreign operations		–	–	(15,594)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		81,308	103,821	96,603
Attributable to:				
Owners of the parent		81,308	103,823	96,161
Non-controlling interests		–	(2)	442
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted	14	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	Year ended 31 December		
		2014	2015	2016
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	15	601,786	728,270	867,240
Investment properties	16	31,177	30,213	31,817
Prepaid land lease payments	17	105,309	103,030	99,173
Other intangible assets	18	3,447	4,921	8,318
Available-for-sale investments	19	4,500	4,500	–
Other non-current assets	20	11,266	173,944	720,585
Total non-current assets		757,485	1,044,878	1,727,133
CURRENT ASSETS				
Prepayments, deposits and other receivables	21	43,128	48,794	50,516
Amounts due from related parties	34	4,011	–	–
Pledged deposits	22	–	20,000	52,749
Cash and cash equivalents	22	299,170	82,979	178,785
Available-for-sale Investments	19	10,000	20,000	–
Other current assets		240	42	3,415
Total current assets		356,549	171,815	285,465
CURRENT LIABILITIES				
Deferred revenue	23	138,908	180,019	217,047
Other payables and accruals	24	156,935	177,230	240,262
Interest-bearing bank and other borrowings	25	100,599	319,496	102,500
Deferred income	27	3,655	2,324	2,122
Tax payable		1,359	2,472	1,511
Total current liabilities		401,456	681,541	563,442
NET CURRENT LIABILITIES		(44,907)	(509,726)	(277,977)
TOTAL ASSETS LESS CURRENT LIABILITIES		712,578	535,152	1,449,156
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	25	317,196	131,500	476,128
Deferred income	27	14,324	22,028	30,512
Total non-current liabilities		331,520	153,528	506,640
Net assets		381,058	381,624	942,516
EQUITY				
Equity attributable to owners of the parent				
Share capital	28	–	–	–
Reserves	29	381,058	345,781	888,169
		381,058	345,781	888,169
Non-controlling interests		–	35,843	54,347
Total equity		381,058	381,624	942,516

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent							
	Share capital	Capital Reserve*	Exchange fluctuation reserve*	Statutory reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000 *(note 28)*	*RMB'000* *(note 29)*	*RMB'000* *(note 29)*	*RMB'000* *(note 29)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2014	–	125,001	–	55,657	131,092	311,750	–	311,750
Profit and total comprehensive income for the year	–	–	–	–	81,308	81,308	–	81,308
Transfer from retained profits	–	–	–	22,239	(22,239)	–	–	–
Final dividend declared	–	–	–	–	(12,000)	(12,000)	–	(12,000)
As at 31 December 2014 and 1 January 2015	–	125,001	–	77,896	178,161	381,058	–	381,058
Profit and total comprehensive income for the year	–	–	–	–	103,823	103,823	(2)	103,821
Transfer from retained profits	–	–	–	36,280	(36,280)	–	–	–
Final dividend declared	–	–	–	–	(137,000)	(137,000)	–	(137,000)
Acquisition of a subsidiary	–	–	–	–	–	–	35,845	35,845
Contribution to the shareholders	–	(2,100)	–	–	–	(2,100)	–	(2,100)
As at 31 December 2015 and 1 January 2016	–	122,901	–	114,176	108,704	345,781	35,843	381,624
Profit for the year	–	–	–	–	111,755	111,755	442	112,197
Other comprehensive income	–	–	(15,594)	–	–	(15,594)	–	(15,594)
Total comprehensive income	–	–	(15,594)	–	111,755	96,161	442	96,603
Transfer from retained profits	–	–	–	48,118	(48,118)	–	–	–
Capital injection from investors	–	446,254	–	–	–	446,254	–	446,254
Contribution from non-controlling shareholders	–	–	–	–	–	–	18,605	18,605
Acquisition of non-controlling interests	–	(27)	–	–	–	(27)	(543)	(570)
As at 31 December 2016	–	569,128	(15,594)	162,294	172,341	888,169	54,347	942,516

* These reserve accounts comprise the combined reserves of RMB381,058,000, RMB345,781,000 and RMB888,169,000 in the consolidated statements of financial position as at 31 December 2014, 2015 and 2016, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2014	2015	2016
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax:				
From continuing operations		81,028	110,067	112,889
From a discontinued operation	12	3,637	331	1,838
Adjustments for:				
Finance costs	7	20,264	29,554	36,089
Interest income		(1,177)	(2,234)	(1,415)
Investment income		(2,974)	(2,792)	(2,875)
Gain on disposal of subsidiaries	30	–	–	(758)
Gain on disposal of discontinued operations	12	–	–	(1,267)
Dividend income from available-for-sale investments		(382)	(482)	–
Loss/(gain) on disposal of items of property, plant and equipment		29	533	(125)
Provision for prepayments, deposits and other receivables		238	1,320	496
Amortization of government grants		(1,104)	(4,522)	(2,917)
Amortization of deferred gain on disposal of property, plant and equipment		(1,996)	(1,996)	(3,834)
Depreciation of items of property, plant and equipment		22,530	26,569	33,259
Depreciation of investment properties		823	989	904
Amortization of prepaid land lease payments		2,210	2,286	2,251
Amortization of other intangible assets		433	993	1,595
(Increase)/decrease in prepayments deposits and other receivables		(10,068)	34,036	(163,751)
Increase in other payables and accruals		8,483	22,217	179,243
Increase in deferred revenue		35,065	41,111	38,072
Cash generated from operations		157,039	257,980	229,694
Interest received		1,177	2,234	1,415
Income tax paid		(1,292)	(5,451)	(3,491)
Interest element of finance lease rental payments		(764)	(399)	(2,518)
Net cash flows from/(used in) operating activities		156,160	254,364	225,100

	Notes	Year ended 31 December		
		2014	2015	2016
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(115,610)	(150,067)	(155,458)
Proceeds from disposal of items of property, plant and equipment		225	115	344
Prepaid land lease payments		(25,715)	(20,007)	(10,153)
Additions to other intangible assets		(2,962)	(2,952)	(4,922)
Acquisition of non-controlling interests		–	–	(570)
Proceeds from acquisition of a subsidiary	31	–	19	–
Contribution to a shareholder		–	(2,100)	–
Proceeds from disposal of subsidiaries	30	–	–	9,309
Net cash inflow in respect of disposal of discontinued operations		–	–	4,874
Purchases of wealth management products		(71,000)	(20,000)	–
Proceeds from disposal of wealth management products		61,000	10,000	20,000
Proceeds from disposal of unlisted equity investments		–	–	4,500
Prepayment on investments		–	(141,647)	(507,822)
Advance to third parties		(3,000)	(9,290)	–
Investment income received		2,974	2,792	649
Dividend received from available-for-sale investments		382	482	–
Repayment of advance to third parties		–	4,900	5,452
Repayment of advance to related parties		–	4,011	–
New pledged time deposits		–	(20,000)	(52,749)
Returned of pledged time deposits		15,000	–	20,000
Net cash flows used in investing activities		(138,706)	(343,744)	(666,546)

		Year ended 31 December		
	Notes	**2014**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital injection from investors		–	–	430,660
New bank loans		328,000	245,800	725,368
Repayment of bank loans		(117,100)	(209,500)	(587,806)
Interest paid		(27,086)	(35,958)	(50,437)
Dividends paid		(12,000)	(137,000)	–
Receipt of government grants		9,515	12,891	11,864
Capital contribution from non-controlling shareholders		–	–	18,605
Capital element of finance lease rental payments		(3,310)	(3,044)	(10,885)
Net cash flows from/(used in) financing activities		178,019	(126,811)	537,369
EFFECT OF CHANGES IN EXCHANGE RATE ON CASH		–	–	(117)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		195,473	(216,191)	95,806
Cash and cash equivalents at beginning of year		103,697	299,170	82,979
CASH AND CASH EQUIVALENTS AT END OF YEAR		299,170	82,979	178,785
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances		219,170	72,979	123,785
Pledged deposits for bank loans	22	–	(20,000)	(52,749)
Time deposits with original maturity of three months or more when acquired	22	80,000	30,000	107,749
Cash and cash equivalents as stated in the consolidated statements of financial position	22	299,170	82,979	178,785

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 December 2016
		RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries		446,239
Total non-current assets		446,239
Net assets		446,239
EQUITY		
Share capital	*28*	–
Capital Reserve		446,239
Total equity		446,239

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands on 8 July 2016. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company and its subsidiaries (collectively referred to as the "Group") were focused on rendering private education services (collectively the "Listing Business") in the People's Republic of China (the "PRC").

The Company and its subsidiaries now comprising the Group underwent the Reorganization as set out in the paragraph headed "Corporate Reorganization" in the section headed "History and Corporate Structure" in the Prospectus.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Aspire Education Information Co., Ltd. *(Note (c))*	29 October 2015, BVI	USD50,000	100%	–	Investment holding
Aspire Education Holding Co., Ltd. *(Note (d))*	30 October 2015, Hong Kong	HKD1	–	100%	Investment holding
Yunnan Einsun Education Investment Group Co., Ltd. ("Yun Ai Group")* 雲南愛因森教育投資集團有限公司 *(Note (c))*	19 May 2005, the PRC	RMB28,570,000	–	100%	Investment holding
Yunnan Technology and Business University ("Yunnan School")* 雲南工商學院 *Note(a))*	29 September 2005, the PRC	RMB16,000,000	–	100%	Rendering of education services
Guizhou Technology and Business Institute ("Guizhou School")* 貴州工商職業學院 *(Note(b))*	3 July 2012, the PRC	RMB64,240,000	–	100%	Rendering of education services
Beijing Aiyinsheng Education Investment Co.,Ltd.* 北京愛因生教育投資有限責任公司 *(Note(c))*	16 October 2012, the PRC	RMB300,000,000	–	100%	Investment holding
Enshi Autonomous Prefecture Changqing Education Development Co, Ltd. ("Enchang Company")* 恩施自治州常青教育發展有限公司 *(Note (c))*	13 November 2014, the PRC	RMB300,000,000	–	82%	Investment holding

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
California Academy of Business, Inc.* *(Note (d))*	18 July 2016, the PRC	USD10	–	100%	Rendering of technical and management consultancy services
Harbin Xuande Technology Co., Ltd. ("Haxuan Company")* 哈爾濱軒德科技有限公司 *(Note (d))*	19 April 2016, the PRC	RMB120,000,000	–	73.91%	Investment holding
Yunnan Daai Fangzhou Information Consultancy Co., Ltd.* 雲南大愛方舟信息諮詢有限公司 *(Note (d))*	16 March 2016, the PRC	RMB300,000,000	–	100%	Investment holding
Tibet Daai Huihuang Information and Technology Co., Ltd. ("Huihuang Company")* 西藏大愛輝煌信息科技有限公司 *(Note (d))*	5 August 2016, the PRC	USD1,000,000	–	100%	Rendering of technical and management consultancy services

Notes:

(a) The statutory financial statements of this entity for the year ended 31 December 2014 prepared in accordance with PRC GAAP were audited by 昆明瑞亭會計師事務所(普通合伙) and the statutory financial statements of this entity for the year ended 31 December 2015 prepared in accordance with PRC GAAP were audited by 雲南諦祥會計師事務所(特殊普通合伙).

(b) The statutory financial statements of this entity for the year ended 31 December 2014 prepared in accordance with PRC GAAP were audited by 貴州欣盛財智會計師事務所 and the statutory financial statements of this entity for the year ended 31 December 2015 prepared in accordance with PRC GAAP were audited by 貴陽欣融會計師事務所.

(c) No statutory accounts have been prepared for these subsidiaries during the Relevant Periods as there is no statutory requirement for these companies to prepare audited financial statements.

(d) No audited financial statements have been prepared as these companies are newly incorporated.

* The English names of these companies represent the best effort made by management of the Company to directly translate the Chinese names as they do not register any official English names.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization as more fully explained in the paragraph headed under the section headed "History and Corporate Structure – Corporate Reorganization" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 6 September 2016. As the Reorganization only involved inserting new holding companies and entering into structured contracts ("Structured Contracts") that has not resulted in a change of respective voting and beneficial interests, the Financial Information for the Relevant Periods has been presented as a continuation of the exiting company using the merger accounting method as if the Reorganization had been completed at the beginning of the Relevant Periods.

Due to regulatory restrictions on foreign ownership in the schools in the PRC, the Listing Business were carried out by Yunnan School and Guizhou School (collectively the "PRC Operating Entities") during the Relevant Periods. The wholly-owned subsidiary of the Company, Huihuang Company has entered into the Structured Contracts with, among others, the PRC Operating Entities and their respective equity holders. The arrangements of the Structured Contracts enable Huihuang Company to exercise effective control over the PRC Operating Entities and obtain substantially all economic benefits of the PRC Operating Entities. Accordingly, the PRC Operating Entities are consolidated in the Financial Information continuously. Details of the Structured Contracts are disclosed in the section headed "Structured Contracts" in the Prospectus.

The Group does not have any equity interest in the PRC Operating Entities. However, the PRC Operating Entities were ultimately under the control of the Mr. Li Xiao Xuan ("Controlling Party" or Mr. Li), and through the Structured Contracts as detailed in note "3 – Subsidiaries arising from the Reorganization" below, both the PRC Operating Entities and the business carried out by them are under the effective control of the Controlling Party. Consequently, the Company regards the PRC Operating Entities as indirect subsidiaries for the purpose of the Financial Information. The companies now comprising the Group were under the common control of the Controlling Party before and after the Reorganization.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting periods 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.

The Financial Information has been prepared under the historical cost convention, except for 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 when otherwise indicated.

The Group recorded net current liabilities of RMB44,907,000, RMB509,726,000 and RMB277,977,000 as at 31 December 2014, 2015 and 2016, respectively.

In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Having considered the cash inflow from operations, the Directors are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future. To mitigate any liquidity issues that might be faced by the Group, the Group has obtained adequate banking facilities from reputable financial institutions to meet its obligations as and when they fall due.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the Financial Information on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the Financial Information.

Basis of consolidation

As aforementioned, the Group's Reorganization is accounted for as business combination under common control using the merger accounting method.

The merger accounting method involves incorporating the financial statement items of the combining entities or businesses which underwent the Reorganization under common control as if they had been consolidated from the date when the combining entities or businesses first came under the control of the Controlling Party. The net assets of the combining entities or businesses are consolidated using the existing book values. No amount is recognised in respect of goodwill or excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of investment at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated statements of comprehensive income included the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the Reorganization under common control.

Equity interests in subsidiaries held by parties other than the Controlling Party, and changes therein, prior to the Reorganization are presented as non-controlling interests in equity in applying the principles of merger accounting method. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not adopted the following new and revised HKFRSs that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 No mandatory effective date determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial position.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 9 Financial Instruments

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognized.

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables (add any other debt instruments as applicable). The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables (add any other debt instruments as applicable) upon the adoption of HKFRS 9.

HKFRS 15 and Clarifications to HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 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

HKFRS 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 HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. In June 2016, the HKICPA issued further amendments to HKFRS 15 to address certain implementation issues, relating to identification of a performance obligation, application guidance on principal versus agent and licenses of intellectual property; and to add two practical expedients to the transition requirement. The Group expects to adopt HKFRS 15 on 1 April 2018.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Group is in the process of making an assessment of the potential impact of the application of HKFRS 15 and it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until a detailed review is performed by the Group. The impact to the Group is expected to include more comprehensive disclosure as requested by the new standard. In addition, contract that contains two or more performance obligations would be accounted for separately and this might have an impact on the pattern of revenue and profit recognition.

HKFRS 16 Leases

In May 2016, the HKICPA issued HKFRS 16, which provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. The new standard maintains substantially the lessor accounting requirements in the current standard.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. For lessors, there is little change to the existing accounting in HKAS 17 Leases. The Group expects to adopt HKFRS 16 on 1 April 2019.

As set out in note 32 to the Financial Information, The Group's total future minimum lease payments under non-cancelable operating leases as at 31 December 2014, 2015 and 2016 are RMB14,455,000, RMB8,144,000 and RMB12,332,000, respectively. The Directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statements of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Subsidiaries arising from the Reorganization

The PRC Operating Entities have entered into Structured Contracts with, among others, Huihuang Company, the Controlling Party and Yun Ai Group who are the legal sponsors of the PRC Operating Entities. The Structured Contracts became effective on 8 September 2016. In particular, Huihuang Company undertakes to provide the PRC Operating Entities with certain technical services as required to support their operations. In return, Huihuang Company is entitled to substantially all of the operating profits and residual benefits generated by the PRC Operating Entities through intercompany charges levied on these services rendered. The legal sponsors of the PRC Operating Entities are also required to transfer their interests in the PRC Operating Entities to Huihuang Company or the designee appointed by Huihuang Company upon a request made by Huihuang Company when permitted by the PRC laws for a consideration, as permitted under the PRC laws. The ownership interests in Yun Ai Group, which is the sponsor of the PRC Operating Entities, have also been pledged by the Registered Shareholders to Huihuang Company in respect of the continuing obligations of the PRC Operating Entities. Huihuang Company has not provided any financial support that it was not previously contractually required to do so to the PRC Operating Entities during the Relevant Periods. Huihuang Company intends continuously to provide to or assist the PRC Operating Entities in obtaining financial support when deemed necessary. Accordingly, the Group has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power, and thus control over the PRC Operating Entities.

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 acquirer measures the non-controlling interests in the acquiree either 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 measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized 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 recognized either 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 recognized 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, recognized 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 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 of 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 recognized. An impairment loss recognized 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

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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Information are categorized 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 recognized in the Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (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 financial assets and non-current assets/a disposal group classified as held for sale), 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 recognized 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 of the Relevant Periods as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized 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/amortization) had no impairment loss been recognized 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;

(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;

(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. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". 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 capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a 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	1.9%
Leasehold improvements	19.4%-33.3%
Motor vehicles	19.4%
Furniture and fixtures	12.1%
Electronic devices	19.4%-32.3%

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 and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Investment properties

Investment properties are interests in buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose; or for sale in the ordinary course of business.

When the properties first became investment property after a change in use, the fair value of the investment property is not reliably measurable on a continuing basis as there are few recent transactions and market for comparable properties is inactive, and alternative reliable measurements of fair value are not available, either. The Group determines that the fair value of the investment property is not reliably measurable on a continuing basis and the investment property is measured using the cost model.

Depreciation is calculated on the straight-line basis to write off the cost of each item of investment property to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Building	1.9%
Land used right	2%

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

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 amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of three to five years.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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 recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized 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 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 amortization is included in other income and gains in profit or loss. The loss arising from impairment is recognized in profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. 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. Debt securities 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 unrealized gains or losses recognized as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss 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 profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognized in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments 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 investments are 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 recognized 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 primary derecognized (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 assets. 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 recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has 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 reorganization 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 individually whether objective evidence of impairment exists 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, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized 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 realized 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 recognized, the previously recognized 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 profit or loss.

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 amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is removed from other comprehensive income and recognized 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 recognized in profit or loss – is removed from other comprehensive income and recognized 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 recognized directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognized 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, amounts due to related parties and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization 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 amortization is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized 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 recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the year, 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 the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where 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 where 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 recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, 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 utilized, 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, deferred tax assets are only recognized 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 utilized.

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 utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized 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 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.

Government grants

Government grants are recognized 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 recognized 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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of returns, discounts, and sales related tax.

The tuition fees from the schools of the Group are paid in advance at the beginning of each academic year. Revenue is recognized after a service contract is signed, the price is fixed or determinable, and services are provided.

Tuition and boarding fees received from college are generally paid in advance prior to the beginning of each academic year, and are initially recorded as deferred revenue. Tuition and boarding fees are recognized 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 colleges is generally from September to June of the following year.

Service income is recognized on the percentage of completion basis, in the period in which the services are rendered.

Rental income is recognized on a time proportion basis over the lease terms.

Interest income from a financial asset is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme managed by the local municipal government. The subsidiaries are required to contribute a certain percentage of the payroll costs to the central pension scheme. The Group has no obligation for the payment of retirement benefits beyond the annual contributions. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowings costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use of sale are capitalized as part of the cost of the respective assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 5.22% and 7.68% has been applied to the expenditure on the individual assets.

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognized as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Financial Information requires management to make judgments, 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.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the Financial Information:

Contractual arrangements

The PRC Operating Entities are engaged in the provision of education services, which falls in the scope of "Catalogue of Restricted Foreign Investment Industries" and foreign investors are prohibited to invest in such business.

As disclosed in note 2.1 to the Financial Information, as part of the Reorganization, the Group exercises control over the PRC Operating Entities and enjoys all economic benefits of the PRC Operating Entities through the Structured Contracts.

The Group considers that it controls the PRC Operating Entities, notwithstanding the fact that it does not hold direct equity interest in the PRC Operating Entities, as it has power over the financial and operating policies of the PRC Operating Entities and receives substantially all of the economic benefits from the business activities of the PRC Operating Entities through the Structured Contracts. Accordingly, the PRC Operating Entities have been accounted for subsidiaries during the Relevant Periods.

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each of the Relevant Periods based on changes in circumstances. Further details of the property, plant and equipment are set out in note 15.

Current and deferred tax

Significant judgment is required in interpreting the relevant tax rules and regulations so as to determine whether the Group is subject to corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact the tax expense in the period that such determination is made.

5. OPERATING SEGMENT INFORMATION

The Group is focused on the provision of education services in the PRC.

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the Relevant Periods, the Group operated within one geographical location because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

Information about major customers

No revenue from sales to a single customer contributed to 10% or more of the total revenue of the Group during the Relevant Periods.

6. REVENUE, OTHER INCOME AND GAINS

Revenue, represents the values of services rendered during the Relevant Periods.

An analysis of revenue, other income and gains from continuing operations is as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
Tuition fees	186,540	248,120	310,678
Boarding fees	19,955	25,874	30,318
	206,495	273,994	340,996
Other income and gains			
Service income*	25,463	32,176	45,965
Rental income	5,898	7,180	6,436
Government grants	1,116	4,434	2,917
Investment income	2,974	2,792	2,875
Interest income	1,163	2,216	1,415
Gain on disposal of subsidiaries	–	–	758
Dividend income from available-for-sale investments	382	482	–
Others	61	49	493
	37,057	49,329	60,859

* Service income for the year ended 31 December, 2016 included RMB13.5 million of service fee recognized under the exclusive technical service and management consultancy agreement between the Northeast School and a subsidiary of the Group (2015: Nil; 2014: Nil).

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans	27,086	35,958	41,362
Interest on finance lease	703	344	2,497
Total interest expense on financial liabilities not at fair value through profit or loss	27,789	36,302	43,859
Less: Interest capitalized	(7,525)	(6,748)	(7,770)
	20,264	29,554	36,089

8. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

		Year ended 31 December		
	Note	**2014**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*
Employee benefit expense (excluding directors' and chief executive's remuneration *(Note (9))*:				
Wages and salaries		73,586	97,947	128,177
Pension scheme contributions (defined contribution plan)		5,624	10,171	14,866
		79,210	108,110	143,043
Depreciation of items of property, plant and equipment		20,914	24,607	33,259
Depreciation of investment properties		823	989	904
Amortization of prepaid land lease payments		2,210	2,286	2,251
Amortization of software*		431	989	1,595
Rental income	6	(5,898)	(7,180)	(6,436)
Dividend income from available-for-sale investments	6	(382)	(482)	–
Minimum lease payments under operating leases		4,820	3,920	4,596
Interest income	6	(1,163)	(2,216)	(1,415)
Provision for prepayments, deposits and other receivables		238	1,320	496
Loss/(gain) on disposal of items of property, plant and equipment		(48)	548	(125)

* The amortization of software during the Relevant Periods is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any chief executive, executive director, non-executive director and independent non-executive director at any time during the Relevant Periods.

Mr. Li, Mr. Zhao Shuai, Mr. Zhu Lidong and Mr. Zhang Ke were appointed as executive directors of the Company on 19 August 2016.

Certain directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of these directors is set out below:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Fees	–	–	–
Other emoluments:			
Salaries, allowances and benefits in kind	750	1,027	1,963
Performance related bonuses	650	824	1,481
Pension scheme contributions	22	24	44
	1,422	1,875	3,488

(a) Independent non-executive directors

No independent non-executive directors were appointed and there were no fees and other emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) **Executive directors**

	Year ended 31 December 2014				
	Fee	**Salaries, allowance, and benefits in kind**	**Performance related bonuses**	**Pension scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Li	–	450	450	11	911
Mr. Zhao Shuai	–	300	200	11	511
	–	750	650	22	1,422

	Year ended 31 December 2015				
	Fee	**Salaries, allowance, and benefits in kind**	**Performance related bonuses**	**Pension scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Li	–	520	520	11	1,051
Mr. Zhang Ke	–	67	67	2	136
Mr. Zhao Shuai	–	440	237	11	688
	–	1,027	824	24	1,875

	Year ended 31 December 2016				
	Fee	**Salaries, allowance, and benefits in kind**	**Performance related bonuses**	**Pension scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Li	–	520	520	11	1,051
Mr. Zhao Shuai	–	441	360	11	812
Mr. Zhu Lidong	–	601	200	11	812
Mr. Zhang Ke	–	401	401	11	813
	–	1,963	1,481	44	3,488

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2014, 2015 and 2016 included 2, 3 and 4 directors, details of whose remuneration are set out in note 9 above. Details of the remaining 3, 2 and 1 highest paid employees who are neither a director nor chief executive of the Company during the years ended 31 December 2014, 2015 and 2016 are as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	1,031	1,065	304
Performance related bonuses	385	458	304
Pension scheme contributions	34	34	11
	1,450	1,557	619

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Nil to RMB1,000,000	3	2	1

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.

11. INCOME TAX

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

According to the Implementation Rules for the Law for Promoting Private Education ("Implementing Rules"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatment. The Implementing Rules provide that the private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools, and relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. To date, however, 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 Guizhou School and Yunnan School have historically enjoyed preferential tax treatment since their establishment.

Based the confirmations from the local tax bureau and the local office of State Administration of Taxation of Guizhou Province and Yunnan Province, there is no corporate income tax imposed on the income from provision of formal educational services of the Guizhou School and the Yunnan School. As a result, no income tax expense was recognized for the income from the provision of formal educational services during the Relevant Periods.

After the corporate reorganization, the corporate income tax rate for Huihuang Company is 15% based on the relevant tax regulations of Tibet Autonomous Region. The Tibet local government has exempted 40% corporate income tax payable by enterprises in Tibet Autonomous Region for a period of three years commencing from 1 January, 2015 to 31 December, 2017. Therefore the effective corporate income tax rate initially applicable for Huihuang Company is 9%, which will be increased to 15% beginning in 2018 when the three year preferential tax exemption expires.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rates, are as follows:

The major components of income tax expense of the Group are as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax – Mainland China	2,900	5,816	2,358
Adjustments of overprovision of income tax in previous year	(606)	–	–
Total tax charge for the year	2,294	5,816	2,358

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate are as follows:

	Year ended 31 December					
	2014		**2015**		**2016**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit before tax from continuing operations	81,028		110,067		112,889	
Tax at the statutory rate	20,257	25.0	27,517	25.0	28,223	25.0
Lower tax rates for specific provinces or enacted by local authority	(1,690)	(2.1)	(3,446)	(3.1)	(1,860)	(1.6)
Income not subject to tax	(51,411)	(63.4)	(66,902)	(60.8)	(85,009)	(75.3)
Adjustments in respect of current tax of previous year	(606)	(0.7)	–	–	–	–
Tax losses utilised from previous periods	–	–	(255)	(0.2)	–	–
Tax losses and deductible temporary differences not recognized	5,823	7.2	6,404	5.8	14,958	13.3
Expenses not deductible for tax	29,921	36.9	42,498	38.6	46,046	40.8
Tax charge at the Group's effective rate	2,294	2.8	5,816	5.3	2,358	2.1

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2016, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

Deferred tax assets have not been recognised in respect of the losses amounting to RMB29,409,000, RMB54,799,000 and RMB69,757,000 as at 31 December 2014, 2015 and 2016 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 taxable losses can be utilised.

12. DISCONTINUED OPERATION

In June 2016, the Company announced the decision of its board of directors to dispose of Kunming Science and Technology Vocation College and Yunnan Einsun Science and Technology College to Songming Zhonghe Enterprise Management Consulting Co. Ltd. The Group has decided to cease its vocational education service because it plans to focus its resources on its formal higher education service. The disposal of Kunming Science and Technology Vocation College and Yunnan Einsun Science and Technology College were completed in August 2016.

The results of Kunming Science and Technology Vocation College and Yunnan Einsun Science and Technology College for the year are presented below:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	13,449	8,255	2,029
Cost of sales	(7,572)	(2,947)	(787)
Other income and gains	24,289	16,279	8,668
Selling and distribution expenses	(8,272)	(3,867)	(1,341)
Administrative expenses	(1,942)	(1,185)	(399)
Other expenses	(16,315)	(16,204)	(7,599)
Profit from the discontinued operation	3,637	331	571
Gain on disposal of disposal group constituting the discontinued operation	–	–	1,267
Profit before tax from the discontinued operation	3,637	331	1,838
Income tax:			
Related to pre-tax profit	(1,063)	(761)	(172)
Profit/(loss) for the year from the discontinued operation	2,574	(430)	1,666

The net cash flows incurred by Kunming Science and Technology Vocation College and Yunnan Einsun Science and Technology College are as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Operating activities	(1,126)	920	1,219
Investing activities	(1,927)	(236)	11
Net cash inflow	(3,053)	684	1,230

13. DIVIDENDS

Dividends of RMB12,000,000, RMB137,000,000 and nil have been declared and paid by certain subsidiaries for the years ended 31 December 2014, 2015 and 2016.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful due to Reorganization.

15. PROPERTY, PLANT AND EQUIPMENT

31 December 2014

	Buildings	Leasehold improvements	Motor vehicles	Furniture and fixtures	Electronic devices	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014:							
Cost	444,091	3,359	5,970	39,698	23,415	43,716	560,249
Accumulated depreciation	(28,125)	(1,343)	(2,649)	(14,675)	(7,455)	–	(54,247)
Net carrying amount	415,966	2,016	3,321	25,023	15,960	43,716	506,002
At 1 January 2014, net of accumulated depreciation	415,966	2,016	3,321	25,023	15,960	43,716	506,002
Additions	2,479	991	1,173	10,704	8,466	103,871	127,684
Disposals	(1)	–	–	(40)	(199)	(14)	(254)
Depreciation provided during the year	(9,518)	(959)	(859)	(5,460)	(5,734)	–	(22,530)
Transfer from construction in progress	111,887	–	–	2,928	375	(115,190)	–
Transfer to investment properties	–	–	–	–	–	(9,116)	(9,116)
At 31 December 2014, net of accumulated depreciation	520,813	2,048	3,635	33,155	18,868	23,267	601,786
At 31 December 2014:							
Cost	558,457	3,803	7,143	53,163	29,424	23,267	675,257
Accumulated depreciation	(37,644)	(1,755)	(3,508)	(20,008)	(10,556)	–	(73,471)
Net carrying amount	520,813	2,048	3,635	33,155	18,868	23,267	601,786

31 December 2015

	Buildings	Leasehold improvements	Motor vehicles	Furniture and fixtures	Electronic devices	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015:							
Cost	558,457	3,803	7,143	53,163	29,424	23,267	675,257
Accumulated depreciation	(37,644)	(1,755)	(3,508)	(20,008)	(10,556)	–	(73,471)
Net carrying amount	520,813	2,048	3,635	33,155	18,868	23,267	601,786
At 1 January 2015, net of accumulated depreciation	520,813	2,048	3,635	33,155	18,868	23,267	601,786
Additions	492	343	697	9,988	6,057	135,959	153,536
Addition from acquisition of a subsidiary *(Note 31)*	–	–	–	190	–	–	190
Disposals	–	(98)	–	(376)	(174)	–	(648)
Depreciation provided during the year	(11,811)	(1,229)	(1,020)	(6,437)	(6,072)	–	(26,569)
Transfer from construction in progress	67,474	–	–	5	258	(67,737)	–
Transfer to investment properties	–	–	–	–	–	(25)	(25)
At 31 December 2015, net of accumulated depreciation	576,968	1,064	3,312	36,525	18,937	91,464	728,270
At 31 December 2015:							
Cost	626,423	3,985	7,840	62,783	35,393	91,464	827,888
Accumulated depreciation	(49,455)	(2,921)	(4,528)	(26,258)	(16,456)	–	(99,618)
Net carrying amount	576,968	1,064	3,312	36,525	18,937	91,464	728,270

31 December 2016

	Buildings	Leasehold improvements	Motor vehicles	Furniture and fixtures	Electronic devices	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016:							
Cost	626,423	3,985	7,840	62,783	35,393	91,464	827,888
Accumulated depreciation	(49,455)	(2,921)	(4,528)	(26,258)	(16,456)	–	(99,618)
Net carrying amount	576,968	1,064	3,312	36,525	18,937	91,464	728,270
At 1 January 2016, net of accumulated depreciation	576,968	1,064	3,312	36,525	18,937	91,464	728,270
Additions	4,707	3,277	1,616	9,613	12,115	147,138	178,466
Disposals	–	–	–	(138)	(81)	–	(219)
Disposal of discontinued operations	–	(184)	(56)	(258)	(2,094)	–	(2,592)
Disposal of subsidiaries *(Note 30)*	–	(682)	–	(215)	(21)	–	(918)
Depreciation provided during the period	(13,874)	(1,061)	(1,330)	(7,049)	(9,945)	–	(33,259)
Transfer from construction in progress	154,502	–	–	33	–	(154,535)	–
Transfer to investment properties	–	–	–	–	–	(2,508)	(2,508)
At 31 December 2016, net of accumulated depreciation	722,303	2,414	3,542	38,511	18,911	81,559	867,240
At 31 December 2016:							
Cost	785,631	4,868	9,356	71,343	37,245	81,559	990,002
Accumulated depreciation	(63,328)	(2,454)	(5,814)	(32,832)	(18,334)	–	(122,762)
Net carrying amount	722,303	2,414	3,542	38,511	18,911	81,559	867,240

The net carrying amounts of the Group's fixed assets held under finance leases included in the total amounts of electronic devices were RMB4,571,000 and RMB1,142,000 and nil as at 31 December 2014, 2015 and 2016 respectively.

At the end of each of the Relevant Periods, certain of the Group's buildings with a net carrying amount of approximately RMB153,109,000, RMB149,731,000 and RMB47,374,000, respectively, were pledged to secure general banking facilities granted to the Group (note 25).

Certain of the Group's buildings with aggregate net book values of RMB158,722,000, RMB155,323,000 and nil as at 31 December 2014, 2015 and 2016, respectively, do not have building ownership certificates because they were built on land where the Group did not have the land use right certificates. The Group has obtained confirmation letters from the relevant bureaus of land and resources confirming that (1) the Group can build the relevant buildings on such land, (2) the Group will not be imposed of fine for the use of land, (3) the relevant bureaus will not confiscate the constructions and other facilities built on such land, and (4) the Group will not be required to return the relevant land before public bidding. In the opinion of the Directors, the risk of the relevant government authorities imposing a fine on the Group or confiscating the buildings is relatively low.

16. INVESTMENT PROPERTIES

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at beginning of the year	22,044	31,177	30,213
Transfer from prepaid land lease payments	840	–	–
Transfer from property, plant and equipment	9,116	25	2,508
Depreciation provided during the year	(823)	(989)	(904)
Carrying amount at end of the year	31,177	30,213	31,817

The Group's investment properties are the buildings and land use rights leased as canteen and shops in the Yunnan School and the Guizhou School. The Directors of the Company have determined that the investment properties are commercial properties, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2014, 2015 and 2016 based on valuations performed by an independent property valuer at RMB93,195,000, RMB94,936,000 and RMB99,523,000, respectively.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 32 to financial information.

Certain of the Group's buildings with aggregate net book values of RMB14,082,000, RMB13,804,000 and nil as at 31 December 2014, 2015 and 2016, respectively, do not have building ownership certificates because they were built on land where the Group did not have the land use right certificates. The Group has obtained confirmation letters from the relevant bureaus of land and resources confirming that (1) the Group can build the relevant buildings on such land, (2) the Group will not be imposed of fine for the use of land, (3) the relevant bureaus will not confiscate the constructions and other facilities built on such land, and (4) the Group will not be required to return the relevant land before public bidding. In the opinion of the Directors, the risk of the relevant government authorities imposing a fine on the Group or confiscating the buildings is relatively low.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement As at 31 December 2016 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets for which fair values are disclosed:				
Commercial properties	–	–	99,523	99,523

	Fair value measurement As at 31 December 2015 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets for which fair values are disclosed:				
Commercial properties	–	–	94,936	94,936

The following table illustrates the fair value measurement hierarchy of the Group's investment property:

	Fair value measurement As at 31 December 2014 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets for which fair values are disclosed:				
Commercial properties	–	–	93,195	93,195

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

17. PREPAID LAND LEASE PAYMENTS

	Year ended 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at beginning of the year	67,814	105,309	103,030
Additions during the year	40,545	7	153
Amortization during the year	(2,210)	(2,286)	(2,251)
Disposal of subsidiaries *(note 30)*	–	–	(1,759)
Transfers to investment properties	(840)	–	–
Carrying amount at end of the year	105,309	103,030	99,173

These pieces of leasehold lands are located in Mainland China and are held under long term leases.

At the end of each of the Relevant Periods, the Group's prepaid land lease payments with a carrying value of RMB26,173,000, RMB25,543,000 and nil, respectively, were pledged to secure general banking facilities granted to the Group (note 25).

Certain of the Group's land use rights are rights with aggregate net book values of RMB39,418,000, RMB38,610,000 and nil as at 31 December 2014, 2015 and 2016, respectively, which the Group had not obtained the land use right certificates. The Group has obtained confirmation letters from the relevant bureaus of land and resources confirming that (1) the Group can build the relevant buildings on such land, (2) the Group will not be imposed of fine for the use of land, (3) the relevant bureaus will not confiscate the constructions and other facilities built on such land, and (4) the Group will not be required to return the relevant land before public bidding. In the opinion of the Directors, the risk of the relevant government authorities imposing a fine on the Group or requiring the Group to return the relevant land before public bidding is relatively low.

18. OTHER INTANGIBLE ASSETS

	Software
	RMB'000
31 December 2014	
Cost at 1 January 2014, net of accumulated amortization	805
Additions	3,075
Amortization provided during the year	(433)
At 31 December 2014	3,447
At 31 December 2014:	
Cost	4,566
Accumulated amortization	(1,119)
Net carrying amount	3,447
31 December 2015	
Cost at 1 January 2015, net of accumulated amortization	3,447
Additions	2,467
Amortization provided during the year	(993)
At 31 December 2015	4,921
At 31 December 2015:	
Cost	7,033
Accumulated amortization	(2,112)
Net carrying amount	4,921
31 December 2016	
Cost at 1 January 2016, net of accumulated amortization	4,921
Additions	5,875
Amortization provided during the period	(1,595)
Disposal of discontinued	(23)
Disposal of subsidiaries *(note 30)*	(860)
At 31 December 2016	8,318

	Software
	RMB'000
At 31 December 2016:	
Cost	11,793
Accumulated amortization	(3,475)
Net carrying amount	8,318

19. AVAILABLE-FOR-SALE INVESTMENTS

	Year ended 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Wealth management products	10,000	20,000	–
Non-current:			
Unlisted equity investments, at cost	4,500	4,500	–

As at the end of each of the Relevant Periods, certain unlisted equity investments with carrying amounts of RMB4,500,000, RMB4,500,000 and nil, respectively, were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably.

The above wealth investment products which were designated as available-for-sale investments and have maturity within three months and coupon rates ranging from 0.4% to 5.2% per annum. The wealth investment products all matured in January 2016 with principals and interest fully received.

20. OTHER NON-CURRENT ASSETS

	Year ended 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
Prepayment for investments *(note (i))*	–	141,647	679,571
Prepayment for land use rights	10,000	30,000	40,000
Prepayment for other intangible assets	1,266	1,751	797
Prepayment for property, plant and equipment	–	546	217
	11,266	173,944	720,585

Note (i): The amount represents the down payment for investments and acquisition of new schools. RMB156,937,000 is the down payment for acquisition of Northeast School, and RMB522,634,000 is the down payment for investment on Central China School.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Prepaid rent and other prepaid expenses	5,868	3,329	9,442
Advance to third parties	13,490	18,900	24,352
Staff advances	6,133	2,750	755
Other receivables	17,637	23,815	15,967
	43,128	48,794	50,516

The amounts are interest-free and are not secured with collateral.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Year ended 31 December		
	Note	**2014**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances		219,170	72,979	123,785
Time deposits		80,000	30,000	107,749
		299,170	102,979	231,534
Less: Pledged deposits for bank loans	25	–	(20,000)	(52,749)
Cash and cash equivalents		299,170	82,979	178,785
Denominated in:				
RMB		299,170	82,979	167,023
United States Dollar ("US$")		–	–	11,762
Cash and cash equivalents		299,170	82,979	178,785

The cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB299,170,000, RMB82,979,000 and RMB167,023,000,respectively,as at 31 December 2014,2015 and 2016. 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 authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

23. DEFERRED REVENUE

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Tuition fees	125,106	162,722	195,718
Boarding fees	13,802	17,297	21,329
	138,908	180,019	217,047

The students are entitled to the refund of the payments in relation to the proportionate services not yet provided.

24. OTHER PAYABLES AND ACCRUALS

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Payables for purchase of property, plant and equipment	32,280	20,547	32,286
Accrued bonus and social insurance	28,491	34,048	46,179
Miscellaneous expenses received from students *(Note(i))*	42,384	48,609	67,524
Other payables	43,184	64,455	86,146
Accrued expenses	10,596	9,571	8,127
	156,935	177,230	240,262

The above balances are unsecured and non-interest-bearing. The carrying amount of other payables and accruals at the end of each of the Relevant Periods approximated to their fair value due to their short term maturity.

Note (i): The amount represents the miscellaneous expenses received from students which will be paid out on behalf of students.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2014			2015			2016		
	Effective interest rate			Effective interest rate			Effective interest rate		
	(%)	*Maturity*	*RMB'000*	*(%)*	*Maturity*	*RMB'000*	*(%)*	*Maturity*	*RMB'000*
Current									
Bank loans – secured	6.40%-7.20%	2015	72,000	5.24-10.50%	2016	142,800	4.57%	2017	80,000
Current portion of long term bank loans – secured	7.68%-9.00%	2015	25,500	7.68%-9.00%	2016	175,500	5.70%-7.13%	2017	22,500
Finance lease payables *(note 26)*	5.45%	2015	3,099	5.45%	2016	1,196			–
			100,599			319,496			102,500
Non-current									
Bank loans – secured	7.68%-9.00%	2016-2019	316,000	5.22%-9.00%	2017-2019	131,500	Libor+3.3%	2018	493,968
Finance lease payables *(note 26)*	5.45%	2016	1,196			–			
			317,196			131,500			493,968
Transaction costs			–			–			(17,840)
			317,196			131,500			476,128
			417,795			450,996			578,628

	As at 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
Analyzed into:			
Bank loans repayable:			
Within one year	97,500	318,300	102,500
In the second year	181,500	106,500	476,128
In the third to fifth years, inclusive	134,500	25,000	–
	413,500	449,800	578,628
Finance lease payables:			
Within one year	3,099	1,196	–
In the second year	1,196	–	–
In the third to fifth years, inclusive	–	–	–
	4,295	1,196	–
	417,795	450,996	578,628

All of the bank loans are jointly secured and pledged by:

(i) the Group's buildings with an aggregate net carrying amount of approximately RMB153,109,000, RMB149,731,000 and RMB47,374,000 as at 31 December 2014, 2015 and 2016, respectively (note 15);

(ii) the Group's prepaid land lease payments with an aggregate net carrying amount of approximately RMB26,173,000, RMB25,543,000 and nil, respectively (note 17);

(iii) personal guarantees executed by Mr. Li, a director of the Company, Ms. Yang Xuqing ("Ms. Yang") and Mr. Li Xiaoshen (note 34);

(iv) corporate guarantees executed by related companies of the Group, which are controlled by Mr. Li, a director of the Company (note 34);

(v) 30% of equity interest in Enchang Company by Yun Ai Group;

(vi) 20% of equity interest in Yun Ai Group held by Kunming Paiduipai Economic Consulting Co., Ltd. ("Paiduipai") (note 34);

(vii) 20% of equity interests in Yunnan Daai Fangzhou Information Consultancy Co., Ltd. held by Aspire Education Holding Co., Ltd.;

(viii) 51% equity interests of Aspire Education Holding Co., Ltd.;

(ix) all shares of Aspire Education Group Co., Ltd and Aspire education information Co., Ltd.;

(x) deposits of the Group with the amount of RMB20,000,000 and RMB52,749,000 at as 31 December 2015 and 2016, respectively.

26. FINANCE LEASE PAYABLES

The Group leases certain items of experimental equipment for use in teaching. These leases are classified as finance leases and amortised for 3.5 years to 8 years.

As at the end of each of the Relevant Periods, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		
	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Amounts payable:			
Within one year	3,443	1,238	–
In the second year	1,238	–	–
In the third to fifth years, inclusive	–	–	–
Total minimum finance lease payments	4,681	1,238	–
Future finance charges	(386)	(42)	–
Total net finance lease payables	4,295	1,196	–
Portion as classified as current liabilities *(note 25)*	(3,099)	(1,196)	–
Non-current portion *(note 25)*	1,196	–	–

27. DEFERRED INCOME

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	11,564	17,979	24,352
Additions during the year	9,515	12,891	28,161
Disposal	–	–	(13,128)
Released to profit or loss	(3,100)	(6,518)	(6,751)
At end of year	17,979	24,352	32,634
Less: current portion	(3,655)	(2,324)	(2,122)
Non-current portion	14,324	22,028	30,512

Deferred income represents the government grants received for subsidies in connection with certain leasehold improvements and the excess amount arising from sales and lease back transaction. These government grants are released to profit or loss over the expected useful lives of the relevant assets.

28. SHARE CAPITAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 8 July 2016 with authorized share capital of amount divided into 500,000,000 shares of USD0.0001 each, of which one share was issued and allotted and fully paid to Aspire Education Group Co., Ltd., a company owned by Controlling Party.

In June and July 2016, Aspire Education Group Co., Ltd entered into a series of subscription agreement with the following investors:

(1) Advance Vision Investment Co., Ltd subscribed 15.53% new shares of Aspire Education Group Co., Ltd. at a consideration of RMB200 million.

(2) Design Time Limited subscribed 9.15% new shares of Aspire Education Group Co., Ltd. at a consideration of RMB155.8 million.

(3) Aspire Education International Limited subscribed 3.31% new shares of Aspire Education Group Co., Ltd. at a consideration of approximately RMB54.2 million.

(4) Gainful Asset Management Limited subscribed 2.14% new shares of the Aspire Education Group Co., Ltd. at a consideration of RMB36.3 million.

On September 6, 2016, Aspire Education Group entered into a sale and purchase agreement with the Company, pursuant to which the Company acquired all of the issued share capital in Aspire Education Information from Aspire Education Group. In consideration, the Company allotted and issued 14,310 Shares at nominal value to Aspire Education Group. Immediately after this transfer, the Company became wholly owned by Aspire Education Group and held all of the issued share capital in Aspire Education Information.

Save for the aforesaid and the Reorganization, the Company has not conducted any business since the date of its incorporation. As Huihuang Company entered into certain Structured Contracts with the PRC Operating Entities on 8 September 2016 and the Group obtained control over the PRC Operating Entities thereafter.

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Registered, issued and fully paid:			
Ordinary shares of USD0.0001 each	–	–	–

Movements of the share capital of the Company are as follows:

	2016	
	Number of shares	**Nominal value**
		USD
At the beginning of the year	–	–
Issued and fully paid	14,311	0.0001
At the end of the year	14,311	0.0001

29. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Financial Information.

Capital reserve

The capital reserve of the Group represents the capital contributions from the then equity holders of the Group's subsidiaries. The additions during the Relevant Periods represent the injection of additional paid-up capital by the then equity holders of the Group's subsidiaries, which were consolidated from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Party. The deduction during the Relevant Periods represents the decrease in the Group's net assets resulting from the acquisition of equity interests in subsidiaries from the Controlling Party for businesses combination under common control.

Statutory and other surplus reserves

Pursuant to the relevant laws in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries. These reserves include (i) general reserve of the limited liability companies and (ii) the development fund of schools.

(i) In accordance with the PRC Company Law, 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 PRC Company Law, 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.

(ii) According to the relevant PRC laws and regulations, for private schools that require reasonable returns, they are required to appropriate to the development fund not less than 25% of the net income of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

30. DISPOSAL OF SUBSIDIARIES

On 31 May 2016, the Group disposed its entire equity interests in the subsidiaries which were not related to formal higher education to third parties of the Group. These subsidiaries include Beijing Daai Investment Management Group Co, Ltd., Kunming Baifenbai Property Services Co., Ltd., Kunming Einsun Enterprise Management Consulting Co. Ltd., Kunming Einsun Advertising Co. Ltd., Guizhou Siboyuan Education Investment Group Co., Ltd., Yunnan Qingchuang Investment Management Co., Ltd., Shuren Education Investment Co., Ltd., Wuhu Education Investment Co., Ltd., Gansu Qihang Investment Co., Ltd., Heima Technology Co., Ltd. and Beijing United Education Technology Co., Ltd.

	Notes	*RMB'000*
Net assets disposed of:		
Property, plant and equipment	*15*	918
Cash and bank balances		20,437
Prepayments and other receivables		167,170
Prepaid land lease payments	*17*	1,759
Other intangible assets	*18*	860
Accruals and other payables		(162,053)
Deferred revenue		(103)
		28,988
Gain on disposal of subsidiaries	*6*	758
		29,746
Satisfied by:		
Cash		29,746

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	RMB'000
Cash consideration	29,746
Cash and bank balances disposed of	(20,437)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	9,309

31. ACQUISITION OF A SUBSIDIARY THAT IS NOT A BUSINESS

On 27 August 2015, the Group entered into a capital increase agreement with Mr. Guo Hui and Mr. Jiang Mingxue, the then shareholders of Enchang Company, to acquire 68% equity interests in Enchang Company via capital injection in phases. On 1 September 2015, the registered capital of Enchang Company increased from RMB50,000,000 to RMB300,000,000. Then the Group injected RMB120,000,000, representing 77% equity interests of Enchang Company as of the acquisition date. Up to the date of acquisition, Enchang Company has not carried out any business. In June 2016, the Group further injected RMB84,000,000 in accordance with the capital increase agreement. In November 2016, the Group further injected cash of RMB41.55 million and acquired 0.2% share held by Mr. Guo Hui with consideration of RMB570,000 and then held 82% share of Enchang Company.

The above acquisition has been accounted for the Group as an acquisition of assets as the entity acquired by the Group does not constitute a business.

The net assets acquired by the Group in the above transaction are as follows:

	RMB'000
Net assets acquired:	
Cash and cash equivalents	19
Prepayments, deposits and other receivables	35,635
Property, plant and equipment	190
Non-controlling interests	(35,844)
	–

	RMB'000
Satisfied by:	
Cash	–

An analysis of the cash flows in respect of the acquisition of Enchang Company is as follows:

	RMB'000
Cash and cash equivalents acquired	19
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	19
Transaction costs of the acquisition included in cash flows from operating activities	–
	19

32. OPERATING LEASE COMMITMENTS

As lessor

The Group leased its investment properties under operating lease arrangement, with leases negotiated for terms ranging from one to nine 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.

As 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:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	11,730	12,787	9,011
After one year but not more than five years	10,135	16,891	10,567
More than five years	850	700	600
	22,715	30,378	20,178

As lessee

The Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to fifteen years, and those for office equipment are for terms ranging from one to three years.

As at the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	7,335	4,596	4,813
After one year but not more than five years	6,595	3,323	7,519
Over five years	525	225	–
	14,455	8,144	12,332

33. COMMITMENTS

In addition to the operating lease commitments detailed in note 32 above, the Group had the following capital commitments as at the end of each of the Relevant Years:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Contracted but not provided for: Property, plant and equipment	12,943	39,022	22,724
	12,943	39,022	22,724

As at 31 December 2014, 2015 and 2016, the Group had no significant authorised but not contracted for capital commitment.

34. RELATED PARTY TRANSACTIONS AND BALANCES

The directors of the Company are of the view that the following parties/companies are related parties that had transactions or balances with the Group during the Relevant Years.

(a) Name and relationship

Name of related parties	Relationship with the Group and the Company
Mr. Li	Ultimate shareholder
Ms. Yang	Spouse of Mr. Li
Mr. Li Xiaoshen	Senior management of the Group
Bamupu Technology Co., Ltd. ("Bamupu")	Controlled By Mr. Li
Paiduipai	Controlled By Mr. Li
Kashi Daai Huihuang Investment Management Limited Partnership ("Huihuang Investment")	Controlled By Mr. Li

(b) Outstanding balances with related parties

The Group had the following outstanding balances with related parties:

	Year ended 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties:			
Bamupu	4	–	–
Paiduipai	4,007	–	–
	4,011	–	–

The amounts due from related parties and amounts due to related parties are unsecured, interest-free, repayable on demand and non-trade in nature.

The Group had the maximum amount outstanding during the year/period is as follows:

	Year ended 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties:			
Bamupu	4	4	–
Paiduipai	4,007	4,007	–
	4,011	4,011	–

As set out in Note 25, certain of the Group's interest bank loans were jointly guaranteed by Mr. Li, a director of the Company, Ms. Yang, spouse of Mr. Li, Mr. Li Xiaoshen, Yun Ai Group and Beijing Einsun Education Investment Co., Ltd., subsidiaries of the Company, and pledged by 20% of equity interest in Yun Ai Group., Ltd. held by Paiduipai.

(c) Compensation of key management personnel of the Group

	Year ended 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
Short term employee benefits	3,049	3,707	6,087
Contributions to the pension scheme	68	68	103
	3,117	3,775	6,190

Further details of directors' and the chief executive's emoluments are included in note 9 to the Financial Information.

35. 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 were as follows:

As at 31 December 2014

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale investments	–	14,500	14,500
Financial assets included in prepayments, deposits and other receivables	37,260	–	37,260
Amounts due from related parties	4,011	–	4,011
Cash and cash equivalents	299,170	–	299,170
	340,441	14,500	354,941

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Financial liabilities included in other payables and accruals	128,444
Interest-bearing bank and other borrowings	417,795
	546,239

As at 31 December 2015

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale investments	–	24,500	24,500
Financial assets included in prepayments, deposits and other receivables	45,465	–	45,465
Pledged deposits	20,000	–	20,000
Prepayment for investment	141,647	–	141,647
Cash and cash equivalents	82,979	–	82,979
	290,091	24,500	314,591

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Financial liabilities included in other payables and accruals	143,182
Interest-bearing bank and other borrowings	450,996
	594,178

As at 31 December 2016

Financial assets

	Loans and receivables
	RMB'000
Financial assets included in prepayments, deposits and other receivables	41,074
Pledged deposits	52,749
Prepayment for investment	679,571
Cash and cash equivalents	178,785
	952,179

Financial liabilities

	Financial Liabilities at amortised cost
	RMB'000
Financial liabilities included in other payables and accruals	194,083
Interest-bearing bank and other borrowings	578,628
	772,711

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, for those with carrying amounts that require recurring fair value measurement, are as follows:

Group

	Carrying amount		
	Year ended 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Available-for-sale investments	10,000	20,000	–

	Fair value		
	Year ended 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Available-for-sale investments	10,000	20,000	–

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and amounts due from/to subsidiaries, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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 the non-current portion of pledged deposits, finance lease payables, and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease payables, and interest-bearing bank and other borrowings as at 31 December 2014, 2015 and 2016 was assessed to be insignificant. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The fair values of available-for-sale investments included in other current financial assets are measured using valuation techniques after incorporating market observable input, and the prevailing rates of return of similar products.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Financial assets measured at fair value

Group		Fair value measurement using		
	31 December 2014	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale investments	10,000	–	10,000	–

	31 December 2015	Fair value measurement using Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale investments	20,000	–	20,000	–

During the years ended 31 December 2014, 2015 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The Company did not have any financial assets and liabilities measured at fair value as at 31 December 2014, 2015 and 2016.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, other payables, other current financial assets, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as amounts due from related parties, amounts due to related parties, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks which are summarized below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates. The interest rates and terms of repayments of the borrowings are disclosed in note 25.

The Group has not used any interest swaps to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as follows:

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax
		RMB'000
Year ended 31 December 2014		
RMB	50	(1,643)
RMB	(50)	1,643
Year ended 31 December 2015		
RMB	50	(1,061)
RMB	(50)	1,061
Year ended 31 December 2016		
RMB	50	(2,618)
RMB	(50)	2,618

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all students and cooperative schools who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amounts due from related parties, other receivables and available-for-sale investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The tables below summarize the maturity profile of the Group's financial liabilities at the end of each of the Relevant Periods based on contractual undiscounted payments.

	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2014					
Finance lease payables	–	1,341	2,102	1,238	4,681
Interest-bearing bank and other borrowings	–	60,190	67,627	364,055	491,872
Financial liabilities included in other payables and accruals	96,164	–	32,280	–	128,444
	96,164	61,531	102,009	365,293	624,997

	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2015					
Finance lease payables	–	1,238	–	–	1,238
Interest-bearing bank and other borrowings	–	60,191	287,010	146,145	493,346
Financial liabilities included in other payables and accruals	122,635	–	20,547	–	143,182
	122,635	61,429	307,557	146,145	637,766
31 December 2016					
Interest-bearing bank and other borrowings	–	7,082	121,355	496,617	625,054
Financial liabilities included in other payables and accruals	194,083	–	–	–	194,083
	194,083	7,082	121,355	496,617	819,137

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The debt-to-asset ratios as at the end of each of the Relevant Periods were as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Total liabilities	732,976	835,069	1,070,082
Total assets	1,114,034	1,216,693	2,012,598
Debt-to-asset ratios	66%	69%	53%

38. EVENTS AFTER THE RELEVANT PERIODS

(1) The Group signed a 5-year long term loan agreement of RMB147 million from China Minsheng Bank and withdrew RMB47 million on 21 January 2017.

(2) On January 10, 2017, Jiang Mingxue and Yun Ai Group entered into a capital increase agreement, pursuant to which the registered capital of Enchang Company was increased from RMB300 million to RMB500 million, of which Yun Ai Group agreed to invest RMB200 million to the registered capital of Enchang Company by converting a shareholder's loan of RMB200 million previously provided to Enchang Company by Yun Ai Group into its registered capital. Upon completion of such capital increase on January 12, 2017, Enchang Company became owned as to 89.2% by Yun Ai Group and 10.8% by Jiang Mingxue.

(3) During the year ended 31 December 2016, through a series of agreements entered into in January, April and July 2016, Haxuan Company, one subsidiary of the Group agreed to acquire the sole sponsorship interest of the Northeast School from the current school sponsors, which are independent third parties, for a total consideration of RMB381.9 million. As of 31 December 2016, the Group has paid RMB156.9 million as down-payment as disclosed in the Note 20 of the financial statements. As at the date of report, the relevant application to transfer the school sponsorship from the current school sponsors to Haxuan Company is pending the final approval of the Ministry of Education ("MOE") and the registration with the provincial civil affairs authorities.

39. 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 December 2016.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a report received from the company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong prepared for the purpose of incorporation in this report.

5 April 2017

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Harbin Huade University

BNP Paribas Securities (Asia) Limited

Dear Sirs,

We set out below our report on the financial information of Harbin Huade University (the "Northeast School") and its subsidiary (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 2014, 2015 and 2016 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the Northeast School as at 31 December 2014, 2015 and 2016, together with the notes thereto (the "Financial Information"), for inclusion in the prospectus of China New Higher Education Group Limited dated 5 April 2017 (the "Prospectus") in connection with the listing of the shares of China New Higher Education Group Limited on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Northeast School was established in 2004 in the People's Republic of China (the "PRC") as a private higher education institution and the principal activity of the Group is the rendering of private education services in the PRC.

As at the date of this report, the Northeast School had direct and indirect interests in the subsidiary 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 Northeast School (the "Directors") have prepared the consolidated financial statements of the Group (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2014, 2015 and 2016 were audited by us in accordance with Hong Kong Standards on Auditing issued by 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 and the Financial Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial 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 on the Financial Information and to report our opinion 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.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the financial position of the Group and the Northeast School as at 31 December 2014, 2015 and 2016 and of the financial performance and cash flows of the Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2014	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*
REVENUE	*6*	121,068	124,052	128,545
Cost of sales		(63,956)	(71,949)	(83,509)
Gross profit		57,112	52,103	45,036
Other income and gains	*6*	15,069	18,267	21,005
Selling and distribution expenses		(1,140)	(1,348)	(1,187)
Administrative expenses		(30,285)	(494)	(14,462)
Other expenses		(13,022)	(12,374)	(14,448)
Finance costs	*7*	(4,252)	(2,550)	(730)
PROFIT BEFORE TAX	*8*	23,482	53,604	35,214
Income tax expense	*11*	(39)	(135)	(624)
PROFIT FOR THE YEAR		23,443	53,469	34,590
Attributable to:				
Owners of the parent		23,443	53,469	34,590
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		23,443	53,469	34,590
Attributable to:				
Owners of the parent		23,443	53,469	34,590
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted	*13*	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	Year ended 31 December 2014	2015	2016
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	394,104	393,094	375,131
Investment properties	15	1,402	1,368	11,879
Prepaid land lease payments	16	34,682	33,912	32,966
Other intangible assets	17	189	80	477
Other non-current assets	18	8,201	8,201	8,050
Total non-current assets		438,578	436,655	428,503
CURRENT ASSETS				
Prepayments, deposits and other receivables	19	1,236	634	718
Amount due from a related party	29	401	596	470
Cash and cash equivalents	20	32,298	39,319	102,529
Total current assets		33,935	40,549	103,717
CURRENT LIABILITIES				
Deferred revenue	21	61,194	62,857	65,688
Interest-bearing bank and other borrowings	23	4,119	–	–
Other payables and accruals	22	46,351	46,245	60,218
Amounts due to related parties	29	9,957	–	–
Tax payable		–	–	520
Deferred income	24	1,002	1,285	2,519
Total current liabilities		122,623	110,387	128,945
NET CURRENT LIABILITIES		(88,688)	(69,838)	(25,228)
TOTAL ASSETS LESS CURRENT LIABILITIES		349,890	366,817	403,275
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	23	37,075	–	–
Deferred income	24	3,927	4,460	6,328
Total non-current liabilities		41,002	4,460	6,328
Net assets		308,888	362,357	396,947
EQUITY				
Equity attributable to owners of the parent				
Share capital	25	21,372	21,372	21,372
Reserves	26	287,516	340,985	375,575
Total equity		308,888	362,357	396,947

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserve*	Statutory reserve*	Retained profits*	Total
	RMB'000	*RMB'000* *(note 26)*	*RMB'000* *(note 26)*	*RMB'000*	*RMB'000*
As at 1 January 2014	21,372	–	57,946	206,127	285,445
Profit and total comprehensive income for the year	–	–	–	23,443	23,443
Transfer from retained profits	–	–	5,861	(5,861)	–
As at 31 December 2014 and 1 January 2015	21,372	–	63,807	223,709	308,888
Profit and total comprehensive income for the year	–	–	–	53,469	53,469
Transfer from retained profits	–	–	13,367	(13,367)	–
As at 31 December 2015 and 1 January 2016	21,372	–	77,174	263,811	362,357
Profit and total comprehensive income for the year	–	–	–	34,590	34,590
Transfer from retained profits	–	–	12,130	(12,130)	–
As at 31 December 2016	21,372	–	89,304	286,271	396,947

* These reserve accounts comprise the consolidated reserves of RMB287,516,000, RMB340,985,000 and RMB375,575,000 in the consolidated statements of financial position as at 31 December, 2014, 2015 and 2016, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	2014	2015	2016
		Year ended 31 December		
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax:		23,482	53,604	35,214
Adjustments for:				
Finance costs	7	4,252	2,550	730
Interest income		(79)	(116)	(431)
Loss/(gain) on disposal of items of property, plant and equipment		(114)	18	1,983
Amortization of government grants		(1,002)	(1,184)	(2,473)
Depreciation of items of property, plant and equipment	14	15,806	14,960	15,989
Depreciation of investment properties	15	12	34	243
Amortization of prepaid land lease payments	16	769	770	765
Amortization of other intangible assets	17	150	115	53
(Increase)/decrease in prepayments, deposits and other receivables		330	602	160
(Increase)/decrease in amounts due from a related party		(107)	(195)	126
Increase in other payables and accruals		4,349	3,204	17,278
Increase/(decrease) in amounts due to related parties		807	(9,957)	–
Increase/(decrease) in deferred revenue		1,320	1,663	2,831
Cash generated from operations		49,975	66,068	72,468
Interest received		79	116	187
Income tax paid		(39)	(135)	(104)
Net cash flows from operating activities		50,015	66,049	72,551
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(24,367)	(16,758)	(15,343)
Proceeds from disposal of items of property, plant and equipment		161	541	1,607
Additions to other intangible assets		(5)	(6)	(450)
Net cash flows used in investing activities		(24,211)	(16,223)	(14,186)
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank loans		100,840	30,000	30,000
Repayment of bank loans		(105,940)	(71,194)	(30,000)
Interest paid		(5,380)	(3,611)	(730)
Receipt of government grants		–	2,000	5,575
Net cash flows from/(used in) financing activities		(10,480)	(42,805)	4,845
NET INCREASE IN CASH AND CASH EQUIVALENTS		15,324	7,021	63,210
Cash and cash equivalents at beginning of year		16,974	32,298	39,319
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		32,298	39,319	102,529
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	20	32,298	39,319	102,529

STATEMENT OF FINANCIAL POSITION OF THE NORTHEAST SCHOOL

	Year ended 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	394,104	393,094	385,350
Investment properties	1,402	1,368	1,333
Prepaid land lease payments	34,682	33,912	33,143
Other intangible assets	189	80	477
Investment in a subsidiary	2	4	4
Other non-current assets	8,201	8,201	8,201
Total non-current assets	438,580	436,659	428,508
CURRENT ASSETS			
Prepayments, deposits and other receivables	1,236	634	659
Amounts due from related parties	401	596	470
Cash and cash equivalents	32,296	39,317	101,909
Total current assets	33,933	40,547	103,038
CURRENT LIABILITIES			
Deferred revenue	61,194	62,857	65,688
Interest-bearing bank and other borrowings	4,119	–	–
Other payables and accruals	46,351	46,235	59,129
Amounts due to related parties	9,957	–	–
Tax payable	–	–	520
Deferred income	1,002	1,285	2,519
Total current liabilities	122,623	110,377	127,856
NET CURRENT LIABILITIES	(88,691)	(69,830)	(24,818)
TOTAL ASSETS LESS CURRENT LIABILITIES	349,890	366,829	403,690
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	37,075	–	–
Deferred income	3,927	4,460	6,328
Total non-current liabilities	41,002	4,460	6,328
Net assets	308,888	362,369	397,362
EQUITY			
Equity attributable to owners of the parent			
Share capital	21,372	21,372	21,372
Reserves	287,516	340,997	375,990
Total equity	308,888	362,369	397,362

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Northeast School was established as a private higher education institution under the Law for Promotion of Private Education in 2004. The registered address of the Northeast School is No. 288, Xue Yuan Road, Limin Development Zone, Harbin, Heilongjiang Province, China.

During the Relevant Periods, the Northeast School, and its subsidiary were principally engaged in rendering private education services in the People's Republic of China (the "PRC").

As at the date of this report, the Northeast School had a direct interest in its subsidiary, which is private limited liability company, the particulars of which are set out below:

Name	Place and date of registration and place of business	Registered share capital	Percentage of equity interest attributable to the Northeast School		Principal activities
			Direct	Indirect	
Harbin Deyan Technology Co., Ltd. 哈爾濱德燕科技開發有限公司 (Note (a)) *	24 November, 2014 the PRC	RMB4,000	100%	–	Dormant

Notes:

(a) No statutory accounts have been prepared for this subsidiary during the Relevant Periods as there is no statutory requirement for this subsidiary to prepare audited financial statements.

• The English name of this company represents the best effort made by management of the Company to directly translate the Chinese name as it does not register any official English name.

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting periods 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.

The Financial Information has been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group recorded net current liabilities of RMB88,688,000, RMB69,838,000 and RMB25,228,000 as at 31 December 2014, 2015 and 2016, respectively.

In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Having considered the cash inflow from operations, the Directors are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future. To mitigate any liquidity issues that might be faced by the Group, the Group has obtained financial support from China New Higher Education Group Limited to meet its obligations as and when they fall due.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the Financial Information on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the Financial Information.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the years ended 31 December 2014, 2015 and 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Northeast School. 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 Northeast School 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 Northeast School, 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.

The results of subsidiaries are included in the Northeast School's statements of profit or loss and other comprehensive income to the extent of dividends received and receivable.

2.2 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not adopted the following new and revised HKFRSs that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts [2]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]

[1] Effective for annual periods beginning on or after 1 January 2017

[2] Effective for annual periods beginning on or after 1 January 2018

[3] Effective for annual periods beginning on or after 1 January 2019

[4] No mandatory effective date determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial position.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 9 Financial Instruments

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognized.

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables (add any other debt instruments as applicable). The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables (add any other debt instruments as applicable) upon the adoption of HKFRS 9.

HKFRS 15 and Clarifications to HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 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 HKFRS 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 HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. In June 2016, the HKICPA issued further amendments to HKFRS 15 to address certain implementation issues, relating to identification of a performance obligation, application guidance on principal versus agent and licenses of intellectual property; and to add two practical expedients to the transition requirement. The Group expects to adopt HKFRS 15 on 1 April 2018.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Group is in the process of making an assessment of the potential impact of the application of HKFRS 15 and it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until a detailed review is performed by the Group. The impact to the Group is expected to include more comprehensive disclosure as requested by the new standard. In addition, contract that contains two or more performance obligations would be accounted for separately and this might have an impact on the pattern of revenue and profit recognition.

HKFRS 16 Leases

In May 2016, the HKICPA issued HKFRS 16, which provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. The new standard maintains substantially the lessor accounting requirements in the current standard.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. For lessors, there is little change to the existing accounting in HKAS 17 Leases. The Group expects to adopt HKFRS 16 on 1 April 2019.

As set out in note 27 to the Financial Information, The Group's total future minimum lease payments under non-cancelable operating leases as at 31 December 2014, 2015 and 2016 are nil. The Directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Information are categorized 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 recognized in the Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (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 financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized 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 of the Relevant Periods as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized 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/amortization) had no impairment loss been recognized 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;

(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;

(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 capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a 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	1.9%
Leasehold improvements	19.4%-33.3%
Motor vehicles	19.4%
Furniture and fixtures	12.1%
Electronic devices	19.4%-32.3%

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 and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Investment properties

Investment properties are interests in buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose; or for sale in the ordinary course of business.

When the properties first became investment property after a change in use, the fair value of the investment property is not reliably measurable on a continuing basis as there are few recent transactions and market for comparable properties is inactive, and alternative reliable measurements of fair value are not available, either. The Group determines that the fair value of the investment property is not reliably measurable on a continuing basis and the investment property is measured using the cost model.

Depreciation is calculated on the straight-line basis to write off the cost of each item of investment property to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Building	1.9%
Land used right	2%

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 amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and amortized on the straight-line basis over its estimated useful life of three to five years.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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 recognized on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized 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 amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated 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 amortization is included in other income and gains in profit or loss. The loss arising from impairment is recognized in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primary derecognized (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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event 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 reorganization 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 amortized cost

For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists 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, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized 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 realized 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 recognized, the previously recognized 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 profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognized 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 interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortized 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 recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized 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 amortization is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized 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 recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, 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 the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where 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 where 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 recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, 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 utilized, 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, deferred tax assets are only recognized 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 utilized.

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 utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized 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 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.

Government grants

Government grants are recognized 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 recognized 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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of returns, discounts, and sales related tax.

The tuition fees from the schools of the Group are paid in advance at the beginning of each academic year. Revenue is recognized after a service contract is signed, the price is fixed or determinable, and services are provided. Tuition and boarding fees received from college are generally paid in advance prior to the beginning of each academic year, and are initially recorded as deferred revenue.

Tuition and boarding fees are recognized 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 colleges is generally from September to June of the following year.

Revenue attributable to meals service is recognized upon the delivery of the meals to the students, which is when the risks and rewards have been transferred to the students.

Service income is recognized on the percentage of completion basis, in the period in which the services are rendered.

Rental income is recognized on a time proportion basis over the lease terms.

Interest income from a financial asset is recognized on an accrual basis using the effective interest method by applying is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme managed by the local municipal government. The subsidiaries are required to contribute a certain percentage of the payroll costs to the central pension scheme. The Group has no obligation for the payment of retirement benefits beyond the annual contributions. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowings costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use of sale are capitalized as part of the cost of the respective assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Financial Information requires management to make judgments, 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.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgment which has the most significant effect on the amounts recognized in the Financial Information:

Operating lease commitments – the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each of the Relevant Periods based on changes in circumstances. Further details of the property, plant and equipment are set out in note 14.

Current and deferred taxes

Significant judgment is required in interpreting the relevant tax rules and regulations so as to determine whether the Group is subject to corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact the tax expense in the period that such determination is made.

5. OPERATING SEGMENT INFORMATION

The Group is focused on the provision of education services in the PRC.

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Northeast School, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole.

Therefore, no further information about the operating segment is presented.

Geographical information

During the Relevant Periods, the Group operated within one geographical segment because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical segment information is presented.

Information about major customers

No revenue from a single customer contributed to 10% or more of the total revenue of the Group during the Relevant Periods.

6. REVENUE, OTHER INCOME AND GAINS

Revenue represents the values of services rendered during the Relevant Periods.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
Tuition fees	113,118	115,977	120,252
Boarding fees	7,950	8,075	8,293
	121,068	124,052	128,545
Other income and gains			
Canteen income	12,582	11,364	11,550
Service income	458	3,944	2,741
Rental income	445	1,653	3,647
Government grants	1,007	1,190	2,636
Gain on disposal of items of property, plant and equipment	498	–	–
Interest income	79	116	431
	15,069	18,267	21,005

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans and other borrowings	4,252	2,550	730

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2014	2015	2016
		Year ended 31 December		
		RMB'000	RMB'000	RMB'000
Employee benefit expense (excluding directors' and chief executive's remuneration *(Note 9)*:				
Wages and salaries		27,193	32,693	35,670
Pension scheme contributions (defined contribution plan)		2,890	3,539	9,378
		30,083	36,232	45,048
Depreciation of items of property, plant and equipment	14	15,806	14,960	15,989
Depreciation of investment properties	15	12	34	243
Amortization of prepaid land lease payments	16	769	770	765
Amortization of software*		150	115	53
Consultation fee**		–	–	13,931
Rental income	6	(445)	(1,653)	(3,647)
Interest income	6	(79)	(116)	(431)
Loss/(gain) on disposal of items of property, plant and equipment		(114)	18	1,983

* The amortization of other intangible asset during the Relevant Periods is included in "Cost of sales" in the consolidated statements of profit or loss and other comprehensive income.

** The consultation fee with amount of RMB13.9 million that arose from the consultation service provided by Tibet Daai Huihuang Information and Technology Co., Ltd. is included in administrative expenses.

9. DIRECTORS' REMUNERATION

No directors or chief executive received any fees or emoluments in respect of their services rendered to the Northeast School during the Relevant Periods.

10. FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration during the Relevant Periods of five highest paid employees who are neither a director nor chief executive of the Northeast School are as follows:

	2014	2015	2016
	Year ended 31 December		
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	767	805	866
Performance related bonuses	75	112	129
Pension scheme contributions	2	2	2
	844	919	997

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December		
	2014	2015	2016
Nil to RMB1,000,000	5	5	5

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.

11. INCOME TAX

According to the Implementation Rules for the Law for Promoting Private Education, private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatment. Private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools, and relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. To date, however, 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 Northeast School has historically enjoyed preferential tax treatment since its establishment.

Based on the confirmations from the local tax bureau and the local office of the State Administration of Taxation of Heilongjiang Province, there is no corporate income tax imposed on the income from the provision of formal educational services of the Northeast School. As a result, no income tax expense was recognized for the income from the provision of formal educational services during the Relevant Periods.

At 31 December 2016, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Northeast School. In the opinion of the Directors, the sponsor of the Northeast School does not require reasonable return, so it is not probable that Northeast School will distribute such earnings in the foreseeable future.

The provision for Mainland China corporate income tax is based on the statutory rate of 25% of the assessable profits of the subsidiaries of the Group operating in Mainland China as determined in accordance with the PRC Corporate Income Tax Law.

The major components of income tax expense of the Group are as follows:

	Year ended 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
Current income tax – Mainland China	39	135	624
Total tax charge for the year	39	135	624

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate are as follows:

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax	23,482		53,604		35,214	
Tax at the statutory rate	5,871	25.0	13,401	25.0	8,804	25.0
Income not subject to tax	(30,267)	(128.9)	(31,013)	(57.9)	(32,136)	(91.3)
Expenses not deductible for tax	24,435	104.1	17,747	33.1	23,956	68.0
Tax charge at the Group's effective rate	39	0.2	135	0.2	624	1.8

12. DIVIDENDS

No dividend has been paid or declared by the Northeast School since the date of its incorporation.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful.

14. PROPERTY, PLANT AND EQUIPMENT

31 December 2014

	Buildings	Motor vehicles	Furniture and fixtures	Electronic devices	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014:						
Cost	319,630	8,402	32,182	67,751	74,726	502,691
Accumulated depreciation	(44,333)	(5,308)	(20,982)	(49,859)	–	(120,482)
Net carrying amount	275,297	3,094	11,200	17,892	74,726	382,209
At 1 January 2014, net of accumulated depreciation	275,297	3,094	11,200	17,892	74,726	382,209
Additions	3,763	458	685	1,131	23,098	29,135
Disposals	–	(31)	(7)	(9)	–	(47)
Depreciation provided during the year	(7,057)	(806)	(2,626)	(5,317)	–	(15,806)
Transfers from construction in progress	73,886	–	–	–	(73,886)	–
Transfer to investment properties	(1,387)	–	–	–	–	(1,387)
At 31 December 2014, net of accumulated depreciation	344,502	2,715	9,252	13,697	23,938	394,104
At 31 December 2014:						
Cost	395,531	7,833	32,854	68,873	23,938	529,029
Accumulated depreciation	(51,029)	(5,118)	(23,602)	(55,176)	–	(134,925)
Net carrying amount	344,502	2,715	9,252	13,697	23,938	394,104

31 December 2015

	Buildings	Motor vehicles	Furniture and fixtures	Electronic devices	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015:						
Cost	395,531	7,833	32,854	68,873	23,938	529,029
Accumulated depreciation	(51,029)	(5,118)	(23,602)	(55,176)	–	(134,925)
Net carrying amount	344,502	2,715	9,252	13,697	23,938	394,104
At 1 January 2015, net of accumulated depreciation	344,502	2,715	9,252	13,697	23,938	394,104
Additions	983	720	1,595	2,309	8,902	14,509
Disposals	–	–	(559)	–	–	(559)
Depreciation provided during the year	(7,874)	(882)	(2,391)	(3,813)	–	(14,960)
Transfers from construction in progress	15,916	–	–	–	(15,916)	–
At 31 December 2015, net of accumulated depreciation	353,527	2,553	7,897	12,193	16,924	393,094
At 31 December 2015:						
Cost	412,430	8,553	33,748	71,182	16,924	542,837
Accumulated depreciation	(58,903)	(6,000)	(25,851)	(58,989)	–	(149,743)
Net carrying amount	353,527	2,553	7,897	12,193	16,924	393,094

31 December 2016

	Buildings	Motor vehicles	Furniture and fixtures	Electronic devices	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016:						
Cost	412,430	8,553	33,748	71,182	16,924	542,837
Accumulated depreciation	(58,903)	(6,000)	(25,851)	(58,989)	–	(149,743)
Net carrying amount	353,527	2,553	7,897	12,193	16,924	393,094
At 1 January 2016, net of accumulated depreciation	353,527	2,553	7,897	12,193	16,924	393,094
Additions	705	–	3,753	4,477	3,254	12,189
Disposals	(1,570)	(31)	–	(1,989)	–	(3,590)
Depreciation provided during the year	(7,854)	(929)	(2,272)	(4,934)	–	(15,989)
Transfer to investment properties	(10,573)	–	–	–	–	(10,573)
Transfers from construction in progress	2,265	–	–	–	(2,265)	–
At 31 December 2016, net of accumulated depreciation	336,500	1,593	9,378	9,747	17,913	375,131
At 31 December 2016:						
Cost	403,256	7,968	37,153	65,974	17,913	532,264
Accumulated depreciation	(66,756)	(6,375)	(27,775)	(56,227)	–	(157,133)
Net carrying amount	336,500	1,593	9,378	9,747	17,913	375,131

15. INVESTMENT PROPERTIES

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at beginning of the year	–	1,402	1,368
Transfer from prepaid land lease payments	27	–	181
Transfer from property, plant and equipment	1,387	–	10,573
Depreciation provided during the year	(12)	(34)	(243)
Carrying amount at end of the year	1,402	1,368	11,879

The Northeast School's investment properties are the buildings and land use rights leased to China CITIC Bank. The directors of the Northeast School have determined that the investment properties are commercial properties, based on the nature, characteristics and risks of each property. The Northeast School's investment properties were revalued on 31 December 2014, 2015 and 2016 based on valuations performed by an independent property valuer at RMB10,112,000, RMB9,852,000 and RMB39,897,000, respectively.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 27 to the Financial Information.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2016 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets for which fair values are disclosed:				
Commercial properties	–	–	39,897	39,897

	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets for which fair values are disclosed:				
Commercial properties	–	–	9,852	9,852

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets for which fair values are disclosed:				
Commercial properties	–	–	10,112	10,112

Commercial properties

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

16. PREPAID LAND LEASE PAYMENTS

	Year ended 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at beginning of the year	35,478	34,682	33,912
Amortization during the year	(769)	(770)	(765)
Transfers to investment properties	(27)	–	(181)
Carrying amount at end of the year	34,682	33,912	32,966

These pieces of leasehold lands are located in Mainland China and are held under long term leases.

17. OTHER INTANGIBLE ASSETS

	Software
	RMB'000
31 December 2014	
Cost at 1 January 2014, net of accumulated amortization	334
Additions	5
Amortization provided during the year	(150)
At 31 December 2014	189
At 31 December 2014:	
Cost	1,080
Accumulated amortization	(891)
Net carrying amount	189
31 December 2015	
Cost at 1 January 2015, net of accumulated amortization	189
Additions	6
Amortization provided during the year	(115)
At 31 December 2015	80
At 31 December 2015:	
Cost	1,086
Accumulated amortization	(1,006)
Net carrying amount	80

	Software
	RMB'000
31 December 2016	
Cost at 1 January 2016, net of accumulated amortization	80
Additions	450
Amortization provided during the year	(53)
At 31 December 2016	477
At 31 December 2016:	
Cost	1,536
Accumulated amortization	(1,059)
Net carrying amount	477

18. OTHER NON-CURRENT ASSETS

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for property, plant and equipment	8,201	8,201	8,050

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Prepaid rent and other prepaid expenses	300	338	23
Advances to third parties	58	114	58
Other receivables	878	182	637
	1,236	634	718

The amounts are interest-free and are not secured with collateral.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	32,298	39,319	102,529
Denominated in:			
RMB	32,298	39,319	102,529

At the end of each of the Relevant Periods, all the cash and bank balances of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under 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 authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

21. DEFERRED REVENUE

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Tuition fees	57,191	58,785	61,467
Boarding fees	4,003	4,072	4,221
	61,194	62,857	65,688

The students are entitled to the refund of the payments in relation to the proportionate services not yet provided.

22. OTHER PAYABLES AND ACCRUALS

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Payables for purchase of property, plant and equipment	18,505	16,256	12,953
Accrued bonus and social insurance	12,157	15,966	19,322
Miscellaneous expenses received from students *(Note (i))*	8,507	8,085	8,973
Other payables	6,121	5,938	18,970
Accrued expenses	1,061	–	–
Accrued expenses	46,351	46,245	60,218

The above balances are unsecured and non-interest-bearing. The carrying amount of other payables and accruals at the end of each reporting period approximated to their fair value due to their short term maturity.

Note (i): The amount represents the miscellaneous expenses received from students which will be paid out on behalf of students.

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December								
	2014			2015			2016		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current									
Bank loans – unsecured	–	–	–	–	–	–	–	–	–
Current portion of long term other borrowings – unsecured	9%	2015	4,119	–	–	–	–	–	–
			4,119			–			–
Non-current									
Other borrowings – unsecured	9%	2021	37,075	–	–	–	–	–	–
			37,075			–			–
			41,194			–			–

	As at 31 December		
	2014 RMB'000	2015 RMB'000	2016 RMB'000
Analyzed into:			
Bank loans repayable:			
Within one year	–	–	–
Other borrowings repayable:			
Within one year	4,119	–	–
Beyond five years	37,075	–	–
	41,194	–	–
	41,194	–	–

All of the bank loans are denominated in RMB.

24. DEFERRED INCOME

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	5,931	4,929	5,745
Additions during the year	–	2,000	5,575
Released to profit or loss	(1,002)	(1,184)	(2,473)
At end of year	4,929	5,745	8,847
Less: current portion	1,002	1,285	2,519
Non-current portion	3,927	4,460	6,328

Deferred income represents the government grants received for the Northeast School in connection with certain leasehold improvements. These grants are released to profit or loss over the expected useful lives of the relevant assets.

25. SHARE CAPITAL

The movements of registered capital and paid-in capital are as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
At beginning and end of year	21,372	21,372	21,372

26. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Financial Information.

Statutory and other surplus reserves

Pursuant to the relevant laws in the PRC, the Northeast School shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries. These reserves include (i) general reserve of the limited liability companies and (ii) the development fund of schools.

(i) In accordance with the PRC Company Law, 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 PRC Company Law, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalization is not less than 25% of the registered capital.

(ii) According to the relevant PRC laws and regulations, for private schools that require reasonable returns, they are required to appropriate to the development fund not less than 25% of the net income of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

27. OPERATING LEASE COMMITMENTS

As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to ten 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.

As 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:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	1,101	1,101	4,700
After one year but not more than five years	5,610	5,759	10,678
After five years	4,583	3,333	2,083
	11,294	10,193	17,461

28. COMMITMENTS

In addition to the operating lease commitments detailed in note 27 above, the Group had the following capital commitments as at the end of each of the Relevant Periods:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Contracted but not provided for:			
Property, plant and equipment	6	21	1,115

As at 31 December 2014, 2015 and 2016, the Group had no significant authorised but not contracted capital commitment.

29. RELATED PARTY TRANSACTIONS AND BALANCES

The directors of the Northeast School are of the view that the following parties/companies are related parties that had transactions or balances with the Group during the Relevant Periods.

(a) Name and relationship

Name of related parties	Relationship with the Group and Northeast School
Heilongjiang Huade Jiaoke Group School ("Huake Group")	Ultimately controlled by the principal of the Northeast School
Heilongjiang Huade Vocational Training School ("Northeast Training School")	Ultimately controlled by the principal of the Northeast School
Heilongjiang Huade Flax Arts and Crafts Institute ("Northeast Institute")	Ultimately controlled by the principal of the Northeast School
Huade Kindergarten ("Kindergarten")	Ultimately controlled by the principal of the Northeast School

(b) Related party transactions

In addition to the transactions and balances disclosed elsewhere in this Financial Information, the Group had the following material transactions with related parties during the Relevant Periods:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Education consulting service fee paid to a related party			
Huake Group	30,000	–	–

The education consulting service fee was related to experimental management service, curriculum construction and other services provided by Huake Group which were mutually agreed.

The Northeast School has offered the school supermarket use right of its own properties with no charge. The supermarket was owned by Huake Group.

(c) Outstanding balances with related parties

The Group had the following balances with related parties:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Amount due from a related party:			
Kindergarten	401	596	470
Amounts due to related parties			
Huake Group	9,367	–	–
Northeast Training School	295	–	–
Northeast Institute	295	–	–
	9,957	–	–

The Group had the maximum amount outstanding during the year as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Amount due from a related party:			
Kindergarten	491	600	539

These balances are unsecured, interest-free and have no fixed terms of repayment.

(d) Compensation of key management personnel of the Group

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Short term employee benefits	842	917	995
Contributions to the pension scheme	2	2	2
	844	919	997

30. 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 were as follows:

As at 31 December 2014

Financial assets

	Loans and receivables
	RMB'000
Financial assets included in prepayments, deposits and other receivables	936
Amounts due from related parties	401
Cash and cash equivalents	32,298
	33,635

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Financial liabilities included in other payables and accruals	34,194
Amounts due to related parties	9,957
Interest-bearing bank and other borrowings	41,194
	85,345

As at 31 December 2015

Financial assets

	Loans and receivables
	RMB'000
Financial assets included in prepayments, deposits and other receivables	296
Amount due from a related party	596
Cash and cash equivalents	39,319
	40,211

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Financial liabilities included in other payables and accruals	30,279

As at 31 December 2016

Financial assets

	Loans and receivables
	RMB'000
Financial assets included in prepayments, deposits and other receivables	695
Amounts due from a related party	470
Cash and cash equivalents	102,529
	103,694

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Financial liabilities included in other payables and accruals	40,896

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and amounts due from/to subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, other payables, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as other receivables, amounts due from related parties and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks which are summarized below.

Interest rate risk

All of the Group's bank loans and other borrowings bear fixed interest rates and the interest rates and terms of repayments of the borrowings are disclosed in note 23.

Management is of the view that there was no significant concentration of interest risk within the Group.

Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all students and cooperative schools who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amounts due from related parties and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with 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 industry sector. There are no significant concentrations of credit risk within the Group.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., other receivables, and other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The tables below summarize the maturity profile of the Group's financial liabilities at the end of each of the Relevant Periods based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2014					
Interest-bearing bank and other borrowings	–	4,212	–	40,412	44,624
Amounts due to related parties	9,957	–	–	–	9,957
Financial liabilities included in other payables and accruals	15,689	–	18,505	–	34,194
	25,646	4,212	18,505	40,412	88,775
31 December 2015					
Financial liabilities included in other payables and accruals	14,023	–	16,256	–	30,279
31 December 2016					
Financial liabilities included in other payables and accruals	27,943	–	12,953	–	40,896

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The debt-to-asset ratios as at the end of each of the Relevant Periods were as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Total liabilities	163,625	114,847	135,273
Total assets	472,513	477,204	532,220
Debt-to-asset ratios	35%	24%	25%

33. 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 December 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 IA & IB to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix IA&IB to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted 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 net tangible assets as of December 31, 2016 as if it had taken place on that date.

The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of our Group had the Global Offering been completed as of December 31, 2016 or any future date. It is prepared based on our consolidated net tangible assets as of December 31, 2016 as set out in the Accountants' Report in Appendix IA to this prospectus, and adjusted as described below:

	Consolidated net tangible assets of our Group attributable to owners of the Company as of December 31, 2016(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets of our Group attributable to owners of the Company	Unaudited pro forma adjusted net tangible assets per Share(3)	
	(RMB in thousands)			*RMB*	*HK$(4)*
Based on the Offer Price of HK$2.56 per Share	879,851	603,639	1,483,490	1.04	1.18
Based on the Offer Price of HK$3.22 per Share	879,851	764,395	1,644,246	1.15	1.30

Notes:

(1) The consolidated net tangible assets attributable to owners of our Company as of December 31, 2016 is extracted from "Appendix IA – Accountants' Report of the Group", which is based on the audited consolidated equity attributable to owners of our Company as of December 31, 2016 of approximately RMB888,169,000 less intangible assets as of December 31, 2016 of approximately RMB8,318,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$2.56 per Share and HK$3.22 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 RMB0.8846.

(3) The unaudited pro forma adjusted net tangible assets per Share is calculated based on 1,431,100,000 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 net tangible assets attributable to owners of the Company does not take into account the proposed acquisition of Northeast School by the Group. Had the acquisition been taken into account, the unaudited pro forma net tangible assets of the enlarged group would be RMB1,228 million, then the unaudited pro forma adjusted net tangible assets per Share would be RMB1.28 (assuming an Offer Price of HK$2.56 per Share) and RMB1.39 (assuming an Offer Price of HK$3.22 per Share), respectively. The unaudited pro forma net tangible assets of the enlarged group is extracted from "Appendix IIB – Unaudited Pro Forma Financial Information of the Enlarged Group", which is based on the unaudited pro forma net assets of the enlarged group as of December 31, 2016 of approximately RMB1,325 million less unaudited pro forma intangible assets as of December 31, 2016 of approximately RMB97 million.

(5) The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.0 to RMB0.8846.

5 April 2017

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION OF ADJUSTED NET TANGIBLE ASSETS

To the Directors of
China New Higher Education Group Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of China New Higher Education Group 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 net tangible assets as at 31 December 2016 and related notes as set out on pages IIA-1 and IIA-2 of the prospectus dated 5 April 2017 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in note in pages IIA-1 and IIA-2 of Appendix IIA 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 December 2016 as if the transaction had taken place at 31 December 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 year 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

INTRODUCTION OF THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

(I) Basis of preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group

The following is the unaudited pro forma combined statement of assets and liabilities, which consists of the pro forma combined statement of financial position of China New Higher Education Group Limited (the "Company") and its subsidiaries (the "Group") and Harbin Huade University (the "Target School") and its subsidiary (the "Target Group") (collectively referred to as the "Enlarged Group") (the "Unaudited Pro Forma Financial Information"), which has been prepared in accordance with Rule 4.29 of the Main Board Listing Rules for the purpose of illustrating the effect on the assets and liabilities of the Enlarged Group as if the acquisition of 73.91% of equity interest of the Target Group by the Group (the "Acquisition") had been completed on 31 December 2016.

The Unaudited Pro Forma Financial Information of the Enlarged Group as at 31 December 2016 has been prepared based on the information as set out in:

(a) the audited consolidated statement of financial position of the Group as at 31 December 2016, which has been extracted from Appendix IA to the prospectus of the Company dated 5 April 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");

(b) the audited consolidated statement of financial position of the Target Group as at 31 December 2016 as extracted from the accountants' report of the Target Group as set out in Appendix IB to the Prospectus; and

(c) after taking into account of the unaudited pro forma adjustments, which are directly attributable to the Acquisition and factually supportable, as described in the notes thereto to demonstrate how the Acquisition might have affected the historical financial information in respect of the Group as if the Acquisition had been completed on 31 December 2016.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with other financial information included elsewhere in the Prospectus.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group as at 31 December 2016 or any future date.

(II) Unaudited Pro Forma Combined Statement of Assets and Liabilities of the Enlarged Group

	The Group as at 31 December 2016	The Target Group as at 31 December 2016	Pro forma adjustments			Unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 31 December 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Property, plant and equipment	867,240	375,131	–	–	–	1,242,371
Investment properties	31,817	11,879	–	–	–	43,696
Prepaid land lease payments	99,173	32,966	–	–	–	132,139
Other intangible assets	8,318	477	–	88,481	–	97,276
Other non-current assets	720,585	8,050	–	(156,937)	–	571,698
Total non-current assets	1,727,133	428,503	–	(68,456)	–	2,087,180
CURRENT ASSETS						
Prepayments, deposits and other receivables	50,516	718	–	–	(13,931)	37,303
Amounts due from related parties	–	470	–	–	–	470
Pledged deposits	52,749	–	–	–	–	52,749
Cash and cash equivalents	178,785	102,529	147,000	(92,400)	–	335,914
Other current assets	3,415	–	–	–	–	3,415
Total current assets	285,465	103,717	147,000	(92,400)	(13,931)	429,851
CURRENT LIABILITIES						
Deferred revenue	217,047	65,688	–	–	–	282,735
Other payables and accruals	240,262	60,218	–	–	(13,931)	286,549
Interest-bearing bank and other borrowings	102,500	–	–	–	–	102,500
Deferred income-current	2,122	2,519	–	–	–	4,641
Tax payable	1,511	520	–	–	–	2,031
Amounts due to related parties	–	–	–	–	–	–
Total current liabilities	563,442	128,945	–	–	(13,931)	678,456
NET CURRENT ASSETS/(LIABILITIES)	**(277,977)**	**(25,228)**	**147,000**	**(92,400)**	**–**	**(248,605)**
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,449,156**	**403,275**	**147,000**	**(160,856)**	**–**	**1,838,575**
NON-CURRENT LIABILITIES						
Interest-bearing bank and other borrowings	476,128	–	–	–	–	476,128
Deferred income	30,512	6,328	–	–	–	36,840
Total non-current liabilities	506,640	6,328	–	–	–	512,968
NET ASSETS	942,516	396,947	147,000	(160,856)	–	1,325,607

(III) Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The balances were extracted from the audited consolidated statement of financial position of the Group as at 31 December 2016 as set out in Appendix IA to the Prospectus.

2. The balances were extracted from the audited consolidated statement of financial position of the Target Group as at 31 December 2016 as set out in Appendix IB to the Prospectus.

3. The pro forma adjustment represents the new bank loan of RMB147,000,000 which will be borrowed by the Group from China Minsheng Bank to finance the cash consideration payable for the Acquisition.

4. The pro forma adjustment reflects the allocation of the cost of the Acquisition to the identifiable assets and liabilities of the Target Group, which represents:

   (a) Fair value adjustment of the identifiable assets and liabilities of the Target Group

   Upon completion of the Acquisition, the identifiable assets and liabilities of the Target Group in the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group will be accounted for at fair value under the purchase method of accounting in accordance with Hong Kong Financial Reporting Standard No. 3 Business Combinations.

   For the purpose of this Unaudited Pro Forma Financial Information, the directors of the Company had assumed that the carrying values of the identifiable assets and liabilities of the Target Group approximated to their fair values, which will be reassessed on the completion date of the Acquisition together with the fair value assessment of the intangible assets and deferred tax impact in relation to such fair value adjustments.

   (b) Recognition of goodwill in relation to the Acquisition

   Goodwill of the Enlarged Group represents the excess of the cost of the Acquisition over the estimated fair value of the identifiable net assets of the Target Group. Pursuant to the Agreement, the total cash consideration of the Acquisition approximate to RMB381,865,000, subject to deduction of all transaction expenses related to the Acquisition incurred and paid or payable by the Target Company since 31 December 2016 and through to the completion of Acquisition (the "Closing"). The Group is also required to pay, or cause to be paid, any aforesaid transaction expenses of the Target Company that remain unpaid immediately prior to Closing. Therefore, the actual consideration may be different from that is stated above.

5. The pro forma adjustment represents elimination for Group's receivable due from Northeast School and Northeast School's payable due to Group with amount of RMB13,931,000, which relates to the consultation service of Huihuang company provided to Northeast School.

For the purpose of the preparation of the Unaudited Pro Forma Financial Information and for illustrative purpose, the recognition of goodwill arising from the Acquisition is analyzed as follows:

	RMB'000
Consideration *(Note 1)*	381,865
Less: Carrying amounts of the identifiable assets and liabilities to be acquired	396,947
Add: Non-controlling interests	103,563
Goodwill *(Note 2)*	88,481

Note 1: As disclosed in Prospectus, the settlement of the consideration amounted to RMB381,865,000 could be summarized as below:

	RMB'000
Total consideration	381,865
Less:	
a) Down payment to then shareholder of the Target School which was included in other non-current assets at 31 December 2016	156,937
b) Consideration to be settled via the IPO proceeds amounted to HK$149,817,000 (equivalent to approximately RMB132,528,000 based on the exchange rate of HK$1.00 to RMB0.8846)	132,528
Consideration to be settled via cash of the Group	92,400

Note 2: For the purpose of this Unaudited Pro Forma Financial Information, the Company has assessed if there is any impairment loss on the goodwill arising from the Acquisition in accordance with the Hong Kong Accounting Standard No. 36 Impairment of Assets which is consistent with the Company's accounting policy. The directors of the Company are of the view that, after performing the impairment assessment, there is no impairment indication of the goodwill arising from the Acquisition as set out in the Unaudited Pro Forma Financial Information.

The directors of the Company confirm, as the preparer of the annual financial statements, the basis used in the preparation of the Unaudited Pro Forma Financial Information will be consistent with the accounting policies of the Group, including the principal accounting policies and assumptions of the valuation of the Target Group to be consistently adopted in the first set of the financial statements of the Company after the completion of the Acquisition.

After the completion of the Acquisition, the management will assess the impairment of intangible assets of the Group at each financial year end and will present the first set of the consolidated financial statements of the Company for 2017 audit. The directors of the Company ascertain all applicable disclosure requirements of the annual financial statements will be complied with applicable approved accounting standards.

Even though the impairment assessment will be carried out in the accounting periods in the future, in view of the date of the Prospectus and the balance sheet date of the first set of the financial statements of the Company after the completion of the Acquisition, any significant changes in the assessment of goodwill impairment is not expected. Accordingly, the directors of the Company considered that no significant goodwill impairment is expected in the first set of financial statements after the completion of the Acquisition.

Since the fair value of the identifiable net assets of the Target Group at the date of the completion of the Acquisition may be substantially different from current fair value adjustment estimated in the unaudited pro forma statement of assets and liabilities of the Enlarged Group, the goodwill recognized at the completion date of the Acquisition may be different from the amount presented above.

5. Apart from the Acquisition, no other adjustments have been made to the Unaudited Pro Forma Financial Information of the Enlarged Group to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2016.

EY 安永

5 April 2017

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

To the Directors of
China New Higher Education Group Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of China New Higher Education Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma combined statement of financial position of the Group and Harbin Huade University (the "Target School") and its subsidiary (the "Target Group") (collectively referred to as the "Enlarged Group") as at 31 December 2016, and related notes as set out in Appendix IIB to the Prospectus issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on note (I) of Appendix IIB to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 73.91% of the equity interests of the Target Group (the "Acquisition") on the Group's financial position as at 31 December 2016 as if the transaction had taken place at 31 December 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2016 in the Appendix IA of the Prospectus and the information about Target Group's consolidated financial statements has been extracted by the Directors from the Target Group's accountants' report for the year ended 31 December 2016 in the Appendix IB of the Prospectus.

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 Acquisition 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 text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 January 2017 of the selected property interests of the PRC Operating Schools.

JLL 仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

5 April 2017

The Board of Directors
China New Higher Education Group Limited
Cricket Square, Hutchins Drive,
P.O. Box 2681,
Grand Cayman, KY-1111,
Cayman Islands

Dear Sirs,

Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL" or "we") is instructed by China New Higher Education Group Limited (the "**Company**") to provide valuation service on the selected property interests held by Guizhou Technology and Business Institute and Yunnan Technology and Business University (the "**PRC Operating Schools**", the school sponsor's interest is wholly owned by Yun Ai Group and a consolidated affiliated entity of the Company), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the selected property interests as at 31 January 2017 (the "**valuation date**").

The selected property interests form part of non-property activities that has a carrying amount of 15% or more of the PRC Operating Schools' total assets and therefore the valuation report of this property interests is required to be included in this prospectus.

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Due to the nature of the buildings and structures of property 1 and 2 which are held and occupied by the PRC Operating Schools and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the relevant property interests have been valued by the cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing property 3, we have adopted the comparison approach in our valuation by making reference to comparable market transactions in our assessment of the market value of the property interest. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

In valuing the property interests held under development as at the valuation date, we have assumed that it will be developed and completed in accordance with the latest development proposals provided to us by the Company and the PRC Operating Schools. In arriving at our opinion of value, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees to be expended to complete the development.

We have valued the properties held for investment by the PRC Operating Schools by the income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their value.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company and the PRC Operating Schools and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates ("LURCs"), Real Estate Title Certificates ("RETCs"), Building Ownership Certificates ("BOCs") and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal adviser – Jingtian & Gongcheng Law Firm, concerning the validity of the property interests in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company and PRC Operating Schools. We have also sought confirmation from the Company and PRC Operating Schools that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in June to July 2016 by Mr. Jake Zhong and Ms. Jun Yang. Mr. Jake Zhong has more than 4 years' experience and Ms. Jun Yang has 2 years' experience in the valuation of properties in the PRC.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 23 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUE

Abbreviation:

Group I: Completed Properties held and occupied by the PRC Operating Schools in the PRC
Group II: Completed Properties held for investment by the PRC Operating Schools in the PRC
Group III: Properties held under development by the PRC Operating Schools in the PRC
–: Not Available or Not Applicable

No.	Property	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Total market value in existing state as at the valuation date
		RMB **Group I:**	*RMB* **Group II:**	*RMB* **Group III:**	*RMB* **Total:**
1.	Guizhou Technology and Business Institute located at No. 10 Shuangqiao Road Qingzhen City Guiyang City Guizhou Province The PRC	373,700,000	53,550,000	–	427,250,000
2.	Yunnan Technology and Business University located at Guanjun Road Songming County Kunming City Yunnan Province The PRC	576,173,000	47,240,000	77,174,000	700,587,000
3.	Car parking space No. 003 on Level B1 of Dian Chi Ban Diao Residence Phase II located at the junction of Dianchi Road and South 2nd Ring Road Kunming City Yunnan Province The PRC	148,000	–	–	148,000
	Total:	950,021,000	100,790,000	77,174,000	1,127,985,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 January 2017
				RMB
1.	Guizhou Technology and Business Institute located at No. 10 Shuangqiao Road Qingzhen City Guiyang City Guizhou Province The PRC	Guizhou Technology and Business Institute is located at the College City of Qingzhen City, Guiyang City, Guizhou Province. The locality is not well served with public transportation at the moment and there are only few public facilities nearby. Besides, there are some industrial buildings and residential buildings in the surrounding area with limited retail facilities. As advised by Guizhou School, the school had planned to be developed into a campus comprised of 56 buildings in which 33 buildings were completed and the construction of the remaining buildings was not commenced as at the valuation date. The property comprises 8 parcels of land with a total site area of approximately 284,854 sq.m., 33 buildings and various structures erected thereon which were completed in various stages between 2012 and 2014. The buildings have a total gross floor area of approximately 145,521.93 sq.m., mainly include academic building, training buildings, library, dormitories, canteens and public baths and ancillary facilities. Among these 33 buildings, 31 buildings with a total gross floor area of approximately 135,184.03 sq.m. together with various structures are currently held and occupied by Guizhou School for educational and ancillary purposes (categorized as Group I). The remaining 2 buildings with a total gross floor area of approximately 10,337.9 sq.m. are currently rented to various tenants for canteen and retail purposes (categorized as Group II). The structures mainly include ancillary facility rooms, boundary walls and roads. The land use rights of 8 parcels of land of the property have been granted for the terms with the expiry dates on 28 April 2061 and 2 August 2066 for educational use.	31 buildings and various structures of the property are currently occupied by Guizhou School for educational and ancillary purposes. The remaining 2 buildings of the property are currently rented to various tenants for canteen and retail purposes.	427,250,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – 520181-2011-CR-0004 dated 28 January 2011, the land use rights of portion of the property with a site area of approximately 200,000 sq.m. were contracted to be granted to Guizhou Technology and Business Institute (貴州工商職業學院, "Guizhou School") for a term of 50 years for educational use. The total land premium and transaction fee were in the sum of RMB1,518,400. As advised by the Company, the land premium and transaction fee have been fully paid.

2. Pursuant to 3 State-owned Land Use Rights Grant Contracts – 520181-2016-XY-0001, 520181-2016-XY-0002 and 520181-2016-XY-0003 dated 3 August 2016, the land use rights of the remaining portion of the property with a total site area of approximately 84,854 sq.m. were contracted to be granted to Guizhou School for a term of 50 years for educational use. The total land premium and transaction fee were in the sum of RMB36,850,000. As advised by the Company, the land premium and transaction fee have been fully paid.

3. Pursuant to 5 State-owned Land Use Rights Certificates – Qing Guo Yong (2011) Di XI-0708, Qing Guo Yong (2011) Di XI-0710, Qing Guo Yong (2011) Di XI-0711, Qing Guo Yong (2013) Di XI-0945 and Qing Guo Yong (2013) Di XI-0946, the land use rights of 5 parcels of land of the property with a total site area of approximately 200,000 sq.m. have been granted to Guizhou School for the terms with the expiry date on 28 April 2061 for educational use.

4. Pursuant to 3 Real Estate Title Certificates (for land only) – Qian (2016) Qing Zhen Shi Bu Dong Chan Quan Di 0005075, Qian (2016) Qing Zhen Shi Bu Dong Chan Quan Di 0005076 and Qian (2016) Qing Zhen Shi Bu Dong Chan Quan Di 0005077, the land use rights of 3 parcels of land of the property with a total site area of approximately 84,854 sq.m. have been granted to Guizhou School for the terms with the expiry date on 2 August 2066 for educational use.

5. Pursuant to 33 Real Estate Title Certificates, 31 buildings with a total gross floor area of approximately 135,184.03 sq.m. are owned by Guizhou School for educational and ancillary use and 2 buildings with a total gross floor area of approximately 10,337.9 sq.m. are owned by Guizhou School for canteen use. The details are set out as follows:

No.	Certificate No.	Building/Portion	Gross Floor Area *(sq.m.)*	Registration Date	Owner
1	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005731	Guard Room	166.95	26-Nov-16	Guizhou Technology and Business Institute
2	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005732	Dormitory Building No. 38	4,912.71	26-Nov-16	Guizhou Technology and Business Institute
3	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005733	Dormitory Building No. 37	4,912.71	26-Nov-16	Guizhou Technology and Business Institute
4	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005734	Teachers' Apartment No.3	2,913.84	26-Nov-16	Guizhou Technology and Business Institute
5	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005735	Teachers' Apartment No.2	2,913.84	26-Nov-16	Guizhou Technology and Business Institute

No.	Certificate No.	Building/Portion	Gross Floor Area	Registration Date	Owner
			(sq.m.)		
6	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005736	Dormitory Building No. 7	3,868.92	26-Nov-16	Guizhou Technology and Business Institute
7	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005737	Dormitory Building No. 6	3,868.92	26-Nov-16	Guizhou Technology and Business Institute
8	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005738	Reports Building No. 31	997.28	26-Nov-16	Guizhou Technology and Business Institute
9	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005739	Dormitory Building No. 3	4,939.62	26-Nov-16	Guizhou Technology and Business Institute
10	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005740	Dormitory Building No. 29	3,558.84	26-Nov-16	Guizhou Technology and Business Institute
11	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005741	Dormitory Building No. 28	3,874.74	26-Nov-16	Guizhou Technology and Business Institute
12	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005742	Dormitory Building No. 27	4,616.34	26-Nov-16	Guizhou Technology and Business Institute
13	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005743	Training Building No. 26	4,188.60	26-Nov-16	Guizhou Technology and Business Institute
14	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005744	Training Building No. 25	4,584.32	26-Nov-16	Guizhou Technology and Business Institute
15	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005745	Training Building No. 23	3,740.46	26-Nov-16	Guizhou Technology and Business Institute
16	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005746	Canteen No. 21	5,644.42	26-Nov-16	Guizhou Technology and Business Institute

No.	Certificate No.	Building/Portion	Gross Floor Area	Registration Date	Owner
			(sq.m.)		
17	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005747	School Hospital	917.03	26-Nov-16	Guizhou Technology and Business Institute
18	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005748	Library No. 19	9,632.69	26-Nov-16	Guizhou Technology and Business Institute
19	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005750	Dormitory Building No. 16	4,912.71	26-Nov-16	Guizhou Technology and Business Institute
20	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005751	Dormitory Building No. 15	4,925.34	26-Nov-16	Guizhou Technology and Business Institute
21	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005752	Dormitory Building No. 14	4,925.34	26-Nov-16	Guizhou Technology and Business Institute
22	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005753	Dormitory Building No. 13	4,925.34	26-Nov-16	Guizhou Technology and Business Institute
23	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005754	Dormitory Building No. 12	4,925.34	26-Nov-16	Guizhou Technology and Business Institute
24	Yun (2016) Qing Zhen City Bu Dong Chan Quan Di 0005755	Canteen No. 8	4,693.48	26-Nov-16	Guizhou Technology and Business Institute
25	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005756	Dormitory Building No. 5	3,814.92	26-Nov-16	Guizhou Technology and Business Institute
26	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005757	Dormitory Building No. 4	3,814.92	26-Nov-16	Guizhou Technology and Business Institute
27	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005758	Dormitory Building No. 3	3,814.92	26-Nov-16	Guizhou Technology and Business Institute

No.	Certificate No.	Building/Portion	Gross Floor Area (sq.m.)	Registration Date	Owner
28	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005759	Dormitory Building No. 2	3,814.92	26-Nov-16	Guizhou Technology and Business Institute
29	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005760	Teachers' Apartment	22,129.79	26-Nov-16	Guizhou Technology and Business Institute
30	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005761	Training Building No. 22	3,217.32	26-Nov-16	Guizhou Technology and Business Institute
31	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005762	Teachers' Apartment No.10	2,913.84	26-Nov-16	Guizhou Technology and Business Institute
32	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005829	Bathroom No. 6 of Phase I	787.44	26-Nov-16	Guizhou Technology and Business Institute
33	Qian (2016) Qing Zhen City Bu Dong Chan Quan Di 0005749	Bathroom No. 17 of Phase II	1,654.08	26-Nov-16	Guizhou Technology and Business Institute
		Total:	**145,521.93**		

6. Pursuant to a Tenancy Agreement entered into between Guizhou School and Guizhou Wan Li Sheng Driving School, an independent third party, a total site area of 10 mu of land included in Qing Guo Yong (2011) Di No. XI-0708 is leased for driving school purpose with a term of 11 years, and the total annual rent receivable in 2017 is approximately RMB150,000.

7. Pursuant to a Tenancy Agreement entered into between Guizhou School and He Zhi Fan, an independent third party, a site area of approximately 39.1 sq.m. of land included in Qing Guo Yong (2011) Di XI-0710 is leased for kiosk purpose with a term of 1 year and 8 months, and the total annual rent receivable in 2017 is approximately RMB56,304.

8. Pursuant to a Tenancy Agreement entered into between Guizhou School and Guizhou Heng Yi Hospitality Co., Ltd., an independent third party, a site area of approximately 9 sq.m. of land included in Qing Guo Yong (2011) Di XI-0946 is leased for kiosk purpose with a term of 2 years, and the total annual rent receivable in 2017 is approximately RMB7,128.

9. Pursuant to 33 Completion of Construction Work Acceptance Forms, 33 buildings with a total gross floor area of approximately 143,339.63 sq.m. have been completed and passed the inspection acceptance.

10. Among the 33 buildings of the property with a total gross floor area of approximately 145,521.93 sq.m., 2 buildings with a total gross floor area of approximately 10,337.9 sq.m. are held for investment by Guizhou School and the remaining 31 buildings are held and occupied by Guizhou School.

11. Pursuant to various Tenancy Agreements entered into between Guizhou School and various independent third parties, various units of the canteens with a total lettable area of approximately 7,464.68 sq.m. are leased to various tenants for retail purpose with a majority of terms of 1 to 3 years, and the total annual rent receivable in 2017 is approximately RMB3,306,288 exclusive of management fee.

12. In the course of valuation for the properties held for investment, reference has been made to asking rent of similar retail properties in the locality which are in the region of RMB1 to RMB1.06 per sq.m./per day. The assumed market yield is 6.5% which is in line with the market yield of this property sector in the region of 5.5% to 6.5%.

13. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, *inter alia*, the followings:

    a. Guizhou School legally owns the land use rights of the property and is entitled to legally use the land in accordance with valid term stipulated in the State-owned Land Use Rights Certificates and Real Estate Title Certificates for the land;

    b. Guizhou School legally owns the building ownership rights of the property mentioned in note 5 and is entitled to legally use the buildings;

    c. Guizhou School is not restricted by the PRC laws and any contracts or undertakings to transfer, dispose of by gift and lease the property to third parties and the land use rights and building ownership rights are not found subject to sequestration or any other encumbrances; and

    d. the Tenancy Agreements mentioned in notes 6-8 and 11 are legal and valid. The lack of lease registration would not affect the validity of relevant Tenancy Agreements, but Guizhou School has a risk to be punished.

14. The property is categorized into the following groups according to the purpose for which it is held, the market value for each group in its existing state as at the valuation date is set out as below:

Group	**Portion**	**Market value in existing state as at 31 January 2017**
		RMB
Group I – Completed Properties held and occupied by the PRC Operating Schools in the PRC	31 buildings for educational use	373,700,000
Group II – Completed Properties held for investment by the PRC Operating Schools in the PRC	2 buildings for canteen and shops	53,550,000
Grand Total		**427,250,000**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 January 2017
				RMB
2.	Yunnan Technology and Business University located at Guanjun Road Songming County Kunming City Yunnan Province The PRC	Yunnan Technology and Business University is located in the College City of Songming County, Kunming City, Yunnan Province. The locality is not well served with public transportation at the moment and there are only few public facilities nearby. Besides, there are some college and residential buildings in the surrounding area with retail facilities. The property comprises 2 parcels of land with a total site area of approximately 535,819.66 sq.m., 43 completed buildings and various structures erected thereon which were completed in various stages between 2008 and 2016, and 2 buildings under construction are also erected thereon. The completed buildings have a total gross floor area of approximately 258,353.65 sq.m. and mainly include academic building, training buildings, library, dormitories, canteens and public baths, and ancillary facilities. Among the 43 buildings, 41 buildings with a total gross floor area of approximately 245,370.41 sq.m. together with various structures are currently held and occupied by the Yunnan School for educational and ancillary purposes (categorized as Group I). Of which, 2 buildings with a total gross floor area of approximately 12,983.24 sq.m. are currently rented to various tenants for canteen and retail purposes (categorized as Group II). The buildings under construction will have a total gross floor area of approximately 24,229.78 sq.m. and will be developed into an academic building and a canteen (categorized as Group III). As advised by Yunnan School, the site area of the land on which the buildings under construction erected thereon is approximately 45,943.22 sq.m. As advised by Yunnan School, the total contracted construction cost of the buildings is estimated to be approximately RMB80 million, of which approximately RMB61 million had been paid as at the valuation date. As advised by Yunnan School, these 2 buildings are scheduled to be completed between April and September 2017. The structures mainly include ancillary facility rooms, boundary walls and roads. The land use rights of 2 parcels of land of the property have been granted for the terms with the expiry dates on 10 August 2056 and 8 July 2060 for educational use.	41 buildings of the property are currently occupied by Yunnan School for educational and ancillary purposes. The remaining 2 buildings of the property are currently rented to various tenants for canteen and retail purposes. Another 2 buildings are under construction.	700,587,000

Notes:

1. Pursuant to a co-operation agreement between the People's Government of Songming County and Yunnan Einsun Investment Co., Ltd. (雲南愛因森投資有限公司, "Yunnan Einsun Investment", now known as Yunnan Einsun Education Investment Group Co., Ltd. (雲南愛因森教育投資集團有限公司, "Yun Ai Group") dated 11 November 2005, approximately 500 mu of land use rights to be granted for an education project was agreed by the People's Government of Songming County.

2. Pursuant to a State-owned Land Use Rights Grant Contract – CR Songming County No. 2010014-2 dated 8 July 2010, the land use rights of portion of the property with a site area of approximately 231,383.69 sq.m. were contracted to be granted to Yunnan Einsun Software College (雲南愛因森軟件職業學院, "Software College", now known as Yunnan Technology and Business University (雲南工商學院, "Yunnan School") for a term of 50 years for educational use. The total land premium and transaction fee were in the sum of RMB35,748,777. As advised by the Company, the land premium and transaction fee have been fully paid.

3. Pursuant to a Real Estate Title Certificate, the land use rights of a parcel of land of the property with a site area of approximately 304,435.97 sq.m. have been granted to Yunnan School, for a term expiring on 10 August 2056, for educational use.

4. Pursuant to a Real Estate Title Certificate, the land use rights of a parcel of land of the property with a site area of approximately 231,383.69 sq.m. have been granted to Yunnan School, for a term expiring on 8 July 2060, for educational use.

5. Pursuant to 43 Real Estate Title Certificates (for buildings only), 41 buildings with a total gross floor area of approximately 245,370.41 sq.m. are owned by Yunnan School for educational and ancillary uses and 2 buildings with a total gross floor area of approximately 12,983.24 sq.m. are owned by Yunnan School for canteen use. The details are set out as follows:

No.	Certificate No.	Building/ Portion	Gross Floor Area	Registration Date	Site Area	Owner	Land Use Rights Expiry Date
			(sq.m.)		*(sq.m.)*		
1	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di 0000475	Teaching Building	25,912.00	7-Sep-16	5,210.13	Yunnan School	08/07/2060
2	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0000476	Dormitory Building No.23	4,391.00	7-Sep-16	888.77	Yunnan School	08/07/2060
3	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0000477	Dormitory Building No.22	4,391.00	7-Sep-16	888.77	Yunnan School	08/07/2060
4	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0000478	Dormitory Building No.21	4,391.00	7-Sep-16	881.87	Yunnan School	08/07/2060
5	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0000479	Professors' Apartment No.1	4,107.00	7-Sep-16	748.94	Yunnan School	08/07/2060
6	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0000480	Dormitory Building No.20	4,391.00	7-Sep-16	881.87	Yunnan School	08/07/2060
7	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0000481	Dormitory Building No.19	4,391.00	7-Sep-16	876.19	Yunnan School	08/07/2060
8	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0000482	Office Building No.18	4,391.00	7-Sep-16	880.99	Yunnan School	08/07/2060
9	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0000483	Office Building No.17	4,391.00	7-Sep-16	880.99	Yunnan School	08/07/2060
10	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0000484	Administration Building	7,704.86	7-Sep-16	2,421.07	Yunnan School	08/07/2060
11	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0000485	Gymnasium	6,400.86	7-Sep-16	4,866.96	Yunnan School	08/07/2060

No.	Certificate No.	Building/ Portion	Gross Floor Area	Registration Date	Site Area	Owner	Land Use Rights Expiry Date
			(sq.m.)		*(sq.m.)*		
12	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0000865	Dormitory Building No.26	5,297.68	3-Nov-16	889.79	Yunnan School	08/07/2060
13	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0000866	Dormitory Building No.27	5,297.25	3-Nov-16	886.90	Yunnan School	08/07/2060
14	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0000867	Dormitory Building No.25	5,297.68	3-Nov-16	885.35	Yunnan School	08/07/2060
15	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0000868	Professors' Building	4,196.46	8-Nov-16	801.72	Yunnan School	08/07/2060
16	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0000869	Dormitory Building No.30	5,297.25	3-Nov-16	884.27	Yunnan School	08/07/2060
17	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0000870	Dormitory Building No.28	5,297.25	3-Nov-16	883.29	Yunnan School	08/07/2060
18	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0000871	Dormitory Building No.29	5,297.25	3-Nov-16	883.34	Yunnan School	08/07/2060
19	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0001565	Office Building No.13	4,435.05	3-Nov-16	867.85	Yunnan School	10/08/2056
20	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0001566	Office Building No.12	4,435.05	9-Nov-09	866.73	Yunnan School	10/08/2056
21	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0001567	Teaching Building No.1	18,274.02	9-Nov-09	4,545.41	Yunnan School	10/08/2056
22	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0001568	Office Building No.11	4,435.05	9-Nov-09	866.73	Yunnan School	10/08/2056
23	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0001569	Office Building No.1	4,556.18	9-Nov-09	804.34	Yunnan School	10/08/2056
24	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0001570	Phase I Canteen	5,758.25	9-Nov-09	1,471.44	Yunnan School	10/08/2056
25	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0001571	Equipment Room	508.95	9-Nov-09	984.08	Yunnan School	10/08/2056
26	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0001572	Phase II Canteen	7,224.99	6-May-10	3,273.46	Yunnan School	10/08/2056
27	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0001646	Office Building No.3	4,467.72	6-May-10	920.86	Yunnan School	10/08/2056
28	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0001647	Office Building No.4	4,248.96	9-Jul-10	868.08	Yunnan School	10/08/2056
29	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0001648	Office Building No.5	3,947.41	21-May-13	804.26	Yunnan School	10/08/2056
30	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0001649	Office Building No.10	4,435.05	21-May-13	866.73	Yunnan School	10/08/2056
31	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0001650	Office Building No.7	4,435.05	21-May-13	869.24	Yunnan School	10/08/2056
32	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0001651	Office Building No.8	4,443.05	21-May-13	867.70	Yunnan School	10/08/2056
33	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0001653	Office Building No.15	4,435.05	21-May-13	867.89	Yunnan School	10/08/2056

No.	Certificate No.	Building/ Portion	Gross Floor Area	Registration Date	Site Area	Owner	Land Use Rights Expiry Date
			(sq.m.)		*(sq.m.)*		
34	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0001654	School Hospital	887.00	21-May-13	459.90	Yunnan School	10/08/2056
35	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0002097	Office Building No.16	4,435.05	3-Nov-16	867.60	Yunnan School	10/08/2056
36	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0002098	Phase I Guard Room	253.86	8-Nov-16	53.73	Yunnan School	10/08/2056
37	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0002099	Library	23,102.15	28-Sep-16	4,090.42	Yunnan School	10/08/2056
38	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0002100	Reclaimed Water Treatment Station	86.13	28-Sep-16	115.85	Yunnan School	10/08/2056
39	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0002101	Office Building No.6	7,969.81	28-Sep-16	1,597.48	Yunnan School	10/08/2056
40	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0002102	Teaching Building No.2	17,311.00	28-Sep-16	2,625.31	Yunnan School	10/08/2056
41	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0002111	Office Building No.2	4,556.18	28-Sep-16	934.90	Yunnan School	10/08/2056
42	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0002112	Office Building No.14	4,435.05	28-Sep-16	867.78	Yunnan School	10/08/2056
43	Yun (2016) Song Ming Xian Bu Dong Chan Quan Di0002113	Office Building No.9	4,435.05	28-Sep-16	866.73	Yunnan School	10/08/2056
		Total:	**258,353.65**		**57,765.71**		

6. Pursuant to a Construction Land Planning Permit – Di Zi Di 2009099 in favour of Software College, permission towards the planning of portion of the subject land with a site area of approximately 231,386.69 sq.m. has been granted.

7. Pursuant to 2 Construction Work Planning Permits – Jian Zi Di 201303002 and Jian Zi Di 2016001 in favour of Yunnan School, 2 buildings with a total gross floor area of approximately 24,229.78 sq.m. have been approved for construction.

8. Pursuant to 2 Construction Work Commencement Permits – Zhi Jian Shi 2016005 and Zhi Jian Shi 2016006 in favour of Yunnan School, permission by the relevant local authority was given to commence the construction work of 2 buildings with a total gross floor area of approximately 24,229.78 sq.m.

9. Pursuant to a Tenancy Agreement entered into between Yunnan School and Song Ming Xing Ye Cheng Xiang Public Transportation Co., Ltd, an independent third party, a total site area of approximately 400 sq.m. of land included in the land parcel with site no. of 530127004005GB00015 is leased for parking purpose with a term of 1 year, and the total annual rent receivable in 2017 is approximately RMB108,000.

10. Pursuant to various Tenancy Agreements entered into between Yunnan School and various independent third parties, various units of canteens with a total lettable area of approximately 11,953 sq.m. are leased to various tenants for canteen and retail purposes with a majority of terms of 1 to 5 years, and the total annual rent receivable in 2017 is approximately RMB4,730,876.

11. In the course of valuation for the properties held for investment, reference has been made to asking rent of similar retail properties in the locality which are in the region of RMB0.64 to RMB0.97 per sq.m./per day. The assumed market yield is 6.5% which is in line with the market yield of this property sector in the region of 5.5% to 6.5%.

12. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, *inter alia*, the followings:

    a. Yunnan School legally owns the land use rights of the property and is entitled to legally use the land in accordance with valid term stipulated in the Real Estate Title Certificates for the land;

    b. Yunnan School legally owns the building ownership rights of the property mentioned in note 5 and is entitled to legally use the buildings;

    c. Yunnan School is not restricted by the PRC laws and any contracts or undertakings to transfer, dispose of by gift and lease the property to third parties and the land use rights and building ownership rights are not found subject to sequestration or any other encumbrances; and

    d. the Tenancy Agreements mentioned in notes 9-10 are legal and valid. The lack of lease registration would not affect the validity of relevant Tenancy Agreements, but Yunnan School has a risk to be punished.

13. The property is categorized into the following groups according to the purpose for which it is held, the market value for each group in its existing state as at the valuation date is set out as below:

Group	**Portion**	**Market value in existing state as at 31 January 2017**
		RMB
Group I – Completed Properties held and occupied by the PRC Operating Schools in the PRC	41 buildings for educational use	576,173,000
Group II – Completed Properties held for investment by the PRC Operating Schools in the PRC	2 buildings for canteen and shops	47,240,000
Group III – Properties held under development by the PRC Operating Schools in the PRC	2 buildings under construction	77,174,000
Grand Total		**700,587,000**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 January 2017
				RMB
3.	Car parking space No. 003 on Level B1 of Dian Chi Ban Diao Residence Phase II located at the junction of Dianchi Road and South 2nd Ring Road Kunming City Yunnan Province The PRC	Dian Chi Ban Diao Residence is located at the junction of Dianchi Road and South 2nd Ring Road, Kunming City, Yunnan Province. Dian Chi Ban Diao Residence mainly comprises high rise residential buildings. The locality is not well served with public transportation and there are some public facilities nearby. The property comprises an underground parking space with a gross floor area of approximately 31.21 sq.m. The land use rights of the property have been granted for a term with the expiry date on 6 February 2077 for residential (carpark) use.	The property is currently occupied by Yunnan School for car parking purpose.	148,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Xi Ge Guo Yong (2014) No. 1403093, the land use rights of the property with an apportioned site area of approximately 31.21 sq.m. have been granted to Yunnan Technology and Business University (雲南工商學院, "Yunnan School") for a term with the expiry date on 6 February 2077 for residential (carpark) use.

2. Pursuant to a Building Ownership Certificate – Kun Fang Quan Zi Xi Shan Zi No. 201331095, a car parking space with a gross floor area of approximately 31.21 sq.m. is owned by Yunnan School.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, *inter alia*, the followings:

   a. Yunnan School legally owns the land use rights of the property and is entitled to legally use the land in accordance with valid term stipulated in the State-owned Land Use Rights Certificate; and

   b. Yunnan School has obtained the building ownership rights and is entitled to legally use the property.

4. In the course of our valuation of this property, reference has been made to the sale price of similar property in the locality which is in the region of RMB140,000 to RMB150,000 per car parking space.

5. The property is categorized into the following group according to the purpose for which it is held, the market value for each group in its existing state as at the valuation date is set out as below:

Group	Portion	Market value in existing state as at 31 January 2017
		RMB
Group I – Completed Properties held and occupied by the PRC Operating Schools in the PRC	an underground car parking space	148,000
Grand Total		**148,000**

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 July 8, 2016 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 Amended and Restated Memorandum of Association (the "Memorandum") and its 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 20, 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 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 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 Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine), 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 authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the 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) days and not less than twenty (20) business days. All other general meetings must be called by notice of at least fourteen (14) days and not less than ten (10) 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, 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 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 or by advertisement in newspapers published daily and circulating generally in Hong Kong and in accordance with the requirements 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 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 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 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.

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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) 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 August 2, 2016.

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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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 purpose 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.

(p) 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.

(q) 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.

(r) 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 delivered to the Registrar of Companies and available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on July 8, 2016. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on October 20, 2016 and our Company's principal place of business in Hong Kong is at 18/F, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong. Ms. Wong Wai Ling of 18/F, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong, a Hong Kong resident, has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant law of the Cayman Islands and its constitution which comprises a memorandum of association and the articles of association. A summary of the relevant aspects of the Companies Law and certain provisions of Articles of Association is set out in Appendix IV of this prospectus.

2. Changes in share capital of our Company

As at the date of the incorporation of our Company, the authorized share capital of our Company was US$50,000 divided into 500,000,000 Shares of US$0.0001 each. At the time of incorporation, the issued share capital of our Company was US$0.0001, with one Share of US$0.0001 and held by N.D. Nominees Ltd., an Independent Third Party. On the same date, the said one Share was transferred to Aspire Education Group for a consideration at par value.

On September 6, 2016, Aspire Education Group entered into a sale and purchase agreement with our Company pursuant to which our Company acquired all issued share capital of Aspire Education Information held by Aspire Education Group. In consideration, our Company allotted and issued 14,310 Shares at nominal value to Aspire Education Group. Immediately after this transfer, our Company became wholly owned by Aspire Education Group.

On September 7, 2016, Aspire Education Group, Aspire Education Management, Aspire Education Technology, Aspire Education Consulting, Aspire Education International, Advance Vision, Design Time, Gainful Asset and Aspire Education Worldwide entered into a conditional share repurchase agreement pursuant to which Aspire Education Group agreed to repurchase from each of Aspire Education Management, Aspire Education Technology, Aspire Education Consulting, Aspire Education International, Advance Vision, Design Time, Gainful Asset and Aspire Education Worldwide their 6,276 shares, 2,450 shares, 700 shares, 473 shares, 2,222 shares, 1,310 shares, 306 shares and 573 shares (representing 43.86%, 17.12%, 4.89%, 3.31%, 15.53%, 9.15%, 2.14% and 4.00% of the then total issued share capital of Aspire Education Group), respectively. In consideration of the repurchase, Aspire Education Group agreed to transfer to Aspire Education Management, Aspire Education Technology, Aspire Education Consulting, Aspire Education International, Advance Vision, Design Time, Gainful Asset and Aspire Education Worldwide 6,277 Shares, 2,450 Shares, 700 Shares, 473 Shares, 2,222 Shares, 1,310 Shares, 306 Shares and 573 Shares (representing 43.86%, 17.12%, 4.89%, 3.31%, 15.53%, 9.15%, 2.14% and 4.00% of the then total issued shares of our Company), respectively.

The above repurchase of the shares of Aspire Education Group (the "Pre-Capitalization Issue Repurchase") are expected to be completed upon the Underwriting Agreements becoming unconditional and effective but before Capitalization Issue and Listing. Upon completion of the above share repurchase, Aspire Education Management, Aspire Education Technology, Aspire Education Consulting, Aspire Education International, Advance Vision, Design Time, Gainful Asset and Aspire Education Worldwide will hold 43.86%, 17.12%, 4.89%, 3.31%, 15.53%, 9.15%, 2.14% and 4.00% of the total issued Shares in our Company, respectively prior to the Global Offering.

Immediately following completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, the authorized share capital of our Company will be US$200,000 divided into 2,000,000,000 Shares, of which 1,431,100,000 Shares will be issued fully paid or credited as fully paid, and 568,900,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "A. Further Information about our Company – 4. Written resolutions of the then shareholder of our Company passed on March 20, 2017" in this Appendix, the Directors do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general 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 PRC Consolidated Affiliated Entities

The following alterations in the share capital or registered capital of our subsidiaries and PRC Consolidated Affiliated Entities took place within the two years immediately preceding the date of this prospectus:

Aspire Education Information

On October 29, 2015, Aspire Education Information was incorporated as a limited liability company under the laws of the BVI, with an authorized share capital of US$50,000, divided into 50,000 ordinary shares of nominal value of US$1 each. At the time of the incorporation, the issued share capital of Aspire Education Information was US$1, with 1 ordinary share of nominal value of US$1 held by Aspire Education Group.

On September 6, 2016, Aspire Education Group entered into a sale and purchase agreement with our Company pursuant to which our Company acquired all issued share capital of Aspire Education Information held by Aspire Education Group. In consideration, our Company allotted and issued 14,310 Shares at nominal value to Aspire Education Group. Immediately after this transfer, Aspire Education Information became wholly owned by our Company.

Aspire Education Holding

On October 30, 2015, Aspire Education Holding was incorporated as a limited liability company under the laws of Hong Kong. At the time of the incorporation, one share of Aspire Education Holding was issued and owned by Aspire Education Information.

California Academy

California Academy was incorporated as a company under the laws of the State of California on July 18, 2016 with 10,000 shares allotted and issued to Aspire Education Holding.

Yun Ai Group

On July 1, 2016, Huihuang Investment and Chengxin Investment, two limited partnerships, entered into a capital increase agreement to invest RMB0.45218 million and RMB0.459875 million in Yun Ai Group. Upon completion of the investment on July 11, 2016, the registered share capital of Yun Ai Group was increased from RMB28.57 million to RMB29.482055 million.

Pursuant to (i) a capital increase agreement dated December 16, 2015, (ii) a supplemental agreement dated December 16, 2015 and (iii) a second supplemental agreement dated July 25, 2016, Shanghai Taifu invested into Yun Ai Group for an amount of RMB200 million, among which RMB5,418,904 was contributed to the registered capital of Yun Ai Group. Upon completion of the capital increase on July 28, 2016, the registered share capital of Yun Ai Group was increased from RMB29.482055 million to RMB34.900959 million, which was held as to 29.8806% by Mr. Li, 22.8102% by Daai Partnership, 20.0568% by Pai Dui Pai, 5.7305% by Ba Mu Pu, 1.2956% by Huihuang Investment, 1.3177% by Chengxin Investment, 3.3822% by Zhongyi Company and 15.5265% by Shanghai Taifu.

Enchang Company

On August 27, 2015, Guo Hui (郭輝), Jiang Mingxue (蔣明學) and Yun Ai Group entered into a capital increase agreement, pursuant to which the registered capital of Enchang Company was increased from RMB50 million to RMB300 million.

On January 10, 2017, Jiang Mingxue (蔣明學) and Yun Ai Group entered into a capital increase agreement, pursuant to which the registered capital of Enchang Company was increased from RMB300 million to RMB500 million, of which Yun Ai Group agreed to invest RMB200 million to the registered capital of Enchang Company by converting a shareholder's loan of RMB200 million previously provided to Enchang Company by Yun Ai Group.

Fangzhou Company

On March 16, 2016, Fangzhou Company was established in the PRC by Aspire Education Holding with a registered capital of RMB300 million. Since its establishment, Fangzhou Company has been wholly owned by Aspire Education Holding.

Huihuang Company

On August 5, 2016, Huihuang Company was established in the PRC as a wholly-foreign owned enterprise with a registered capital of US$1 million, which was wholly owned by Aspire Education Holding.

Haxuan Company

On April 19, 2016, Haxuan Company was established under the laws of the PRC with a registered capital of RMB120 million.

Save as disclosed above, there has been no alteration in the share capital or registered capital of the subsidiaries and PRC Consolidated Affiliated Entities of our Company within the two years preceding the date of this prospectus.

4. Written resolutions of the then shareholder of our Company passed on March 20, 2017

Pursuant to the written resolutions of the then shareholder of our Company entitled to vote at general meetings of our Company, which were passed on March 20, 2017:

(a) our Company approved and adopted the Memorandum of Association with immediate effect;

(b) the authorized share capital of our Company was increased from US$50,000 divided into 500,000,000 Shares of US$0.0001 each to US$200,000 divided into 2,000,000,000 Shares of US$0.0001 each by the creation of 1,500,000,000 Shares of US$0.0001 each, which shall rank *pari passu* in all respects with the Shares in issue as at the date of the resolution;

(c) conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, on the Main Board, our Shares in issue and to be issued (pursuant to the Capitalization Issue, the Global Offering, the Over-allotment Option and the Share Option Scheme) as mentioned in this prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) by the Joint Global Coordinators (on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise:

(i) our Company approved and adopted the Articles of Association;

(ii) conditional on the share premium account of our Company being credited as a result of the Global Offering, the sum of US$114,486.5689 be capitalized and applied in paying up in full at par value 1,144,865,689 Shares for allotment and issue to our Shareholders whose names were on the register of members of our Company immediately after the Pre-Capitalization Issue Repurchase in proportion (as nearly as possible without involving fractions) to the then existing shareholder(s) in our Company and such Shares (or as they may direct) to be allotted and issued pursuant to this resolution shall rank pari passu in all respect with the existing issued Shares;

(iii) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus and in the relevant application forms;

(iv) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorized, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the

Share Option Scheme; (iv) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;

(v) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of options granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to Directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by our Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but before any exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within the next annual general meeting of our Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in general meetings of our Company varying or revoking the authority given to the Directors, whichever occurs first;

For the purpose of this paragraph, “Rights Issue” means an offer of shares in our Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by our Directors to holders of shares in our Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, or any recognized regulatory body or any stock exchange applicable to our Company);

(vi) a general unconditional mandate be and is hereby given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but before the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within which the next annual general meeting of our Company is required by the Article of Association of our Company or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in 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)(iv) above by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to paragraph (c)(vi) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but before the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme be and is approved; and

Each of the general mandates referred to in paragraphs (c)(v), (c)(vi) and (c)(vii) above will remain in effect until whichever is the earliest of:

(1) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

(2) the expiration of the period within which our Company is required by any applicable law or the Articles of Association to hold our next annual general meeting; or

(3) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

5. Repurchase of our Shares

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarized below:

(i) Shareholders' approval

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions of the then shareholder of our Company passed on March 20, 2017, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on the Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue or to be issued immediately following completion of the Global Offering (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), further details of which have been described above in the paragraph headed "A. Further information about our Company – 4. Written resolutions of the then shareholder of our Company passed on March 20, 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 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

In order to streamline the corporate structure and rationalize our corporate structure for the Listing, our Group underwent the Corporate Reorganization. Please see the sub-section headed "History and Corporate Structure – Corporate Reorganization" in this prospectus for details.

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of the material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus and are or may be material:

(a) a school sponsor interest transfer agreement dated August 26, 2015, entered into by and among Enhao Company, Guo Hui (郭輝) and Enchang Company, pursuant to which Enhao Company and Guo Hui (郭輝) irrevocably agreed to transfer all their rights and obligations under (i) the Central China School Cooperation Agreement and (ii) the agreement (關於明確湖北民族學院科技學院舉辦者權益的協議) dated August 4, 2015 entered into between Enhao Company and Guo Hui (郭輝) in relation to the school sponsor interest in the Central China School, to Enchang Company;

(b) a capital increase agreement dated August 27, 2015 entered into by and among Enchang Company, Guo Hui (郭輝), Jiang Mingxue (蔣明學) and Yun Ai Group, pursuant to which the registered capital of Enchang Company was increased from RMB50 million to RMB300 million. Among the additional registered capital of RMB250 million, RMB210,000,000 would be contributed by Yun Ai Group, RMB19,500,000 would be contributed by Guo Hui (郭輝) and RMB20,500,000 would be contributed by Jiang Mingxue (蔣明學);

(c) a capital increase agreement dated December 16, 2015 entered into by and among Shanghai Taifu, Yun Ai Group, Mr. Li, Pai Dui Pai, Ba Mu Pu and Daai Partnership, pursuant to which Shanghai Taifu would contribute additional RMB200,000,000 to Yun Ai Group, among which RMB6,348,113 would be accounted as the additional registered capital of Yun Ai Group;

(d) a supplemental agreement dated December 16, 2015 entered into by and among Shanghai Taifu, Yun Ai Group, Mr. Li, Pai Dui Pai, Ba Mu Pu and Daai Partnership, pursuant to which the capital increase agreement dated December 16, 2015 described in paragraph (c) above was supplemented;

(e) an agreement dated March 20, 2016 entered into by and among Gu Deku (顧德庫), Shi Yan (石燕), Daai Company and Yun Ai Group, pursuant to which Daai Company agreed to transfer all of its rights and obligations under a cooperation agreement (顧德庫先生及石燕女士與北京大愛投資管理有限公司合作辦學協議) entered into by and among Daai Company, Gu Deku (顧德庫) and Shi Yan (石燕), to Yun Ai Group;

(f) a change of school sponsor agreement dated April 20, 2016 entered into between (i) the then school sponsors of the Northeast School (with Gu Deku (顧德庫) as the representative) and (ii) Haxuan Company, pursuant to which the school sponsor of the Northeast School would be changed to Haxuan Company;

(g) an equity transfer agreement dated May 31, 2016, entered into between Yun Ai Group and Songming Zhonghe, pursuant to which Yun Ai Group agreed to transfer the entire equity interest of Bai Fen Bai to Songming Zhonghe for a consideration of RMB7,765,594.84;

(h) an equity transfer agreement dated May 31, 2016, entered into between Yun Ai Group and Songming Zhonghe, pursuant to which Yun Ai Group agreed to transfer the entire equity interest of Kun Ai Advertising to Songming Zhonghe for a consideration of RMB983,168.93;

(i) an equity transfer agreement dated May 31, 2016, entered into between Yun Ai Group and Songming Zhonghe, pursuant to which Yun Ai Group agreed to transfer the entire equity interest of Kun Ai Consulting to Songming Zhonghe for a consideration of RMB860,074.22;

(j) an equity transfer agreement dated May 31, 2016, entered into between Bei Ai Company and Daai Management, pursuant to which Bei Ai Company agreed to transfer the entire equity interest of Beijing Lianhe to Daai Management, for a consideration of RMB66,258.94;

(k) an equity transfer agreement dated May 31, 2016, entered into between Yun Ai Group and Songming Zhonghe, pursuant to which Yun Ai Group agreed to transfer its 5% equity interest of Peihua Company to Songming Zhonghe for a consideration of RMB1,500,000;

(l) an equity transfer agreement dated May 31, 2016, entered into between Yun Ai Group and Songming Zhonghe, pursuant to which Yun Ai Group agreed to transfer the entire equity interest of Qingchuang Company to Songming Zhonghe for nil consideration;

(m) an equity transfer agreement dated May 31, 2016, entered into between Yun Ai Group and Songming Zhonghe, pursuant to which Yun Ai Group agreed to transfer the entire equity interest of Daai Company to Songming Zhonghe for a consideration of RMB140,306.12;

(n) an equity transfer agreement dated May 31, 2016, entered into between Yun Ai Group and Songming Zhonghe, pursuant to which Yun Ai Group agreed to transfer the entire equity interest of Si Bo Yuan to Songming Zhonghe for a consideration of RMB19,931,886.81;

(o) an investment transfer agreement dated June 22, 2016, entered into between Yun Ai Group and Bai Fen Bai, pursuant to which Yun Ai Group agreed to transfer 3,648,094 shares, representing the investment of RMB3,000,000 in Kunming Guandu Bank, to Bai Fen Bai for a consideration of RMB3,000,000;

(p) a share subscription agreement dated June 22, 2016 entered into by and among Advance Vision, Aspire Education Group, Aspire Education Management, Aspire Education Technology, Aspire Education Consulting, Aspire Education Information, Aspire Education Holding, Fangzhou Company, Yun Ai Group and Mr. Li, pursuant to which Advance Vision agreed to subscribe for 2,222 shares in Aspire Education Group for a consideration of RMB200,000,000 or equivalent denominated in USD;

(q) a shareholders' agreement in respect of Aspire Education Group dated June 22, 2016 entered into by and among Aspire Education Management, Aspire Education Technology, Aspire Education Consulting, Advance Vision, Aspire Education Group, Aspire Education Information, Aspire Education Holding, Fangzhou Company, Yun Ai Group and Mr. Li;

(r) a change of school sponsor agreement dated June 30, 2016, entered into between Yun Ai Group and Songming Zhonghe, pursuant to which Yun Ai Group agreed to change the school sponsor of Zhuan Xiu School to Songming Zhonghe for a consideration of RMB790,075.12;

(s) a change of school sponsor agreement dated June 30, 2016, entered into between Yun Ai Group and Songming Zhonghe, pursuant to which Yun Ai Group agreed to change the school sponsor of Vocational School to Songming Zhonghe for a consideration of RMB6,540,104.36;

(t) a share subscription agreement dated July 15, 2016 entered into between Aspire Education International and Aspire Education Group, pursuant to which Aspire Education International agreed to subscribe for 473 shares of Aspire Education Group for an aggregate consideration of RMB54,173,402;

(u) a share subscription agreement dated July 15, 2016 entered into by and among Design Time, Aspire Education Group, Mr. Li and Aspire Education Management, pursuant to which Design Time agreed to subscribe for 1,310 shares of Aspire Education Group for a consideration of USD equivalent of RMB150,000,000;

(v) a share subscription agreement dated July 15, 2016 entered into by and among Gainful Asset, Aspire Education Group, Mr. Li and Aspire Education Management, pursuant to which Gainful Asset agreed to subscribe for 306 shares of Aspire Education Group for a consideration of USD equivalent of RMB35,000,000;

(w) an amended and restated shareholders' agreement in respect of Aspire Education Group dated July 22, 2016 entered into by and among Aspire Education Management, Aspire Education Technology, Aspire Education Consulting, Advance Vision, Design Time, Aspire Education International, Gainful Asset, Mr. Li, Aspire Education Group, Aspire Education Information, Aspire Education Holding, Fangzhou Company and Yun Ai Group, pursuant to which the shareholders' agreement dated June 22, 2016 as described in paragraph (q) above was amended and restated;

(x) the second supplemental agreement dated July 25, 2016, entered into by and among Yun Ai Group and the Registered Shareholders, pursuant to which the capital increase agreement dated December 16, 2015 as described in paragraph (c) above and the supplemental agreement dated December 16, 2015 as described in paragraph (d) above were supplemented;

(y) an equity transfer agreement dated July 29, 2016 entered into between Ningde Company and Yun Ai Group, pursuant to which Ningde Company agreed to transfer its 70% equity interest in Haxuan Company to Yun Ai Group for a consideration of RMB245,000,000;

(z) an equity transfer agreement dated July 29, 2016 entered into between Heike Company and Yun Ai Group, pursuant to which Heike Company agreed to transfer its 3.91% equity interest in Haxuan Company to Yun Ai Group for a consideration of RMB16,865,000;

(aa) a supplemental deed dated July 29, 2016 entered into by and among Advance Vision, Aspire Education Group, Aspire Education Management, Aspire Education Technology, Aspire Education Consulting, Aspire Education Information, Aspire Education Holding, Fangzhou Company, Yun Ai Group and Mr. Li, pursuant to which the share subscription agreement dated June 22, 2016 as described in paragraph (p) above was amended;

(bb) a supplemental deed dated July 29, 2016 entered into by and among Design Time, Aspire Education Group, Mr. Li and Aspire Education Management, pursuant to which the share subscription agreement dated July 15, 2016 as described in paragraph (u) above was amended;

(cc) a supplemental deed dated July 29, 2016 entered into by and among Gainful Asset, Aspire Education Group, Mr. Li and Aspire Education Management, pursuant to which the share subscription agreement dated July 15, 2016 as described in paragraph (v) above was amended;

(dd) an amended and restated shareholders' agreement dated July 29, 2016 entered into by and among Aspire Education Management, Aspire Education Technology, Aspire Education Consulting, Advance Vision, Design Time, Aspire Education International, Gainful Asset, Aspire Education Worldwide, Mr. Li, Aspire Education Group, Aspire Education Information, Aspire Education Holding, Fangzhou Company and Yun Ai Group, pursuant to which the amended and restated shareholders' agreement dated July 22, 2016 as described in paragraph (w) above was amended;

(ee) an equity transfer agreement dated July 31, 2016, entered into between Yun Ai Group and Songming Zhonghe, pursuant to which Yun Ai Group agreed to transfer the entire equity interest of Songming Shuren to Songming Zhonghe for nil consideration;

(ff) an undertaking executed by Mr. Li in favor of our Company dated August 1, 2016, pursuant to which Mr. Li undertook to take relevant measures in relation to the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated) and related laws applicable to our Group to ensure that the investment through the Structured Contracts remains as a domestic investment;

(gg) a cooperation agreement in relation to the Central China School dated August 5, 2016, entered into between Minzu College and Enchang Company, pursuant to which Minzu College agreed to contribute intangible assets including its school name and Enchang Company agreed to contribute funding, tangible assets and land use rights to the Central China School;

(hh) an agreement with respect to Beijing Lianhe dated August 22, 2016 entered into by and among Huihuang Company, Mr. Li, Ms. Yang, Daai Consulting, Daai Management and Beijing Lianhe pursuant to which Mr. Li, Ms. Yang, Daai Consulting and Daai Management, individually and collectively, irrevocably agreed to grant certain options in relation to Beijing Lianhe to Huihuang Company;

(ii) a technical service and education consultancy service agreement dated August 23, 2016 entered into between the Northeast School and Huihuang Company, pursuant to which Huihuang Company agreed to provide technology and management consultancy services to the Northeast School and as consideration, the Northeast School agreed to pay relevant services fees to Huihuang Company, amounting to 73.91% of the surplus from operation of the Northeast School;

(jj) a sale and purchase agreement in relation to the one issued share capital of Aspire Education Information dated September 6, 2016 entered into between Aspire Education Group and our Company, pursuant to which our Company agreed to acquire the one share of Aspire Education Information, which represented the entire issued share capital of Aspire Education Information from Aspire Education Group and as consideration, our Company agreed to allot and issue 14,310 Shares, being credited as fully paid, to Aspire Education Group;

(kk) a share repurchase agreement in relation to the issued shares of Aspire Education Group dated September 7, 2016 entered into by and among Aspire Education Group, Aspire Education Management, Aspire Education Technology, Aspire Education Consulting, Aspire Education International, Advance Vision, Design Time, Gainful Asset and Aspire Education Worldwide, pursuant to which Aspire Education Group agreed to repurchase its shares from each of Aspire Education Management, Aspire Education Technology, Aspire Education Consulting, Aspire Education International, Advance Vision, Design Time, Gainful Asset and Aspire Education Worldwide their 6,276 shares, 2,450 shares, 700 shares, 473 shares, 2,222 shares, 1,310 shares, 306 shares and 573 shares in Aspire Education Group, respectively, and as consideration, Aspire Education Group agreed to transfer 6,277 Shares, 2,450 Shares, 700 Shares, 473 Shares, 2,222 Shares, 1,310 Shares, 306 Shares and 573 Shares to Aspire Education Management, Aspire Education Technology, Aspire Education Consulting, Aspire Education International, Advance Vision, Design Time, Gainful Asset and Aspire Education Worldwide, respectively;

(ll) a business cooperation agreement dated September 8, 2016 entered into by and among Huihuang Company, our PRC Consolidated Affiliated Entities and the Registered Shareholders, pursuant to which Huihuang Company agreed to provide technical service, management support service and consultancy service necessary for conducting private education activities to our PRC Consolidated Affiliated Entities pursuant to the Structured Contracts in return for each of our PRC Consolidated Affiliated Entities to pay to Huihuang Company fees pursuant to the Structured Contracts;

(mm) an exclusive technical service and management consultancy agreement dated September 8, 2016 and entered into by and among Huihuang Company and our PRC Consolidated Affiliated Entities, pursuant to which Huihuang Company agreed to provide exclusive technical service and management consultancy service to the PRC Consolidated Affiliated Entities, and as consideration, the PRC Consolidated Affiliated Entities agreed to pay on an annual basis the relevant services fees to Huihuang Company equal to (i) as for Yunnan School and Guizhou School, all of their respective amount of surplus from operations (after deducting all necessary costs, expenses, taxes, losses from previous years (if required by the law), the legally compulsory development fund of the respective school (if required by the law)) and other fees required by the law), (ii) as for Yun Ai Group and Bei Ai Company, all of their net profit (after deducting all necessary costs and expenses, taxes, losses from previous years (if required by the law) and the legally compulsory public reserve fund (if required by law)) and (iii) as for Enchang Company and Haxuan Company, all of their net profit (after deducting all necessary costs and expenses, taxes, losses from previous years (if required by the law) and the legally compulsory public reserve fund (if required by law)) in proportion to the equity interest held by Yun Ai Group in each of Enchang Company and Haxuan Company;

(nn) an exclusive call option agreement dated September 8, 2016 and entered into by and among Huihuang Company, the Registered Shareholders and our PRC Consolidated Affiliated Entities, pursuant to which each of the Registered Shareholders irrevocably granted Huihuang Company or its designated purchaser an exclusive option to purchase all or part of his/its direct or indirect interest in our PRC Consolidated Affiliated Entities at the lowest price permitted under the PRC laws and regulations;

(oo) an equity pledge agreement dated September 8, 2016 and entered into by and among the Registered Shareholders, Yun Ai Group and Huihuang Company, pursuant to which the Registered Shareholders unconditionally and irrevocably agreed to pledge and grant first priority security interests over all of his/its equity interest in Yun Ai Group together with all related rights thereto to Huihuang Company for the purpose of securing the performance of the contractual obligations of the PRC Consolidated Affiliated Entities and the Registered Shareholders under the Structured Contracts;

(pp) a shareholders' rights entrustment agreement dated September 8, 2016 and entered into by and among the Registered Shareholders, the School Sponsors and Huihuang Company, pursuant to which (i) each of the Registered Shareholders irrevocably authorized and entrusted Huihuang Company to exercise all his/its rights as the shareholder of Yun Ai Group to the extent permitted by the PRC laws; and (ii) Yun Ai Group irrevocably authorized and entrusted Huihuang Company to exercise all its rights as the shareholder of Haxuan Company, Enchang Company and Bei Ai Company, respectively, to the extent permitted by the PRC laws;

(qq) a shareholder's power of attorney executed by Ba Mu Pu dated September 8, 2016 appointing Huihuang Company as its appointee to exercise all its shareholder's rights in Yun Ai Group;

(rr) a shareholder's power of attorney executed by Pai Dui Pai dated September 8, 2016 appointing Huihuang Company as its appointee to exercise all its shareholder's rights in Yun Ai Group;

(ss) a shareholder's power of attorney executed by Chengxin Investment dated September 8, 2016 appointing Huihuang Company as its appointee to exercise all its shareholder's rights in Yun Ai Group;

(tt) a shareholder's power of attorney executed by Daai Partnership dated September 8, 2016 appointing Huihuang Company as its appointee to exercise all its shareholder's rights in Yun Ai Group;

(uu) a shareholder's power of attorney executed by Huihuang Investment dated September 8, 2016 appointing Huihuang Company as its appointee to exercise all its shareholder's rights in Yun Ai Group;

(vv) a shareholder's power of attorney executed by Mr. Li dated September 8, 2016 appointing Huihuang Company as its appointee to exercise all his shareholder's rights in Yun Ai Group;

(ww) a shareholder's power of attorney executed by Shanghai Taifu dated September 8, 2016 appointing Huihuang Company as its appointee to exercise all its shareholder's rights in Yun Ai Group;

(xx) a shareholder's power of attorney executed by Zhongyi Company dated September 8, 2016 appointing Huihuang Company as its appointee to exercise all its shareholder's rights in Yun Ai Group;

(yy) a shareholder's power of attorney executed by Yun Ai Group dated September 8, 2016 appointing Huihuang Company as its appointee to exercise all its shareholder's rights in Bei Ai Company;

(zz) a shareholder's power of attorney executed by Yun Ai Group dated September 8, 2016 appointing Huihuang Company as its appointee to exercise all its shareholder's rights in Haxuan Company;

(aaa) a shareholder's power of attorney executed by Yun Ai Group dated September 8, 2016 appointing Huihuang Company as its appointee to exercise all its shareholder's rights in Enchang Company;

(bbb) a school sponsors' and directors' rights entrustment agreement dated September 8, 2016 and entered into by and among Yun Ai Group, Bei Ai Company, the school directors of Yunnan School (being Mr. Li, Li Jianhao (李劍豪), Wen Huawei (文華偉) and Yang Junxiong (楊俊雄)) and the school directors of Guizhou School (being Mr. Li, Zhao Shuai (趙帥), Fu Long (付龍) and Qin Weihua (覃維華)), (together, the "**School Directors**"), our PRC Operating Schools, and Huihuang Company, pursuant to which (i) each of Yun Ai Group and Bei Ai Company irrevocably authorized and entrusted Huihuang Company to exercise all its rights as the school sponsor of each of our PRC Operating Schools to the extent permitted by the PRC laws; and (ii) each of the School Directors irrevocably authorized and entrusted Huihuang Company to exercise all his rights as the school director of each of our PRC Operating Schools as appointed by Yun Ai Group to the extent permitted by the PRC laws;

(ccc) a school sponsor's power of attorney executed by Yun Ai Group dated September 8, 2016 appointing Huihuang Company as its appointee to exercise all its school sponsor's rights in Yunnan School;

(ddd) a school sponsor's power of attorney executed by Yun Ai Group dated September 8, 2016 appointing Huihuang Company as its appointee to exercise all its school sponsor's rights in Guizhou School;

(eee) a school sponsor's power of attorney executed by Bei Ai Company dated September 8, 2016 appointing Huihuang Company as its appointee to exercise all its school sponsor's rights in the Northwest School (to be established);

(fff) a school director's power of attorney executed by Mr. Li dated September 8, 2016 appointing Huihuang Company as his appointee to exercise all his director's rights in Yunnan School;

(ggg) a school director's power of attorney executed by Li Jianhao (李劍豪) dated September 8, 2016 appointing Huihuang Company as his appointee to exercise all his director's rights in Yunnan School;

(hhh) a school director's power of attorney executed by Wen Huawei (文華偉) dated September 8, 2016 appointing Huihuang Company as his appointee to exercise all his director's rights in Yunnan School;

(iii) a school director's power of attorney executed by Yang Junxiong (楊俊雄) dated September 8, 2016 appointing Huihuang Company as his appointee to exercise all his director's rights in Yunnan School;

(jjj) a school director's power of attorney executed by Mr. Li dated September 8, 2016 appointing Huihuang Company as his appointee to exercise all his director's rights in Guizhou School;

(kkk) a school director's power of attorney executed by Fu Long (付龍) dated September 8, 2016 appointing Huihuang Company as his appointee to exercise all his director's rights in Guizhou School;

(lll) a school director's power of attorney executed by Qin Weihua (覃維華) dated September 8, 2016 appointing Huihuang Company as his appointee to exercise all his director's rights in Guizhou School;

(mmm) a school director's power of attorney executed by Zhao Shuai (趙帥) dated September 8, 2016 appointing Huihuang Company as his appointee to exercise all his director's rights in Guizhou School;

(nnn) a spouse undertaking dated September 8, 2016 executed by Ms. Yang, the spouse of Mr. Li, in favor of Huihuang Company, irrevocably acknowledging and consenting the signing of the Structured Contracts by Mr. Li;

(ooo) a loan agreement entered into by and among Huihuang Company, Yun Ai Group and our PRC Operating Schools dated September 8, 2016, pursuant to which Huihuang Company agreed to extend interest-free loans to Yun Ai Group from time to time for the purpose of capital contribution to our PRC Operating Schools and the Northwest School (to be established);

(ppp) an equity transfer agreement dated November 15, 2016 entered into between Guo Hui (郭輝) and Yun Ai Group, pursuant to which Guo Hui (郭輝) agreed to transfer his 14% equity interest in Enchang Company to Yun Ai Group, for the following considerations: (i) in relation to the contribution obligation of registered capital of RMB41.55 million, representing 13.85% equity interest of Yun Ai Group, which had not yet been contributed by Guo Hui (郭輝), Yun Ai Group shall settle such contribution obligation directly; and (ii) in relation to the registered capital of RMB0.45 million, representing 0.15% equity interest of Yun Ai Group, which had been contributed by Guo Hui (郭輝), Yun Ai Group shall pay a consideration of RMB0.57 million;

(qqq) a capital increase agreement dated January 10, 2017 entered into between Yun Ai Group and Jiang Mingxue (蔣明學), pursuant to which the registered capital of Enchang Company was increased from RMB300 million to RMB500 million, of which Yun Ai Group agreed to contribute RMB200 million to the registered capital of Enchang Company by converting a shareholder's loan of RMB200 million previously provided to Enchang Company by Yun Ai Group;

(rrr) the Deed of Indemnity;

(sss) the Deed of Non-competition; and

(ttt) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

Trademarks

As at the Latest Practicable Date, we have registered 53 trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
1.	爱因森 EINSUN	Yun Ai Group	PRC	42	5442574	June 20, 2020
2.	@ EIS 爱因森	Yun Ai Group	PRC	42	3474975	May 20, 2025
3.	爱因森	Yun Ai Group	PRC	25	10752178	June 20, 2023
4.	爱因森	Yun Ai Group	PRC	6	10739815	March 27, 2025
5.	爱因森	Yun Ai Group	PRC	12	10745463	June 20, 2023
6.	爱因森	Yun Ai Group	PRC	7	10793066	July 13, 2023
7.	爱因森	Yun Ai Group	PRC	17	10745776	June 20, 2023
8.	爱因森	Yun Ai Group	PRC	32	10758567	June 20, 2023
9.	爱因森	Yun Ai Group	PRC	40	10759259	July 27, 2023
10.	爱因森	Yun Ai Group	PRC	5	10739712	June 13, 2023
11.	爱因森	Yun Ai Group	PRC	34	10758659	June 20, 2023
12.	爱因森	Yun Ai Group	PRC	38	10758849	July 27, 2023
13.	爱因森	Yun Ai Group	PRC	22	10751772	June 20, 2023

No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
14.	爱因森	Yun Ai Group	PRC	45	10766288	June 20, 2023
15.	爱因森	Yun Ai Group	PRC	10	10740259	June 13, 2023
16.	爱因森 EINSUN	Yun Ai Group	PRC	41	3077888	April 27, 2023
17.	爱因森	Yun Ai Group	PRC	1	10739475	June 13, 2023
18.	爱因森	Yun Ai Group	PRC	3	10739586	June 13, 2023
19.	爱因森	Yun Ai Group	PRC	39	10759035	July 27, 2023
20.	爱因森	Yun Ai Group	PRC	43	10759352	July 27, 2023
21.	爱因森	Yun Ai Group	PRC	36	10758713	July 27, 2023
22.	爱因森	Yun Ai Group	PRC	8	10740071	June 13, 2023
23.	爱因森	Yun Ai Group	PRC	27	10752527	June 20, 2023
24.	爱因森	Yun Ai Group	PRC	11	10740339	July 13, 2023
25.	爱因森 EINSUN	Yun Ai Group	PRC	35	5965772	April 27, 2020
26.	爱因森	Yun Ai Group	PRC	26	10752336	June 20, 2023
27.	爱因森	Yun Ai Group	PRC	37	10758784	July 27, 2023
28.	爱因森	Yun Ai Group	PRC	19	10745927	June 20, 2023

No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
29.	爱因森	Yun Ai Group	PRC	31	10752693	June 20, 2023
30.	爱因森	Yun Ai Group	PRC	13	10745496	June 20, 2023
31.	爱因森	Yun Ai Group	PRC	18	10745844	June 20, 2023
32.	爱因森	Yun Ai Group	PRC	21	10746083	June 20, 2023
33.	爱因森	Yun Ai Group	PRC	2	10739532	June 13, 2023
34.	爱因森	Yun Ai Group	PRC	4	10739632	June 13, 2023
35.	爱因森	Yun Ai Group	PRC	28	10752615	June 20, 2023
36.	爱因森	Yun Ai Group	PRC	33	10758610	June 20, 2023
37.	爱因森	Yun Ai Group	PRC	20	10746002	June 20, 2023
38.	爱因森	Yun Ai Group	PRC	29	10752706	June 20, 2023
39.	爱因森 EINSUN	Yun Ai Group	PRC	41	5999297	May 6, 2020
40.	爱因森	Yun Ai Group	PRC	14	10745532	June 20, 2023
41.	爱因森	Yun Ai Group	PRC	30	10752812	June 20, 2023
42.	爱因森	Yun Ai Group	PRC	16	10745725	June 20, 2023
43.	爱因森	Yun Ai Group	PRC	15	10745602	June 13, 2023
44.	爱因森	Yun Ai Group	PRC	9	10740190	June 13, 2023

No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
45.	爱因森	Yun Ai Group	PRC	44	10759449	July 27, 2023
46.	爱因森 EINSUN	Yun Ai Group	PRC	42	6009627	August 20, 2020
47.	爱因森	Yun Ai Group	PRC	11	12181048	September 13, 2024
48.	爱因森	Yun Ai Group	PRC	24	10752071	June 20, 2023
49.		Yunnan School	PRC	16	10158798	December 27, 2022
50.		Yunnan School	PRC	35	10158843	December 27, 2022
51.		Yunnan School	PRC	41	10158871	December 27, 2022
52.		Yunnan School	PRC	42	10158902	December 27, 2022
53.		Aspire Education Holding	Hong Kong	36, 41	303800998	June 7, 2026

As at the date of this prospectus, no application has been made for the registration of trademarks which, in the opinion of our Directors, are material to our business.

Domain Names

As at the Latest Practicable Date, we have registered the following domain names:

Registrant	Domain name	Date of registration	Expiration date
Yun Ai Group	xindaxue.com	December 6, 2008	December 6, 2017
Yunnan School	yngsxy.net	January 18, 2011	January 18, 2021
Guizhou School	gzgszy.com	July 9, 2010	June 9, 2020
Guizhou School	gzgszy.net	July 9, 2010	June 9, 2020
Guizhou School	gzgszy.cn	July 10, 2010	July 10, 2020
Yun Ai Group	xingaojiao.com	February 22, 2017	February 22, 2018

3. Further information about our PRC establishments

Fangzhou Company

(i)	nature of the company:	limited liability company (wholly foreign owned enterprise)
(ii)	incorporation date:	March 16, 2016
(iii)	term of business operation:	From March 16, 2016 to March 15, 2036
(iv)	registered capital:	RMB300 million
(v)	paid-up capital	RMB300 million
(vi)	attributable interest of the company:	100%
(vii)	scope of business:	Business management consultancy; investment and asset management; business strategy; design, production, agency and publication of advertisement; computer graphic design and production; computer system service; computer technique training; organize cultural arts exchange activities (excluding performance); interior decoration construction design; information technology and business process outsourcing services; intellectual property services; non-class vocational training; education management consulting. (Projects required to be approved under the laws must obtain prior approval from the relevant department)

Huihuang Company

(i)	nature of the company:	limited liability company (wholly foreign owned enterprise)
(ii)	incorporation date:	August 5, 2016
(iii)	term of business operation:	From August 5, 2016 to August 4, 2036
(iv)	registered capital:	US$1 million
(v)	paid-up capital:	US$1 million
(vi)	attributable interest of the company:	100%
(vii)	scope of business:	Service outsourcing of application system management and maintenance, information technology management, software development, data processing, information technology and business outsourcing services; intellectual property services; internet information services; management consulting, information consulting for education industry market, marketing planning, brand marketing planning, business management, corporate image planning, public relations planning, committee affairs services, exhibition services; sales of teaching materials, books, computer software and hardware, commodity and office supplies. (Projects required to be approved under the laws must obtain prior approval from the relevant department)

Yun Ai Group

(i)	nature of the entity:	limited liability company
(ii)	establishment date:	September 19, 2005
(iii)	term of business operation:	Long term
(iv)	registered capital:	RMB34.900959 million
(v)	paid-up capital:	RMB34.900959 million
(vi)	attributable interest of the company:	100%
(vii)	scope of business:	education investment and education management; network engineering design and implementation; industrial automation systems design, installation and testing; safety technique prevention construction design, implementation and maintenance; high and low voltage electrical equipment design and installation; sale of hardware, electrical appliances, general machinery and accessories, mineral products, instruments, sewage equipment, electrical wire and cables, motor vehicles, motorcycle and accessories; domestic cargo transport agency; container facilities hiring; railway and road transport technical consulting; cargo and technique importing and exporting. (Projects required to be approved under the laws, must obtain prior approval from the relevant department)

Haxuan Company

(i)	nature of the entity:	limited liability company
(ii)	establishment date:	April 19, 2016
(iii)	term of business operation:	Long term
(iv)	registered capital:	RMB120 million
(v)	paid-up capital:	RMB50 million
(vi)	attributable interest of the company:	73.91%
(vii)	scope of business:	Construction design; technical service; technical consulting; sale of hardware, electrical appliances, general machinery, instruments, wire and cables, motor vehicle; cargo transport agency; cargo importing and exporting; technique importing and exporting

Enchang Company

(i)	nature of the entity:	limited liability company
(ii)	establishment date:	November 13, 2014
(iii)	term of business operation:	Long term
(iv)	registered capital:	RMB500 million
(v)	paid-up capital:	RMB500 million
(vi)	attributable interest of the company:	89.2%
(vii)	scope of business:	private higher education; investment in education industry including short-term vocational training and vehicle driving training; investment in service industry including education supporting business and hospitality. (Projects required to be approved under the laws, must obtain prior approval from the relevant department)

Bei Ai Company

(i)	nature of the entity:	limited liability company
(ii)	establishment date:	October 16, 2012
(iii)	term of business operation:	October 16, 2012 to October 15, 2032
(iv)	registered capital:	RMB300 million
(v)	paid-up capital:	RMB300 million
(vi)	attributable interest of the company:	100%

(vii)	scope of business:	project investment; assets management; investment management; technique promotion service; corporate strategy; corporate management consultancy; investment consultancy; education consultancy; design, production, agency, publish advertisement; graphic design and production; computer system service; marketing strategy; art and craft design; environment art design; drawing training, computer technology training (not authorized to recruit nationwide students); organize cultural arts exchange activities; television planning; corporate management; sale of machinery, hardware, electrical appliances, construction materials, computer software and accessories, flower, car accessories; construction equipment rental; professional contracting service; interior design; engineering survey and design; urban landscape. (Upon receipt of this license, must obtain administrative permit from Housing Urban and Rural Construction Committee, Planning Committee and Gardening and Greening Bureau. Projects required to be approved under the laws, must obtain prior approval from the relevant department).

Yunnan School

(i)	nature of the entity:	private non-enterprise unit
(ii)	establishment date:	August 11, 2005
(iii)	term of business operation:	April 22, 2016 to April 22, 2020
(iv)	registered capital:	RMB16 million
(v)	paid-up capital:	RMB16 million
(vi)	attributable interest of the company:	100%
(vii)	scope of business:	higher level vocational and technical college

Guizhou School

(i)	nature of the entity:	private non-enterprise unit
(ii)	establishment date:	July 3, 2012
(iii)	term of business operation:	From July 29, 2016 to July 29, 2020
(iv)	registered capital:	RMB64.24 million
(v)	paid-up capital:	RMB64.24 million
(vi)	attributable interest of the company:	100%
(vii)	scope of business:	higher level vocational education, secondary vocational education, assistance to self-learning students, vocational 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 commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of our non-executive Directors (other than Mr. Wan Yuan who will cease to be a Director one day prior to the Listing Date) has entered into a letter of appointment 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 served by the non-executive Director to our Company or with immediate effect following the notice in writing served by our Company to the non-executive Director.

Each of our independent non-executive Directors has entered into a letter of appointment 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 the independent non-executive Director to our Company or with immediate effect following the notice in writing served by our Company to the non-executive Director.

The current basic annual salaries of our Directors are as follows:

Mr. Li	RMB240,000
Mr. Zhao Shuai	RMB240,000
Mr. Zhang Ke	RMB240,000
Mr. Zhu Lidong	RMB240,000
Mr. Chen Shuo	Nil
Mr. Wong Man Chung Francis	RMB240,000
Mr. Chung Yue Ping Stephen	RMB240,000
Mr. Kwong Wai Sun Wilson	RMB240,000

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, 2014, 2015 and 2016, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was RMB1,422,000, RMB1,875,000 and RMB3,488,000, 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, 2014, 2015 and 2016 by us to our Directors.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending December 31, 2017 would be approximately RMB3,488,000.

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 position in our Company

		Immediately after the Global Offering and the Capitalization Issue(1)	
Name	**Capacity/ Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding**
Mr. Li(2)(3)(4)(5)	Interest in a controlled corporation	792,000,000	55.34%

Notes:

(1) Assuming the Over-allotment Option is not exercised.

(2) Mr. Li is the sole shareholder of Aspire Education Management and he is therefore deemed to be interested in the Shares held by Aspire Education Management upon the Listing.

(3) Mr. Li holds 53.35% shares in Aspire Education Technology and he is therefore deemed to be interested in the Shares held by Aspire Education Technology upon the Listing.

(4) Mr. Li holds 79.20% shares in Aspire Education Consulting and he is therefore deemed to be interested in the Shares held by Aspire Education Consulting upon the Listing.

(5) Aspire Education International is owned by (i) all partners of Chengxin Investment and Huihuang Investment, being Mr. Li, 44 employees of our Group, the Principal of the Northeast School and 9 other individuals who are Independent Third Parties; and (ii) one other individual, Chan Tung Hoi (陳冬海), a friend of Mr. Li and an Independent Third Party, who invested in our Company directly through Aspire Education International. Each of the shareholders of Aspire Education International has authorized Mr. Li to exercise his or her voting rights in Aspire Education International. Mr. Li is therefore deemed to be interested in the Shares held by Aspire Education International under the SFO.

(ii) *Long position in associated corporation:*

Yun Ai Group

Name	Capacity/ Nature of interest	Immediately after the Global Offering and the Capitalization Issue	
		Amount of registered share capital	Approximate percentage of shareholding
Mr. Li	Beneficial owner	RMB10,428,600	29.88%

(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 in our Company

Name	Capacity/ Nature of interest	Immediately after the Global Offering and the Capitalization Issue(1)	
		Number of Shares	Approximate percentage of shareholding in our Company
Aspire Education Management(2)	Beneficial owner	502,160,000	35.09%
Aspire Education Technology(2)	Beneficial owner	196,000,000	13.70%
Mr. Li(2)	Interest in a controlled corporation	792,000,000	55.34%
Advance Vision(3)	Beneficial owner	177,760,000	12.42%

Name	Capacity/ Nature of interest	Immediately after the Global Offering and the Capitalization Issue(1) Number of Shares	Approximate percentage of shareholding in our Company
Shanghai Taifu(3)	Interest in a controlled corporation	177,760,000	12.42%
Shenzhen Pingan Decheng Investment Co., Ltd. (深圳市平安德成投資有限公司)(3)	Interest in a controlled corporation	177,760,000	12.42%
Shenzhen Pingan Financial Technology Consulting Co., Ltd. (深圳平安金融科技諮詢有限公司)(3)	Interest in a controlled corporation	177,760,000	12.42%
Ping An Insurance (Group) Company of China, Ltd.(3)	Interest in a controlled corporation	177,760,000	12.42%
Design Time(4)	Beneficial owner	104,800,000	7.33%
CCBI Investments Limited(4)	Interest in a controlled corporation	104,800,000	7.33%
CCB Financial Holdings Limited (建行金融控股有限公司)(4)	Interest in a controlled corporation	104,800,000	7.33%
CCB International (Holdings) Limited (建銀國際(控股)有限公司)(4)	Interest in a controlled corporation	104,800,000	7.33%
CCB International Group Holdings Limited (建行國際集團控股有限公司)(4)	Interest in a controlled corporation	104,800,000	7.33%
China Construction Bank Corporation (中國建設銀行股份有限公司)(4)	Interest in a controlled corporation	104,800,000	7.33%

Notes:

(1) Assuming the Over-allotment Option is not exercised.

(2) Mr. Li is the sole shareholder of Aspire Education Management and he is therefore deemed to be interested in the Shares held by Aspire Education Management upon the Listing.

Mr. Li holds 53.35% shares in Aspire Education Technology and he is therefore deemed to be interested in the Shares held by Aspire Education Technology upon the Listing.

Mr. Li holds 79.20% shares in Aspire Education Consulting and he is therefore deemed to be interested in the Shares held by Aspire Education Consulting upon the Listing.

Aspire Education International is owned by (i) all partners of Chengxin Investment and Huihuang Investment, being Mr. Li, 44 employees of our Group, the Principal of the Northeast School and 9 other individuals who are Independent Third Parties; and (ii) one other individual, Chan Tung Hoi (陳冬海), a friend of Mr. Li and an Independent Third Party, who invested in our Company directly through Aspire Education International. Each of the shareholders of Aspire Education International has authorized Mr. Li to exercise his or her voting rights in Aspire Education International. Mr. Li is therefore deemed to be interested in the Shares held by Aspire Education International under the SFO.

(3) Shanghai Taifu holds 100% shares in Advance Vision and it is therefore deemed to be interested in the Shares held by Advance Vision upon the Listing. The general partner of Shanghai Taifu is Shenzhen Pingan Decheng Investment Co., Ltd. (深圳市平安德成投資有限公司), which in turn is wholly owned by Shenzhen Pingan Financial Technology Consulting Co., Ltd. (深圳平安金融科技諮詢有限公司), which is in turn owned as to 96.52% by Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司), a joint-stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (stock code: 2318) and the Shanghai Stock Exchange (stock code: 601318). Each of the Shanghai Taifu, Shenzhen Pingan Decheng Investment Co., Ltd. (深圳市平安德成投資有限公司), Shenzhen Pingan Financial Technology Consulting Co., Ltd. (深圳平安金融科技諮詢有限公司) and Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司) is deemed to be interested in the same number of Shares in which Advance Vision is interested under the SFO.

(4) China Construction Bank Corporation (中國建設銀行股份有限公司) holds 100% shares in CCB International Group Holdings Limited (建行國際集團控股有限公司), which in turns hold 100% shares in CCB Financial Holdings Limited (建行金融控股有限公司). CCB Financial Holdings Limited (建行金融控股有限公司) holds 100% shares in CCB International (Holdings) Limited (建銀國際(控股)有限公司), which in turns hold 100% in CCBI Investments Limited. CCBI Investments Limited is the direct and sole shareholder of Design Time. Each of China Construction Bank Corporation (中國建設銀行股份有限公司), CCB International Group Holdings Limited (建行國際集團控股有限公司), CCB Financial Holdings Limited (建行金融控股有限公司), CCB International (Holdings) Limited (建銀國際(控股)有限公司) and CCBI Investments Limited is deemed to be interested in the same number of Shares held by Design Time under the SFO.

(ii) Interests and short positions in associated corporations

Long position in Yun Ai Group

		As of the Latest Practicable Date		Immediately after the Global Offering and the Capitalization Issue	
Name	Capacity/ Nature of interest	Amount of registered share capital	Approximate percentage of shareholding	Amount of registered share capital	Approximate percentage of shareholding
Mr. Li	Beneficial owner	RMB10.4286 million	29.8806%	RMB10.4286 million	29.8806%
Daai Partnership	Beneficial owner	RMB7.960964 million	22.8102%	RMB7.960964 million	22.8102%
Pai Dui Pai	Beneficial owner	RMB7 million	20.0568%	RMB7 million	20.0568%
Shanghai Taifu	Beneficial owner	RMB5.418904 million	15.5265%	RMB5.418904 million	15.5265%

Long position in Haxuan Company

		As of the Latest Practicable Date		Immediately after the Global Offering and the Capitalization Issue	
Name	Capacity/ Nature of interest	Amount of registered share capital	Approximate percentage of shareholding	Amount of registered share capital	Approximate percentage of shareholding
Ningde Company	Beneficial owner	RMB31.308 million	26.09%	RMB31.308 million	26.09%

Long position in Enchang Company

		As of the Latest Practicable Date		Immediately after the Global Offering and the Capitalization Issue	
Name	Capacity/ Nature of interest	Amount of registered share capital	Approximate percentage of shareholding	Amount of registered share capital	Approximate percentage of shareholding
Mr. Jiang Mingxue	Beneficial owner	RMB54 million	10.8%	RMB54 million	10.8%

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 the then shareholder of our Company passed on March 20, 2017 and adopted by a resolution of the Board on March 20, 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 the Company whom our Board determines to be appropriate to participate in the Share Option Scheme (the person referred above are the "**Eligible Persons**").

3. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date (such 10% limit representing 143,110,000 Shares) excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option granted by our Company (the "**Scheme Mandate Limit**") provided that:

(a) our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of our Shares in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules;

(b) our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules; and

(c) the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Company's issued share capital from time to time. No Options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

4. Maximum entitlement of each participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of our Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in our Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

5. Offer and grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

6. Granting Options to connected persons

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the relevant class of securities in issue; and

(b) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5.0 million,

such further grant of Options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons 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 authorized share capital of our Company.

(d) Subject as hereinafter provided and subject to the terms and conditions upon which the Option was granted, an Option may be exercised by the Grantee at any time during the Option Period, provided that:

(i) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full) and none of the events for termination of employment or engagement pursuant to the terms of the Share Option Scheme exists with respect to such grantee, he or she (or his or her legal representative(s)) may exercise the Option up to the grantee's entitlement immediately prior to the death or permanently disability (to the extent not already exercised) within a period of 12 months following his or her death or permanent disability or such longer period as the Board may determine;

(ii) in the event that the grantee ceases to be an Executive for any reason (including his or her employing company ceasing to be a member of our Group) other than his or her death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his or her employment to an affiliate company or the termination of his or her employment with the relevant member of our Group by resignation or culpable termination, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(iii) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

(iv) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his or her legal representatives or receiver) may until the expiry of the earlier of:

(1) the Option period;

(2) the period of two months from the date of such notice; or

(3) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his or her Option.

(v) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his or her legal personal representative(s)) shall be entitled to exercise all or any of his or her options at any time not later than two Business Days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

12. Life of Share Option Scheme

Subject to the terms of this Share Option Scheme, the Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

13. Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

(a) the expiry of the Option period;

(b) the expiry of any of the period referred to paragraphs related to exercise of the Option;

(c) subject to the terms of the period mentioned in the paragraph headed "F. Share Option Scheme – 11. Exercise of Option" in this Appendix, 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 the our Shareholders in general meeting:

(a) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);

(b) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee;

(c) any change to the authority of the Board or any person or committee delegated by the Board pursuant to the Share Option Scheme to administer the day-to-day running of the Scheme; and

(d) any alteration to the aforesaid alteration 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 143,110,000 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 143,110,000 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 Aspire Education Management, Aspire Education Technology, Aspire Education Consulting and Aspire Education International 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 our Controlling Shareholders shall be under no liability under this Deed of Indemnity in respect of above:

(a) to the extent that provision or allowance has been made for such taxation in the consolidated financial statements of our Group as set out in Appendix IA to this prospectus or in the audited accounts of the relevant members of our Group for the three years ended 31 December 2014, 2015 and 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 December 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, our Controlling Shareholders 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" in 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 RMB76,120.00 and have been paid by us.

4. Promoter

There are no promoters of our Company.

5. Sole Sponsor

The Sole Sponsor made an application on our behalf to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein, the Shares to be issued pursuant to the Capitalization Issue and any Shares falling to be issued pursuant to the exercise of the Over-allotment Option, and the Shares that may be issued upon the exercise of options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS. The Sole Sponsor confirms that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Sole Sponsor, pursuant to which our Company agreed to pay the Sole Sponsor a fee of US$750,000 to act as sponsor to our Company in the Global Offering.

6. No material adverse change

Our Directors confirm that there has been no material adverse change in our Company's financial or trading position or prospects since December 31, 2016 (being the date to which our latest audited consolidated financial statements were made up).

7. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance (Chapter 32 of the Laws of Hong Kong) so far as applicable.

8. Miscellaneous

(1) Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(d) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(e) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;

(f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(g) we have no outstanding convertible debt securities.

(2) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this prospectus.

9. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
BNP Paribas Securities (Asia) Limited	A corporation licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jingtian & Gongcheng	PRC legal advisors to our Company
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer

10. Consents of experts

Each of the experts named in paragraph 9 of this Appendix has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

11. Bilingual prospectus

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE, YELLOW** and **GREEN** Application Forms, the written consents referred to in the paragraph headed "G. Other Information – 10. Consents of experts" in Appendix V and copies of the material contracts referred to in the paragraph headed "C. Further Information about Our Business – 1. Summary of the Material Contracts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Luk & Partners at Unit 2001, Level 20, One International 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 of our Group prepared by Ernst & Young, the text of which is set out in Appendix IA to this prospectus;

(3) the Accountants' Report of the Northeast School prepared by Ernst & Young, the text of which is set out in Appendix IB to this prospectus;

(4) the audited consolidated financial statements of our Group for each of the three years ended 31 December 2014, 2015 and 2016;

(5) the audited consolidated financial statements of the Northeast School for each of the three years ended 31 December 2014, 2015 and 2016;

(6) the reports received from Ernst & Young on unaudited pro forma financial information, the texts of which are set out in Appendix IIA and Appendix IIB to this prospectus;

(7) the letter, summary of values and valuation certificates relating to our property interests prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the texts of which are set out in Appendix III to this prospectus;

(8) the material contracts referred to in the paragraph headed "C. Further Information about Our Business – 1. Summary of the Material Contracts" in Appendix V to this prospectus;

(9) 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" in Appendix V to this prospectus;

(10) the written consents referred to in the paragraph headed "Consents of experts" in Appendix V to this prospectus;

(11) 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;

(12) the letter of advice prepared by Conyers Dill & Pearman summarizing certain aspects of Companies Law referred to in Appendix IV to this prospectus;

(13) the industry report prepared by Frost & Sullivan;

(14) the Cayman Islands Companies Law; and

(15) the rules of the Share Option Scheme.

中國新高教集團有限公司
China New Higher Education Group Limited