CHINA XINHUA EDUCATION GROUP LIMITED
中國新華教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 02779

GLOBAL OFFERING

Sole Sponsor

MACQUARIE

Joint Global Coordinators

MACQUARIE

農銀國際 ABC INTERNATIONAL

Joint Bookrunners and Joint Lead Managers

MACQUARIE

農銀國際 ABC INTERNATIONAL

招银国际 CMB INTERNATIONAL

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 Xinhua Education Group Limited
中國新華教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Total Number of Offer Shares under the Global Offering	:	**400,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**40,000,000 Shares (subject to adjustment)**
Number of International Offer Shares	:	**360,000,000 Shares (subject to the Over-allotment Option and adjustment)**
Offer Price	:	**Not more than HK$3.69 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**HK$0.01 per Share**
Stock code	:	**02779**

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招銀国际
CMB INTERNATIONAL

首控證券
FIRST CAPITAL SECURITIES LIMITED

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (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, March 19, 2018 or such later time as may be agreed between the parties, but in any event, no later than 6:00 p.m. on Thursday, March 22, 2018. 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, March 20, 2018, the Global Offering will not proceed and will lapse immediately. The Offer Price will be not more than HK$3.69 per Share and is expected to be not less than HK$2.83 per Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum offer price of HK$3.69 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$3.69. 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 on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.chinaxhedu.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 Hong Kong Offer Shares, the Joint Global Coordinators, on behalf of the Hong Kong Underwriters, have the right in certain circumstances, in its absolute discretion, to terminate the obligations of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting – Grounds for Termination". It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (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, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are offered and sold (i) within the United States to qualified institutional buyers in reliance on 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.

March 14, 2018

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

Latest time to complete electronic applications under **White Form eIPO** service through the designated website at **www.eipo.com.hk** *(note 4)*	11:30 a.m. on Monday, March 19, 2018
Application lists for the Hong Kong Public Offering open *(note 2)*	11:45 a.m. on Monday, March 19, 2018
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC *(note 3)*	12:00 noon on Monday, March 19, 2018
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, March 19, 2018
Application lists close *(note 2)*	12:00 noon on Monday, March 19, 2018
Expected Price Determination Date *(note 6)*	Monday, March 19, 2018
Announcement of the Offer Price, the indications of the level of interest in the International Offering, the level of applications in the Hong Kong Public Offering, and the basis of allocation of the Hong Kong Offer Shares to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **http://www.chinaxhedu.com** on or before *(note 7)*	Friday, March 23, 2018
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 Hong Kong Offer Shares – Publication of results") from	Friday, March 23, 2018
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID function"	Friday, March 23, 2018

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)*	Friday, March 23, 2018
Despatch of **White Form** e-Refund payment instructions/ refund cheques on or before *(notes 7, 8, 9, & 11)*	Friday, March 23, 2018
Dealings in Shares on the Main Board of the Stock Exchange to commence on	9:00 a.m. on Monday, March 26, 2018

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, March 19, 2018, the application lists will not open and close on that day. Further information is set out in "How to apply for 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, March 19, 2018, 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 Monday, March 26, 2018, 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, March 19, 2018 but in any event, the expected time for determination of the Offer Price will not be later than 6:00 p.m. on Thursday, March 22, 2018. 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 Thursday, March 22, 2018, 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 Shops 1712-1716, 17th Floor, 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 Friday, March 23, 2018. Applicants being individuals who apply for 1,000,000 Hong Kong Offer Shares or more and 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 eligible for personal collection must attend by their authorized 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 Shops 1712-1716, 17th Floor, 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** 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, 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 the prospectus in its entirety before you decide whether to invest in the Offer 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 the largest private higher education provider in the Yangtze River Delta, as measured by the full time student enrollment of our higher education programs as of December 31, 2016, according to Frost & Sullivan. During the Track Record Period and up to the Latest Practicable Date, we operated two schools, Xinhua University, which is a private formal university, and Xinhua School, which is a private secondary vocational school. We control both schools through the Structured Contracts. Our Xinhua University is the largest private formal higher education institution in the Yangtze River Delta, as measured by its full time student enrollment as of December 31, 2016, according to Frost & Sullivan. In addition, our Xinhua School is the largest private specialized secondary school in Anhui Province in terms of student enrollment as of December 31, 2016, according to Frost & Sullivan. We are committed to providing high-quality education to our students, including both formal university education and vocational education in a wide selection of fields in applied sciences.

According to Frost & Sullivan, only approximately 40.8% of the college-aged population in China was enrolled in higher education institutions as of December 31, 2016, compared with an average of approximately 64.0% and 87.0% in developed countries in Europe and North America, respectively. Meanwhile, with the strong economic development in China and increasing disposable income of Chinese residents, demand for higher education has been increasing at a fast pace, 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, private providers of higher education are expected to fill the gap between the rapid increase in market demand and the relatively limited public higher education resources, 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 market potential and opportunities in the PRC higher education sector.

We experienced steady growth in our revenue, gross profit and student enrollment during the Track Record Period. Our revenue increased from RMB250.1 million for the year ended December 31, 2014 to RMB281.6 million for the year ended December 31, 2015, and further to RMB303.3 million for the year ended December 31, 2016. For the nine months ended September 30, 2017, our revenue amounted to RMB220.8 million compared to revenue of RMB200.4 million for the nine months ended September 30, 2016. Our profit for the year increased from RMB133.2 million for the year ended December 31, 2014 to RMB150.0 million for the year ended December 31, 2015, and further to RMB172.5 million for the year ended December 31, 2016. For the nine months ended September 30, 2017, our profit for the period was RMB106.2 million compared to a profit of RMB109.2 million for the nine months ended September 30, 2016.

OUR SCHOOLS

During the Track Record Period and as of the Latest Practicable Date, we operated two schools, Xinhua University and Xinhua School, which were controlled by us through the Structured Contracts. The histories of these schools can be traced back to 2000 when we established Anhui Xinhua Vocational College as a private school that mainly provided higher vocational education at college level (專科層次高等職業教育). In 2005, Anhui Xinhua Vocational College changed its name to "Anhui Xinhua University" and was approved to provide undergraduate education in addition to higher vocational education. In 2002, we established Xinhua School as a private secondary vocational school. As of September 30, 2017, we had 22,670 in total of full time students enrolled in the undergraduate program and junior college program as well as 5,605 students enrolled in the continuing education program at Xinhua University and 5,360 full time students enrolled at Xinhua School, respectively. We ranked first in the Yangtze River Delta among private formal higher education providers as measured by the total number of enrolled full time students at our Xinhua University as of December 31, 2016, according to Frost & Sullivan.

We derive revenue from tuition fees and boarding fees our schools collect from students. We generally require students at Xinhua University to pay tuition fees and boarding fees for the entire school year at the beginning of the school year and students at Xinhua School to pay tuition fees and boarding fees for the entire school semester at the beginning of each of the two school semesters, which begin in March and September of each year. We recognize tuition fees and boarding fees proportionately over a nine-month and 12-month period, respectively. See "Business – Our Schools – Tuition Fees and Boarding Fees" in this prospectus for details of our tuition fees and boarding fees.

Xinhua University

Xinhua University is a formal university-level education institution, providing undergraduate education, junior college education and continuing education focused on applied sciences. In 2005, Xinhua University became the first private education institution in Anhui Province entitled to provide undergraduate education in addition to junior college education. It currently offers 82 majors to its full time students through its 11 colleges, including 58 undergraduate majors and 24 junior college majors. In addition, Xinhua University also has a continuing education program, which is established in cooperation with other education institutions, providing online distance education, adult higher education and self-taught examination preparation program. Students in the continuing education program attend the school on a part time basis.

Xinhua School

Xinhua School is a secondary vocational school, providing specialized secondary vocational education and undergraduate oriented secondary vocational education. In addition, Xinhua School offers a five-year junior college oriented secondary vocational program, consisting of a three-year secondary vocational education at Xinhua School and a two-year junior college education at Xinhua University. All of Xinhua School's students attend the school on a full time basis. Xinhua School currently offers 16 majors.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and will continue to distinguish us from our competitors: (i) as a leading private provider of formal higher education in the Yangtze River Delta, we are well positioned to capitalize on opportunities in the fast-growing higher education industry in China; (ii) our wide ranging and diversified curriculums provide our students with professional training and practical skills that prepare them well for future employment; (iii) our highly successful school-enterprise collaboration program has created abundant opportunities for our students to attain practical skills and secure desirable employment; (iv) we have highly qualified teachers who are instrumental in providing high quality education to our students; and (v) we have a strong, stable and experienced senior management team.

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) pursue suitable opportunities for acquisitions; (ii) improve our school facilities and educational equipment; (iii) enhance our profitability by optimizing our pricing at our schools and increasing revenue sources; (iv) continue to strengthen our market position and enhance our brand recognition; and (v) continue to attract and retain qualified teachers.

SUMMARY BUSINESS OPERATING DATA

The following tables set forth the revenue, revenue attributable to tuition fees and boarding fees and gross profit margin for each of our schools for the periods indicated. The revenue and gross profit margin are calculated based on all students, including both full time students and students in the continuing education program of Xinhua University. 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 nine months from September to June (excluding the winter break), and (ii) boarding fees over a twelve-month period (Xinhua University generally charges boarding fees once at the beginning of the school year for the entire year and Xinhua School generally charges boarding fees each semester for a six-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 as well as a mismatch between our recognition of revenue and cash flow in terms of timing. This mismatch also contributes to fluctuations in our gross profit and gross profit margin. See “Business – Our Schools – Overview” and “Financial Information – Description of Major Components of Our Combined Statements of Profit or Loss – Revenue” in this prospectus for details.

School	Revenue			Revenue from Tuition Fees			Revenue from Boarding Fees			Gross Profit Margin[1]		
	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'000)*			*(RMB'000)*			*(%)*		
Xinhua University	225,575	253,354	271,747	202,912	227,712	243,775	22,663	25,642	27,972	55.3	56.0	59.8
Xinhua School	24,539	28,292	31,515	20,950	24,064	26,619	3,589	4,228	4,896	56.8	56.1	53.1
Total	250,114	281,646	303,262	223,862	251,776	270,394	26,252	29,870	32,868	55.5	56.0	59.1

School	Revenue		Revenue from Tuition Fees		Revenue from Boarding Fees		Gross Profit Margin[(1)]	
	Nine months ended September 30,		Nine months ended September 30,		Nine months ended September 30,		Nine months ended September 30,	
	2016	2017	2016	2017	2016	2017	2016	2017
	(RMB'000)		(RMB'000)		(RMB'000)		(%)	
Xinhua University	179,898	198,180	159,229	175,423	20,669	22,757	56.9	51.8
Xinhua School	20,493	22,666	16,889	19,069	3,604	3,597	48.9	55.1
Total	200,391	220,846	176,118	194,492	24,273	26,354	56.1	52.1

Note:

(1) Gross profit margin is calculated as gross profit divided by revenue.

During the Track Record Period, our gross profit margin increased from 55.5% for the year ended December 31, 2014 to 56.0% for the year ended December 31, 2015 and further to 59.1% for the year ended December 31, 2016, primarily because (i) the mix of undergraduate students and junior college students at Xinhua University had changed during these periods with the percentage of undergraduate students increasing gradually each year, and the tuition fees that we charged undergraduate students were higher than what we charged junior college students; and (ii) we raised tuition fees for full time students for certain majors at our schools while the related costs remained stable. Between the nine months ended September 30, 2016 and 2017, our gross profit margin decreased from 56.1% to 52.1%, which was primarily due to an increase in the cost of sales. See "Business – Our Schools – Overview" for details.

The gross profit margin of our Xinhua School decreased from 56.8% for the year ended December 31, 2014 to 56.1% for the year ended December 31, 2015 and further to 53.1% for the year ended December 31, 2016, which was mainly attributable to a larger increase in its cost of sales as a result of the increase in salaries and benefits of our teaching staff and the increase in cost of repair primarily because we undertook certain maintenance projects of our school facilities during the Track Record Period.

The following table sets forth the average tuition fee and the average boarding fee for each of our schools for the periods indicated:

School	Average Tuition Fee per student[(1)]					Average Boarding Fee per student[(1)]				
	Year ended December 31,			Nine months ended September 30,		Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017	2014	2015	2016	2016	2017
	(RMB)			(RMB)		(RMB)			(RMB)	
Xinhua University	10,138	10,961	11,305	7,230	7,738	1,132	1,234	1,297	939	1,004
Xinhua School	3,232	3,675	4,244	2,700	3,558	554	646	781	576	671
Total	8,448	9,215	9,714	6,228	6,939	991	1,093	1,181	858	940

Note:

(1) The average tuition fee per student and the average boarding fee per student are calculated by dividing the revenue generated from tuition fees and boarding fees, respectively, of all students, including both full time students and students in the continuing education program of Xinhua University, for the periods indicated by the number of our full time students enrolled as of the end of such period.

The average tuition fee per student of our Xinhua University and Xinhua School increased each year from 2014 to 2016, primarily due to a larger increase in revenue generated from tuition fees compared to the increase in the total full time student enrollments during these years. See "Business – Our Schools – Overview" for details.

The average boarding fee per student of our Xinhua University and Xinhua School increased each year from 2014 to 2016, primarily as a result of increases in revenue generated from boarding fees. For detailed reasons for increases in the average boarding fee per student in these years, see "Business – Our Schools – Overview".

The average tuition fee per student and the average boarding fee per student of our schools for the nine months ended September 30, 2017 also increased compared to the nine months ended September 30, 2016 for the same reasons as described above.

We generally require all students enrolled in our full time formal education programs at Xinhua University and Xinhua School to live on campus. As a result, our full time student capacity is limited by the number of beds available in student dormitories at each of our schools. 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 our full time student enrollment, capacity and school utilization rate for our schools for the periods indicated:

School Year	Xinhua University			Xinhua School(2)			Group		
	Full time Student Enrollment	Student Capacity	School Utilization Rate	Full time Student Enrollment(4)	Student Capacity	School Utilization Rate	Full time Student Enrollment	Student Capacity	School Utilization Rate
2014-2015	20,016	22,312	89.7%	6,482	4,380	79.9%	26,498	26,692	88.1%
2015-2016	20,775	22,312	93.1%	6,548	4,104	97.0%	27,323	26,416	93.7%
2016-2017	21,564	23,988	89.9%	6,272	4,902	86.1%	27,836	28,890	89.2%
2017-2018(3)	22,670	27,056	83.8%	5,360	4,446	89.1%	28,030	31,502	84.5%

Note:

(1) For each of the periods listed above, a small number of students in the continuing education program at Xinhua University also lived on campus.

(2) During the Track Record Period, we only provided beds in dormitories to students enrolled in general secondary vocational program of Xinhua School during the first two school years and for the third school year these students generally left school for internships and did not board on campus. The utilization rates of Xinhua School are calculated after excluding the students who did not board on campus during the school years. For the 2014-2015, 2015-2016, 2016-2017 and 2017-2018 school years, the total numbers of students who lived on campus at Xinhua School were 3,499, 3,981, 4,219 and 3,961, respectively, resulting in utilization rates of approximately 79.9%, 97.0%, 86.1% and 89.1%, respectively, for the same school years.

(3) The full time student capacity and school utilization rate for the 2017-2018 school year in the above table were as of September 30, 2017.

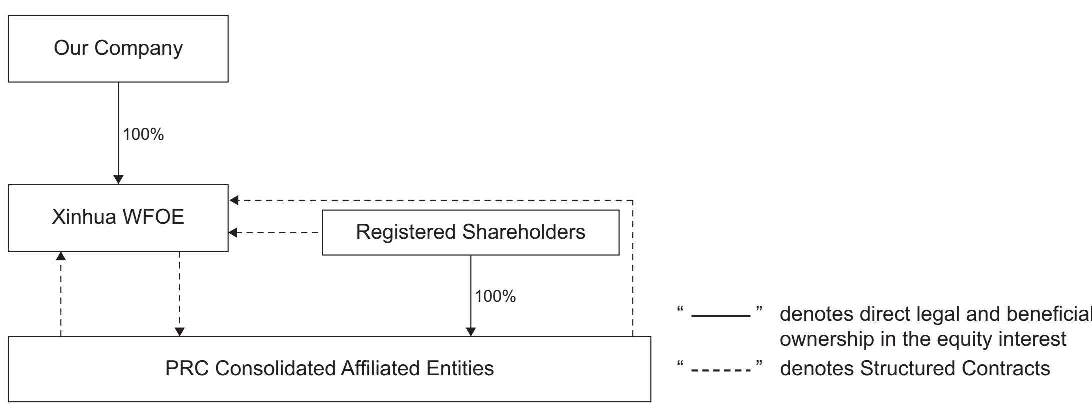
(4) The full time student enrollments at Xinhua School decreased from 6,272 students for 2016-2017 school year to 5,360 students for 2017-2018 school year mainly due to our Group's strategic adjustment to increase the student enrollment and capacity of the undergraduate programs. See "Business – Our Schools – Student Enrollment and Capacity" in this prospectus for details.

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 and the nine months ended September 30, 2017. Our suppliers primarily consist of construction companies, textbook suppliers and utility suppliers. For the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017, purchases from our five largest suppliers amounted to RMB28.8 million, RMB39.9 million, RMB36.3 million and RMB32.1 million, respectively, accounting for 34.0%, 40.1%, 37.1% and 45.2% of our total purchases for the corresponding periods. For the same periods, purchases from our largest supplier amounted to RMB9.1 million, RMB12.1 million, RMB15.5 million and RMB10.5 million, respectively, accounting for 10.7%, 12.2%, 15.9% and 14.7% of our total purchases for the relevant periods.

STRUCTURED CONTRACTS

The following simplified diagram illustrates the flow of economic benefits from our PRC Operating Schools and/or our School Sponsor 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 71.78% of the Shares eligible to vote in the general meeting of our Company (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme). The Directors are satisfied that our Group is capable of carrying out its business independently from the Controlling Shareholders and their associates. See "Relationship with our Controlling Shareholders" in this prospectus.

SUMMARY COMBINED FINANCIAL INFORMATION OF OUR GROUP

The following tables set forth our summary combined financial information as of and for the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017. Our financial results for the nine months ended September 30, 2017 are not necessarily indicative of the results for the year ended December 31, 2017 or for any other future year/period. You should read this summary together with the combined financial information set forth in the Accountants' Report of the Group in Appendix I to this prospectus, including the related notes, as well as the information set forth in the "Financial Information" section in this prospectus.

Selected Combined Statements of Profit or Loss Data

	Year ended December 31,			Nine months ended September 30,
	2014	**2015**	**2016**	**2017**
	(RMB in thousands)			
Revenue	250,114	281,646	303,262	220,846
Gross profit	138,691	157,795	179,230	115,095
Profit before taxation	140,542	151,019	174,982	106,803
Profit for the year/period	133,177	149,971	172,548	106,168

Selected Combined Statements of Financial Position Data

	As of December 31,			As of September 30,
	2014	**2015**	**2016**	**2017**
	(RMB in thousands)			
Current assets	383,416	403,723	468,150	788,946
Current liabilities	460,699	348,582	268,628	439,767
Net current (liabilities)/assets	(77,283)	55,141	199,522	349,179
Total non-current assets	522,762	539,777	567,470	586,068
Total equity	444,027	594,662	766,614	934,523

We recorded a net current liabilities position as of December 31, 2014 primarily because we had RMB210.0 million of short-term bank loans, which were accounted for as current liabilities. We had RMB0.5 million, nil and nil in short-term bank loans as of December 31, 2015 and 2016 and September 30, 2017. We expect to fund our planned capital expenditures primarily with cash generated from our operations and the net proceeds from the Global Offering.

Key Financial Ratios

	As of/for the year ended December 31,			As of/ for the nine months ended September 30,
	2014	2015	2016	2017
Net profit margin	53.2%	53.2%	56.9%	48.1%
Current ratio	0.8	1.2	1.7	1.8
Return on equity	30.0%	28.9%	25.4%	16.6%
Return on assets	14.7%	16.2%	17.4%	11.7%

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 established the American College in the United States and it obtained the approval and the provisional license to offer post secondary programs for a period of one year in December 2017 and entered into an agreement to establish a new campus of the School of Clinical Medicine. See "Business – Planned Additional Schools" in this prospectus for details.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Since September 30, 2017 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 education industry in which we operate that may have a material adverse effect on our business operations and financial position.

School of Clinical Medicine

Anhui Medical University made a public announcement in June 2017 that it was seeking a cooperative partner to jointly operate its affiliated School of Clinical Medicine, which is an independent college, with the eventual goal of converting the School of Clinical Medicine into a school owned and operated solely by the cooperative partner. As specified in this public announcement, the cooperative partner is required to, during the five-year cooperation term, (i) establish a new campus meeting the requirements of land area and infrastructure as provided in the *Methods on the Establishment and Management of Independent Colleges* and the *Temporary Regulations on the Establishment of Ordinary Undergraduate Colleges* and (ii) hire qualified teaching staff so that the new campus can meet the standards for establishing an ordinary undergraduate college. In June 2017, we submitted an application to be Anhui Medical University's cooperative partner to jointly operate the School of Clinical Medicine because we believe that this opportunity is consistent with our business strategy of acquiring or investing in undergraduate colleges in provincial capitals to expand our school network. On October 24, 2017, Anhui Medical University announced that our Group was selected as its first choice of cooperative partner. We entered into a formal agreement with Anhui Medical University on November 20, 2017. As of the Latest Practicable Date, we have paid approximately RMB196.0 million in cash as a prepayment as required under the agreement to Anhui Medical University. See "Business – Planned Additional Schools – School of Clinical Medicine" in this prospectus for details.

Anhui Opinion

On October 27, 2017, the provincial government of Anhui Province promulgated the *Implementation Opinion on Encouraging Social Groups to Engage in Education and Promote the Healthy Development of Private Education (安徽省人民政府關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見)*, or the *Anhui Opinion*. According to the *Anhui Opinion*, school sponsors may freely elect to establish for-profit schools or non-profit schools, but they are not allowed to establish for-profit private schools to engage in compulsory education. Private higher education institutions, including our Xinhua University, are required to complete their registration under the new classification before 2022. The registration timeline for private education institutions for other education levels, including our Xinhua School, will be determined by each city and each county under the direct administration of Anhui Province. As of the Latest Practicable Date, no registration timeline for our Xinhua School has been promulgated by the local authorities. The registration methods for all private schools, including both of our PRC Operating Schools, will be promulgated separately. Accordingly, as of the Latest Practicable Date, we have not elected nor decided as to whether our PRC Operating Schools will be registered as for-profit schools or non-profit schools. Our Directors believe that, at the current stage, whether our PRC Operating Schools choose to become for-profit schools or non-profit schools will not materially impact our operating profits as after the execution of the Structured Contracts, we are entitled to service fees payable by our PRC Operating Schools and our school sponsor under the existing PRC laws. See "Business – Potential Implication of the 2016 Decision and Related Implementing Rules on our PRC Operating Schools" and "Regulatory Overview – Regulations on Private Education in the PRC – Implementation Opinion on Encouraging Social Groups to Engage in Education and Promote the Healthy Development of Private Education, or the *Anhui Opinion*" in this prospectus for details.

Establishment of Xinhua Xinjiang and Structured Contracts

On October 31, 2017, Xinhua Anhui entered into a series of agreements that constitute the Structured Contracts I 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 Xinhua Anhui by means of service fees payable by our PRC Consolidated Affiliated Entities to Xinhua Anhui.

Following the execution of the Structured Contracts I, Xinhua Anhui is subject to income tax at a rate of 25% as well as value-added tax in the PRC, which may cause our effective tax rate to increase, and resulting in an increase in our tax expenses which in turn may reduce our net profit.

Pursuant to relevant local government tax policy in Khorgos, Xinjiang, an enterprise established in Khorgos between January 1, 2010 and December 31, 2020 and falling within the scope of the *Catalog of Enterprise Income Tax Incentives for Industries Particularly Encouraged by Poverty Areas of Xinjiang for Development (新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄)* is exempted from enterprise income tax entirely for five years beginning from the first year in which revenue from its principal business is earned and, after this initial period, such enterprise is entitled to another exemption on the local portion of its enterprise income tax. See "Financial Information – Description of Major Components of Our Combined Statements of Profit or Loss – Income Tax Expenses" in this prospectus for details. In light of this preferential tax policy, on January 17, 2018, Xinhua Xinjiang was established in Khorgos and was wholly owned by Xinhua HK. Xinhua Xinjiang is engaged in the provision of technical and management consultancy services to our PRC Operating Schools and School Sponsor. On February

6, 2018, Xinhua Xinjiang entered into the Structured Contracts II, the terms and conditions of which are the same as those contained in the Structured Contracts I in all material aspects, pursuant to which the Structured Contracts I were automatically terminated and all economic benefits arising from the business of our PRC Consolidated Affiliated Entities are transferred to Xinhua Xinjiang by means of service fees payable by our PRC Consolidated Affiliated Entities to Xinhua Xinjiang.

On February 7, 2018, Xinhua Xinjiang made a filing with the relevant local tax authorities in Khorgos for the preferential tax treatments in Xinjiang, pursuant to which Xinhua Xinjiang is fully exempted from enterprise income tax from January 1, 2018 to December 31, 2020. However, there is no assurance that such policy will not change or that Xinhua Xinjiang will be able to continue to enjoy such preferential tax treatments. See "Risk Factors – Our historical financial and operating results may not be indicative of our future performance" in this prospectus.

Our Directors confirm that, since September 30, 2017 (being the date on which the latest audited combined financial information of our Group was prepared) and up to the date of this prospectus, there had been no material adverse change in the industry in which we operate or in the financial or trading position of our Group that would materially affect the information shown in our combined financial statements included in the Accountants' Report of the Group set forth in Appendix I to this prospectus. During the same periods, our results of operations were largely in line with our expectations.

We have prepared unaudited preliminary financial information for our Group as of and for the year ended December 31, 2017, which is set forth in Appendix III to this prospectus.

LISTING EXPENSES

We expect to incur a total of RMB62.0 million of listing expenses (assuming an Offer Price of HK$3.26, being the mid-point of the indicative Offer Price range between HK$2.83 and HK$3.69, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, of which (i) approximately RMB8.4 million has been charged to the combined statements of profits or loss and RMB1.7 million has been capitalized in the nine months ended September 30, 2017; (ii) an additional RMB17.8 million has been charged to our consolidated statements of profits or loss as administrative expenses and an additional RMB4.3 million has been capitalized for the year ended December 31, 2017; and (iii) RMB4.0 million is expected to be charged to our consolidated statements of profits or loss as administrative expenses and RMB25.8 million is expected to be capitalized for the year ending December 31, 2018.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK$2.83 per Share	**Based on an Offer Price of HK$3.69 per Share**
Market capitalization of our Shares(1)	HK$4,528 million	HK$5,904 million
Unaudited pro forma adjusted combined net tangible asset value per Share(2)	HK$1.39	HK$1.60

Notes:

(1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised. The calculation of market capitalization is based on 400,000,000 Shares expected to be issued and outstanding following the completion of the Capitalization Issue and the Global Offering.

(2) The unaudited pro forma adjusted combined net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II and based on 400,000,000 Shares expected to be issued and outstanding following the completion of the Capitalization Issue and the Global Offering.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$1,239.8 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the initial public Offer Price of HK$3.26 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$188.8 million, after deducting the underwriting commissions and our estimated expenses, assuming an Offer Price of HK$3.26 per Share, being the mid-point of the proposed Offer Price range.

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

- approximately 53.0%, or HK$657.1 million, is expected to be used primarily to acquire other schools to expand our school network. In particular, we plan to focus on suitable opportunities to acquire undergraduate colleges that can grant bachelor's degrees, including private higher education institutions, independent colleges and secondary vocational schools in provincial capitals. In addition, we will also consider acquiring entities that own educational assets or institutions in provincial capitals, municipalities under the direct administration of the central government and major cities with independent budgets;
- approximately 35.0%, or HK$433.9 million, is expected to be used primarily to improve our school facilities and educational equipment;
- approximately 2.0%, or HK$24.8 million, is expected to be used primarily to strengthen our market position and enhance our brand recognition; and
- approximately 10.0%, or HK$124.0 million, is expected to be used to fund our working capital and general corporate purposes.

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

DIVIDENDS

Our Group currently does not have a pre-determined dividend policy. The payment and the amount of any future dividends will be subject to the sole discretion of our Board of Directors and will also depend on factors including, among others, our results of operations, cash flow, capital requirements, general financial condition, contractual restrictions, future prospects and other factors that our Board of Directors deems relevant. As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and, particularly, our schools, which are established in the PRC. Our schools in the PRC must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and distributing returns to their school sponsors. Any amount of dividend we pay will be at the discretion of our Board of Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant (including all applicable PRC laws and regulations which our schools are required to comply with). During the Track Record Period, we did not declare or pay any dividends to our shareholders. See "Financial Information – Dividends" in this prospectus.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. Major risks we face include, among others, the following: (i) our business is heavily dependent on the market recognition of our brand and reputation; (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; (iii) our business and results of operations depend largely on the number of students our Xinhua University may admit, which in turn is subject to the admission quota approved by relevant education authorities and limited by the capacity of our schools facilities; (iv) our business relies on our ability to recruit and retain dedicated and qualified teachers and other school personnel; (v) 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; and (vi) we face intense competition in the PRC education industry and our business, financial condition and results of operations may be adversely affected if we are unable to compete effectively. See "Risk Factors" in this prospectus for details.

PROPERTY VALUATION

According to the property valuation report prepared by Cushman & Wakefield Limited, an independent valuer we engaged, as set forth in Appendix IV to this prospectus, the market value of the properties we owned and occupied as of December 31, 2017 was approximately RMB1,800 million. See "Business – Properties" and Appendix IV 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; 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.

"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
"American College"	Xinhua American College, a private higher education institution established by our Group in the State of Florida, US and obtained the provisional license dated December 27, 2017 to offer post secondary programs
"Anhui Education Department"	Department of Education of Anhui Province (安徽省教育廳)
"Anhui Opinion"	the Implementation Opinion on Encouraging Social Groups to Engage in Education and Promote the Healthy Development of Private Education (《關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見》) promulgated by the provincial government of Anhui Province on October 27, 2017
"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 amended and restated articles of association of our Company conditionally adopted on March 8, 2018 and effective upon the Listing Date, and as amended from time to time, a summary of which is set out in Appendix V to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the board of Directors
"Business Cooperation Agreement"	the business cooperation agreement entered into by and among Xinhua Anhui, the PRC Consolidated Affiliated Entities and the Registered Shareholders dated October 31, 2017
"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

"Capitalization Issue"	the issue of 1,199,994,828 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 VI – Statutory and General Information – A. Further Information about Our Company – 4. Written resolutions of the then shareholders of our Company passed on March 8, 2018"
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, or a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China excluding for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region and Taiwan
"CIE"	Commission for Independent Education, which is established in the Florida Department of Education
"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
"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
"Company" or "our Company"	China Xinhua Education Group Limited (中國新華教育集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on August 30, 2017. It is the listing vehicle of our Group
"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 WJB Company and Mr. Wu
"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
"Deed of Indemnity"	a deed of indemnity dated March 8, 2018 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 VI to this prospectus
"Deed of Non-competition"	a deed of non-competition dated March 8, 2018 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
"Director(s)"	the director(s) of our Company
"Directors' Powers of Attorney"	the school sponsor appointed director's power of attorney executed by each of the directors appointed by the School Sponsor of each PRC Operating School dated October 31, 2017
"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

"Equity Pledge Agreement"	the equity pledge agreement entered into by and among the Registered Shareholders, Xinhua Group and Xinhua Anhui dated October 31, 2017
"Exclusive Call Option Agreement"	the exclusive call option agreement entered into by and among Xinhua Anhui, our PRC Consolidated Affiliated Entities and the Registered Shareholders dated October 31, 2017
"Exclusive Technical Service and Management Consultancy Agreement"	the exclusive technical service and management consultancy agreement entered into by and among Xinhua Anhui and our PRC Consolidated Affiliated Entities dated October 31, 2017
"Existing Private Schools"	private schools which were established before the promulgation of the 2016 Decision
"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(2017)》), 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 July 28, 2017 and became effective from July 28, 2017, 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 March 14, 2018, commissioned by our Company on the PRC private education market and prepared by Frost & Sullivan
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**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 Consolidated Affiliated Entities and the consolidated affiliated entities from time to time, or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time

"HK$", "Hong Kong dollar(s)", "HKD" or "cents"	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Share(s)"	the 40,000,000 Shares being made available by our Company for subscription pursuant to the Hong Kong Public Offering, subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus
"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 March 13, 2018, 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
"Huayuan Company"	Huayuan Equity Investment Company Limited (華園股權投資有限公司), a limited liability Company established under the laws of the BVI on August 28, 2017 and owned by all partners of Huayuan Partnership
"Huayuan Partnership"	Hefei Huayuan Equity Investment Limited Partnership* (合肥華園股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on August 11, 2017 with Mr. Wu acting as its general partner and 31 individuals acting as its limited partners, including Mr. Wu, Ms. Zhou Jiaju (spouse of Mr. Wu), Mr. Wu Shan (son of Mr. Wu), our three executive Directors (namely, Mr. Lu Zhen, Mr. Wang Yongkai and Ms. Wang Li) and 26 other employees of our Group. Huayuan Partnership is one of the Registered Shareholders and holds 3.33% equity interest of Xinhua 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
"IFRSs"	the International Financial Reporting Standard(s)
"International Offering"	the offering of the International Offer 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 Offer Share(s)"	the 360,000,000 new Shares initially offered by our Company for subscription at the Offer Price under the International Offering (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 Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering 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
"Joint Bookrunners"	Macquarie Capital Limited, ABCI Capital Limited, CMB International Capital Limited and First Capital Securities Limited
"Joint Global Coordinators"	Macquarie Capital Limited and ABCI Capital Limited
"Joint Lead Managers"	Macquarie Capital Limited, ABCI Securities Company Limited, CMB International Capital Limited and First Capital Securities Limited

"Latest Practicable Date"	March 5, 2018, 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 March 26, 2018, 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 Xinhua Anhui, the PRC Operating Schools, and Xinhua Group dated October 31, 2017
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the amended and restated memorandum of association of our Company adopted on March 8, 2018 and as amended from time to time
"MOE"	the Ministry of Education of the PRC (中華人民共和國教育部)
"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
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)

"Mr. Wu"	Mr. Wu Junbao (吳俊保), our founder, one of our Controlling Shareholders, chairman of the Board and a non-executive Director
"National People's Congress"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NDRC"	The National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Offer Price"	the maximum Hong Kong dollar price per Hong Kong Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering, 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 Offer 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 the Joint Global Coordinators on behalf of the International Underwriters, to require our Company to allot and issue up to an aggregate of 60,000,000 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 Offering as described in the section headed "Structure of the Global Offering" in this prospectus
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013, as amended, supplemented or otherwise modified from time to time
"PRC Consolidated Affiliated Entities"	namely, our School Sponsor 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, Xinhua University and Xinhua School
"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, March 19, 2018 and, in any event, not later than 6:00 p.m. on Thursday, March 22, 2018, 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
"Registered Shareholders"	the shareholders of Xinhua Group, namely Mr. Wu, Mr. Wu Di and Huayuan Partnership
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"SAIC" or "State Administration for Industry and Commerce"	the State Administration for Industry and Commerce for 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 Sponsor's and Directors' Rights Entrustment Agreement"	the school sponsor's and directors' rights entrustment agreement entered into by and among Xinhua Group, the PRC Operating Schools, the directors of each PRC Operating School and Xinhua Anhui dated October 31, 2017

"School Sponsor's Power of Attorney"	the school sponsor's power of attorney executed by the School Sponsor in favor of Xinhua Anhui dated October 31, 2017
"SFC" or "Securities and Futures Commission"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of our Company
"School of Clinical Medicine"	School of Clinical Medicine of Anhui Medical University* (安徽醫科大學臨床醫學院), an independent college of Anhui Medical University established under the laws of the PRC in 2003 as further described in "Business – Planned Additional Schools – School of Clinical Medicine" in this prospectus
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on March 8, 2018, the principal terms of which are summarized under the paragraph headed "F. Share Option Scheme" in Appendix VI to this prospectus
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders' Rights Entrustment Agreement"	the shareholders' rights entrustment agreement entered into by and among the Registered Shareholders, the School Sponsor and Xinhua Anhui dated October 31, 2017
"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"	Macquarie Capital Limited
"Spouse Undertakings"	collectively, the spouse undertakings dated October 31, 2017 executed by Ms. Zhou Jiaju, the spouse of Mr. Wu, and by Ms. Wu Songping, the spouse of Mr. Wu Di, respectively
"Stabilizing Manager"	Macquarie Capital Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)

"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between WJB Company 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, Structured Contracts I and Structured Contracts II
"Structured Contracts I"	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 Sponsor's and Directors' Rights Entrustment Agreement, the School Sponsor's 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
"Structured Contracts II"	collectively, the structured contracts dated February 6, 2018 entered into by Xinhua Xinjiang with, among others, our PRC Consolidated Affiliated Entities, the terms and conditions of which are the same as the Structured Contracts I in all material aspects
"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 Sponsor 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, and the nine months ended September 30, 2017
"U.S. dollar(s)" or "US$" or "USD"	United States dollars, the lawful currency for the time being of the United States
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder

"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"WD Company"	Wu Di Company Limited (吳迪有限公司), a limited liability company incorporated under the laws of the BVI on August 18, 2017 and wholly owned by Mr. Wu Di
"**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
"WJB Company"	Wu Junbao Company Limited (吳俊保有限公司), a limited liability company incorporated under the laws of the BVI on August 18, 2017 and wholly owned by Mr. Wu and will be one of our Controlling Shareholders upon the Listing
"Xinhua Anhui"	Anhui Ronghua Education Technology Co., Ltd.* (安徽融華教育科技有限公司), a limited liability company established under the laws of the PRC on September 30, 2017, which is wholly owned by Xinhua HK
"Xinhua BVI"	Xinhua Education International Limited (新華教育國際有限公司), a limited liability company incorporated under the laws of the BVI on August 31, 2017 and a wholly-owned subsidiary of our Company
"Xinhua Education Group"	Anhui Xinhua Education Group Co., Ltd.* (安徽新華教育集團有限公司, formerly known as Anhui Xinhua Education Development Co., Ltd.* (安徽新華教育發展有限公司)), a limited liability company established under the laws of the PRC on March 30, 2004, which is owned as to 38.4% by Mr. Wu, 51.6% by relatives of Mr. Wu and 10% by two companies held by Mr. Wu and his relatives

"Xinhua Group" or "School Sponsor"	Anhui Xinhua Group Investment Co., Ltd.* (安徽新華集團投資有限公司) (previously known as Anhui Xinhua Investment Co., Ltd.* (安徽新華投資有限公司)), a limited liability company established under the laws of the PRC on September 1, 1999, which is owned as to 95.70% by Mr. Wu, 0.97% by Mr. Wu Di and 3.33% by Huayuan Company. It is the school sponsor of Xinhua University and Xinhua School, and a consolidated affiliated entity of our Company
"Xinhua HK"	Hong Kong Xinhua Education Limited (香港新華教育有限公司), a limited liability company incorporated in Hong Kong on September 8, 2017 and a wholly-owned subsidiary of our Company
"Xinhua Investment"	Anhui Xinhua Investment Co., Ltd.* (安徽新華投資有限公司), a limited liability company established under the laws of the PRC on August 11, 2017 pursuant to the demerger of Xinhua Group, which is owned as to 99% by Mr. Wu and 1% by Mr. Wu Di. For details of the demerger of Xinhua Group, please refer to the section headed "History and Corporate Structure – Demerger" in this prospectus
"Xinhua School"	Anhui Xinhua School* (安徽新華學校), a private formal secondary vocational school that obtained approval from the Anhui Education Department for its establishment on April 11, 2002, of which the school sponsor's interest is wholly owned by Xinhua Group and a consolidated affiliated entity of our Company
"Xinhua University"	Anhui Xinhua University* (安徽新華學院), a private formal higher education institution whose predecessor is Anhui Xinhua Vocational College (安徽新華職業學院) which obtained approval from The People's Government of Anhui Province (安徽省人民政府) for its establishment on June 18, 2000. The school sponsor's interest of Xinhua University is wholly owned by Xinhua Group and a consolidated affiliated entity of our Company
"Xinhua US"	Xinhua Education, Inc., a company incorporated in the State of Florida of the United States, with limited liability on August 22, 2017 and a wholly-owned subsidiary of our Company
"Xinhua WFOE"	Xinhua Anhui or Xinhua Xinjiang (as the case maybe), and collectively, "**Xinhua WFOEs**"

“Xinhua Xinjiang”	Xinjiang Ronghua Education Technology Co., Ltd.* (新疆融華教育科技有限公司), a limited liability company established under the laws of the PRC on January 17, 2018, which is wholly owned by Xinhua HK
“Xinjiang”	Xinjiang Uygur Autonomous Region, a provincial-level autonomous region of the PRC
“Yangtze River Delta”	comprises Jiangsu, Zhejiang, Anhui and Shanghai in the PRC
“%”	percent
“2016 Decision”	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 took effect on September 1, 2017

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.

"first-tier universities"	the first batch of universities that enroll students after the National Higher Education Entrance Exam. Except for students with specialties in arts and sports, among other things, the basic admission requirement for the relevant high school graduates is that they achieved certain level of high scores in the National Higher Education Entrance Exam as designated by the relevant PRC provincial education authorities, and they choose such universities for their college entrance application. Generally, these universities have stronger comprehensive strengths, such as school facilities, academic resources and scientific research capabilities, among other things, and frequently gain special support from the PRC central and local government
"high schools"	schools that provide education for students in grade ten through grade twelve
"independent college"	a bachelor-degree level higher education institution established by a public university that provides formal education in bachelor-degree level or above in association with individuals or social organisations other than governmental institutions using non-state funds
"initial employment rates"	the percentage of graduates who entered into full time employment contracts, were self-employed or accepted an offer for further studies as of September 1 during the year in which they graduated
"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
"primary education"	typically the first stage of compulsory education, which compresses grades one through six

"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
"school year"	the school year for all of our schools, which generally starts on September 1 of each calendar year and ends on June 30 of the next calendar year
"secondary education"	normally takes place after primary education and may be followed by higher education or vocational training
"Senior High School Entrance Examination"	the academic examination held annually in the PRC to distinguish junior high school students

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

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

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

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

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

We believe that our success is heavily dependent on the market recognition of our brand and reputation. Our ability to maintain our reputation and brand recognition depends on a number of factors, some of which are beyond our control. As we continue to grow in size and expand our business and services, it may become difficult to maintain the quality and consistency of the services we offer, which may lead to diminishing confidence in our brand name.

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

We have developed our student base primarily through word-of-mouth referrals. We also promote our brands by, among others, publishing student recruitment advertisements or promotion materials in newspapers as well as on online platforms. However, we cannot assure you that such methods will be sufficient in the future or that any additional marketing efforts we may undertake will be successful or sufficient in further promoting our brand or in helping us to remain competitive. If we are unable to further enhance our reputation and increase market awareness of our programs and services, or if we are required to incur excessive marketing and promotional expenses in order to remain competitive, our business, financial condition and results of operations may be materially and adversely affected. If we are unable to maintain or sustain our brand reputation and recognition, we may also be unable to maintain or increase student enrollment, which may have a material adverse effect on our business, financial condition and results of operations.

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 and boarding fees we charge at our schools. For the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017, tuition fees constituted approximately 89.5%, 89.4%, 89.2% and 88.1%, respectively, of our total revenue, while boarding fees accounted for the remaining 10.5%, 10.6%, 10.8% and 11.9%. We determine our tuition rates primarily based on the demand for our educational programs, the cost of our operations, the geographic market where we operate our schools, the tuition rates charged by our competitors, our pricing strategy to gain market share and general economic conditions in the PRC. 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 and education bureau. In addition, according to the requirements of the relevant pricing governmental authority and education bureau, the new tuition fees will only be applicable to newly admitted students and tuition levels for other students will not be affected. Since September 2017, Xinhua University became one of the only six private higher education institutions in Anhui Province for which tuition fee increases are not subject to prior approval except for a filing with the Education Department and the Price Bureau of Anhui Province. 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. 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 fee rates. Our business, financial position and results of operations may be materially and adversely affected if we fail to maintain or raise the tuition or attract sufficient prospective students.

Our business and results of operations depend largely on the number of students our Xinhua University may admit, which in turn is subject to the admission quota approved by relevant education authorities and limited by the capacity of our schools facilities.

Each year the education authorities specify a quota for the number of new full time students our Xinhua University may admit. The number of full time students our Xinhua University may admit is therefore subject to the quota set by the education authorities on a year by year basis. To the best of the Directors' knowledge, to determine the admission quota to be granted to our Xinhua University, the education authorities take into account factors including the number of full time 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 our Xinhua University is also constrained by the education facilities and number of beds for students at our Xinhua University, which are limited.

As we charge tuition fees and boarding fees for our full time students, the total number of enrolled full time students determines our total revenue. Our full time student enrollments grew from 26,498 as of December 31, 2014 to 27,323 as of December 31, 2015, and further to 27,836 as of December 31, 2016. As of September 30, 2017, we had a total of 28,030 full time students enrolled at our schools. If the admission quota for our Xinhua University does not increase or even decreases in the future, which in turn, results 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 example, some university applicants who have been admitted for a junior college program may choose not to register with the Xinhua University, and decide to re-take the National Higher Education Entrance Exam the following year. If the number of such students increases, 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 recruit and retain dedicated and qualified teachers and other school personnel.

We rely substantially 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. As of September 30, 2017, we had a team of 945 teachers.

To maintain the quality of our educational services and further grow our business, we need to continue to attract qualified teachers who meet our standards. We seek to hire teachers who have expertise in their respective subject areas and are capable of delivering innovative and inspirational classroom instruction. In addition, with respect to teachers in Xinhua University, we look for teachers with extensive relevant work experience in their respective industries. We believe there are a limited number of teachers with the necessary experience and qualifications to teach our courses. There is no guarantee that we can recruit and retain such personnel in the future. As a result, we believe that we may 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 recruit teachers and other school personnel quickly in order to meet the anticipated rising student enrollment. We must also provide on-going training to our teachers so that they can stay abreast of changes in industry standards and student demands to effectively teach their respective courses.

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, or our training may not be adequate for our teachers to meet our standards of education which also evolve with the latest developments in our industry and the geographical regions we serve. If we are unable to recruit and retain an appropriate number of qualified teachers and qualified school administrative personnel, or if the training we provide to our teachers turns out to be inadequate, the quality of our services or overall education programs may deteriorate or be perceived to deteriorate 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, significant pressure on our management and resources. The number of full time students enrolled at our Xinhua University and Xinhua School has grown from 26,498 as of December 31, 2014 to 28,030 as of September 30, 2017. In addition, the number of students enrolled in continuing education program of our Xinhua University was 5,605 as of September 30, 2017. Moreover, we plan to leverage our past success and brand name to expand our total student enrollments, through both increasing the number of students on existing campuses and establishing or acquiring new campuses. In addition, we plan to continue to promote our brand and raise our profile in the private education industry in China and continue to attract and retain qualified teachers. See "Business – Our Strategies". To manage and support our growth, we must improve our existing operational, administrative and technological systems and our financial and management controls, and recruit, train and retain additional qualified teachers and management personnel as well as other administrative, sales and marketing personnel. All of these endeavors require substantial management time and skills as well as significant additional expenditure. If we cannot adequately update and strengthen our operational, administrative and technological systems and our financial and management controls to support our future expansion, we may not be able to effectively and efficiently manage the growth of our operations, recruit and retain qualified personnel and integrate entities we establish or acquire into our operations. Any failure to effectively and efficiently manage our expansion may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material adverse effect on our business and financial results. Moreover, even if we are able to maintain or expand student enrollment in our existing schools, we may be unable to retain a sufficient number of these students or attract new students in the future to expand the scale of our operations, which could materially and adversely affect our business and results of operations.

We may expand our school network through acquisitions or establishment of new schools. If we fail to execute this expansion strategy successfully, our business, financial condition and results of operations may be materially and adversely affected.

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

- retaining qualified teaching staff and existing students;
- consolidating educational services offered by the acquired schools;
- complying with regulatory requirements;
- the acquired schools having a culture that may be adverse to change and may not be receptive to our education values and methods;
- integrating information technology platforms and administrative infrastructure with minimal disruptions to the existing operations of the acquired schools;
- minimizing the diversion of our management's attention from on-going business concerns;
- minimizing disruptions to existing students' curricula and ensuring their ability to progress through the education system is not hindered as a result of the acquisition; and

- ensuring and demonstrating to our stakeholders that the new acquisitions or establishments will not result in any adverse changes to our established brand image, reputation, teaching quality or standards.

We have no prior experience in acquiring schools and we cannot assure you that we will be able to identify suitable acquisition targets and that our due diligence efforts will reveal all material deficiencies in the target schools. We may not successfully integrate our operations and the operations of the schools we acquire in a timely manner, or at all. We may not realize the anticipated benefits or synergies of the acquisitions to the extent, or in the timeframe we had anticipated, which may result in material adverse effects on our business, financial condition and results of operations. We cannot assure you that we will be able to manage or minimize the disruptions to the acquired schools as a result of a change in management. Failure to do so may result in adverse effect on our brand and reputation.

We also plan to expand our network abroad by establishing a higher education institution in the State of Florida in the United States. In August 2017, an application was filed with the CIE to establish a private higher education institution. On December 27, 2017, we received the approval and the provisional license granted by CIE to the American College to offer post secondary programs for a period of one year. See "History and Corporate Structure – School to be Established/Invested – American College" 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 intend to expand our school network by cooperating with third-party partners. However, we do not have any prior experience with operating a school in cooperation with a third-party partner and may not be able to successfully execute such expansion strategy. In addition, if government approvals for the proposed conversion of the School of Clinical Medicine are not granted, we may not be able to implement our growth strategies or recover our investments relating to the establishment of a new campus of this school.

We intend to expand our school network by cooperating with third-party partners. The School of Clinical Medicine, which was established in 2003, was an independent college of Anhui Medical University approved by the MOE. On November 20, 2017, we entered into a formal agreement with Anhui Medical University for a term of three years to jointly operate the School of Clinical Medicine. See "Business – Planned Additional Schools – School of Clinical Medicine" for details. However, we have no prior experience in operating a school in cooperation with a third party partner under the arrangements specified in the agreement. If, for any reason, we fail to establish the new campus for the School of Clinical Medicine on time or fail to obtain approvals from the relevant authorities to convert the School of Clinical Medicine from an independent college to a higher education institution independently owned and operated by us, we will not be able to operate the School of Clinical Medicine as planned, or at all. In addition, we cannot assure you that we will be able to recruit enough students and provide the kind of education meeting the expectations of students and/or their parents. We may also have disagreements with Anhui Medical University on curriculum and other operating and financial aspects of the new campus during the cooperation period. In this case, we may not be able to implement our expansion plan or growth strategies. If we suffer loss in our investment in establishing the new campus of the School of Clinical Medicine, our business, financial condition and results of operations may be materially and adversely affected.

Parents and students may not be satisfied with our students' performance or job placements, which may have a negative impact on our reputation.

The success of our business depends in large part on our ability to maintain the quality of education we provide and to equip our students with the necessary knowledge and skills for them to continue their education and/or to find suitable employment after graduation. Our schools may not be able to meet students' and parents' expectations for academic performance or help our graduates obtain satisfactory jobs upon graduation. A student may not achieve expected academic improvement or acquire desired skills, and his or her performance may otherwise decline 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 and their parents, which in turn may negatively affect their confidence in our education programs. 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. If our student retention rate decreases substantially or if we otherwise fail to continue to attract and admit students of a suitable standard or at all, our business, financial condition and results of operations may be materially and adversely affected.

We face intense competition in the PRC education industry and our business, financial condition and results of operations may be adversely affected if we are unable to compete effectively.

According to Frost & Sullivan, although the high barriers to entry deter new competitors from entering the higher education industry in the PRC, there is intense competition from existing market players. The higher education industry in the PRC is highly fragmented, and participants in this industry face increasingly intense competition among their peers. The PRC private higher education industry is expected to see increasing consolidation with more and more change of ownership and merger and acquisition cases, and we expect competition among established players in this industry to persist and intensify. As part of our growth strategy, we plan to expand our school network and increase our market share in the private higher education sector through selected acquisitions. See "Business – Our Strategies – Pursue suitable opportunities for acquisitions". We compete with other market players in the industry, who may have more resources and experience in mergers and acquisitions, for suitable acquisition or cooperation targets. If we are not able to execute such growth strategy effectively due to our limited prior experience in such transactions, limited resources or any other reasons, our growth prospects could be adversely affected. In addition, according to Frost & Sullivan, student enrollments in private higher education and private specialized secondary education in China are expected to experience slow growth from 2017 to 2021. If we are not able to compete effectively, our market share may not grow as we planned. Furthermore, our business performance is sensitive to demographic changes in China. Student enrollments in private higher education and private specialized secondary education in China are affected by PRC government policies on family planning. Should the PRC government introduce policies that restrict child birth in the future, it may have a negative impact on the growth of the education industry in China, resulting in further competitive pressure on us.

We primarily compete with public schools and other private schools in the PRC that offer similar programs and universities and colleges that specialize in applied sciences. We compete with these schools across a range of factors, including program and curriculum offerings, school location and premises, expertise and reputation of teachers, tuition fee levels, and cooperative relationships with reputable companies in various industries. Public schools may enjoy preferential treatment from governmental authorities in respect of, among other things, government subsidies. Our competitors may adopt similar curriculums, teaching methods, school support and marketing approaches, with different pricing and content that may be more appealing to students and their parents. In addition, some of our competitors may have better connection with companies in various industries or more resources than we do and may be able to devote greater resources than we can to the development and promotion of their schools and respond more quickly than we can to the changes in student demand, market needs or new technologies. As such, we may be required to reduce tuition fees and boarding fees or increase spending in response to competition in order to retain or attract students or pursue new market opportunities. If we are unable to successfully compete for new students, maintain or increase our tuition 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.

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 December 2002, and was amended in June 2013, and was further amended in November 2016 and took effect on 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 subject to the State's provisions; 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 Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education" in this prospectus for details. Uncertainties exist with respect to the interpretation and enforcement of new and existing laws and regulations. While we intend to comply with all new and existing laws and regulations, we cannot assure you that we will always be deemed to be in compliance with such new laws and regulations, as their interpretation may remain uncertain, nor can we assure you that we will always be able to change our business practice successfully to adapt to the new regulatory environment. Any such failure could materially and adversely affect our business, financial condition and results of operations.

We may not be able to obtain all necessary approvals, licenses and permits or to make all necessary registrations and filings for our education and other services in the PRC in a timely manner, 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法實施條例》). 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 education bureau and to register with the 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 due to various factors and reasons beyond our anticipation or control. If we fail to receive or obtain required permits or renew any permits and certificates in a timely manner, or at all, 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.

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 for reasonable returns were not permitted in China 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 and private higher education services for-profit were not allowed in China until September 2017 when the amendments made to the Law for Promoting Private Education of the PRC became effective.

The development of the private higher education industry has been accompanied by significant press coverage and public debate concerning the management and operation of private schools and universities. Significant uncertainty remains in the PRC as to public acceptance of this business model. In addition, there is substantial uncertainty relating to the application and interpretation of PRC law as it relates to the promotion of the private for-profit education industry. For example, certain favorable policies referenced in relevant PRC law are available to non-profit private schools, such as preferential tax treatment, while for-profit private schools are supposed to enjoy preferential tax treatment as subject to the State's provisions. To date, however, other than Detailed Rules for the Implementation of Supervision and Administration of For-profit Private Schools (《營利性民辦學校監督管理實施細則》) and the Implementing Measures on Classification Registration of Private Schools (《民辦學校登記實施細則》) and Notice of the General Administration of Industry and Commerce and the Ministry of Education on the Registration and Administration of the Name of For-Profit Private Schools (《工商總局、教育部關於營利性民辦學校名稱登記管理有關工作的通知》), no separate policies, regulations or rules have been introduced by the authorities with regard to profit private schools. Please refer to the section headed "Regulatory Overview – Regulations on Private Education in the PRC" in this prospectus for further details. If the private education business model fails to gain traction or wide acceptance among the general public in the PRC, 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 are subject to extensive governmental approvals and compliance requirements for establishing our campuses and school premises.

From time to time, we renovate existing premises or construct new buildings to ensure that our teaching facilities are fitted with technologies and to enhance convenience and comfort for our students and staff. We may establish new campuses and school premises as we grow and expand our business. For campuses and school premises constructed and developed for our schools, we must obtain various permits, certificates and other approvals from the relevant administrative authorities at various stages of property development, including, for example, planning permits, construction permits, land use rights certificates, certificates for passing environmental assessments, certificates for passing fire control assessments and certificates for passing construction completion inspections. We may in the future encounter problems in fulfilling the conditions precedent to the receipt of those permits, certificates and approvals, and we may not always be able to obtain them in a timely manner, or at all. If we fail to obtain requisite permits, certificates or approvals for campuses and school premises we will develop and construct in the future, we may become subject to administrative fines and other penalties or may be ordered to relocate our schools premises, which could disrupt our business and cause us to incur additional expenses. This, in turn, may have a material adverse effect on our business, prospects, financial condition and results of operations.

Our Xinhua University is subject to compliance requirements relating to the ratio between school site area/building area and the number of students enrolled.

During the Track Record Period and up to the Latest Practicable Date, our Xinhua University is subject to certain regulatory requirements in relation to the prescribed ratio between our school's site area/building area and the number of students enrolled. See "Business – Properties – Regulatory Requirements Relating to the Ratio between School Site Area/Building Area and Number of Students" for details.

According to the *Basic Conditions for Operating Higher Education Institutions (Trial)* (普通高等學校基本辦學條件指標(試行)) promulgated by the MOE in 2004, except for sports and art schools, the ratio between a higher education institution's teaching and administrative building area and the number of students should be nine to 16 sq.m. per student. Under the aforesaid regulations, except for sports and art schools, the ratio between a higher education institution's site area and its number of students should be 54 to 59 sq.m. per student. Failure to comply with the ratio between the teaching and administrative building area and the number of students may cause the student enrollments of a higher education institution to be restricted and suspended.

As of December 31, 2014, 2015 and 2016 and September 30, 2017, the ratios between the teaching and administrative building area and full time student enrollments of our Xinhua University were approximately 19.1 sq.m./student, 18.4 sq.m./student, 17.8 sq.m./student and 16.9 sq.m./student, respectively, which were in compliance with the aforesaid regulatory requirements. As of the same dates, the ratios between the site area and full time student enrollments of our Xinhua University were approximately 41.0 sq.m./student, 39.5 sq.m./student, 38.1 sq.m./student and 36.2 sq.m./student, respectively, which were lower than the aforesaid regulatory requirements. Our PRC legal advisors interviewed the relevant official of the Anhui Education Department, and the official confirmed that failure to comply with such requirement stipulated in the regulations will not subject Xinhua University to any fines or penalties. Our PRC legal advisors have also advised us that the official we interviewed is the Deputy Director of the Development and Planning Division which is in charge of, among others, supervising the establishment of higher education institutions and determining student admission quotas for higher education institutions in Anhui Province. This official is familiar with the regulations governing a higher education institution’s site area and its number of enrolled students and the implementation requirements of such regulations and is competent to comment on the compliance status of our Xinhua University and relevant legal consequences stipulated in relevant regulations. Although we obtained confirmations from such official, we cannot assure you that the regulations relating to the ratio between school site area/building area and the number of students enrolled will not change in the future or that the relevant education authorities will not impose any fines or penalties on us for failure to comply with the regulations. Further, in order to comply with the site area/student number ratio, we would need to acquire more land. We estimate that we would need additional land with a gross site area of approximately 403,402.7 sq.m.. We expect that capital expenditure of approximately RMB90.8 million to RMB121.0 million would be needed to purchase the additional land. If we should be deemed to be not in compliance with the relevant regulations, our business, financial condition, future prospects and results of operations may be materially and adversely affected.

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

We experienced steady 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 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 revenue from formal education services 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, Xinhua Anhui is subject to a PRC income tax rate of 25% and value added tax. Our Xinhua Xinjiang has made a filing with the relevant local tax authorities for the preferential tax treatments in Xinjiang, pursuant to which Xinhua Xinjiang is fully exempted from enterprise income tax from January 1, 2018 to December 31, 2020. See “Financial Information – Description of Major Components of Our Combined Statements of Profit on Loss – Income Tax Expenses” in this prospectus for details. We cannot assure you that the PRC government will not promulgate relevant tax regulations that will reduce or eliminate such preferential tax treatments, or the local tax bureaus will not change their policy in the future. If the currently available preferential tax treatments discontinue or the applicable enterprise income tax rate and/or value-added tax rate increase in the future, our profitability may be materially and 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 (Xinhua University generally charges boarding fees once at the beginning of the school year for the entire year and Xinhua School generally charges boarding fees each semester for a six-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.

The discontinuation of any preferential tax treatments currently available to us, particularly the tax exempt status of our PRC Operating Schools, could materially and adversely affect our results of operations.

Prior to the 2016 Decision taking effect on September 1, 2017, private schools whose school sponsors did not require reasonable returns were eligible to enjoy the same preferential tax treatment as public schools according to the *Implementation Rules for the Law for Promoting Private Education*. As a result, private schools providing formal education services were eligible to enjoy income tax exemption treatment if the school sponsors of such schools did not require reasonable returns. Our PRC Operating Schools were exempt from PRC income tax in respect of revenue from formal education services because the school sponsor of our PRC Operating Schools did not require reasonable returns. Pursuant to the 2016 Decision, a non-profit private school may enjoy the same preferential tax treatments as a public school while a for-profit private school may enjoy preferential tax treatments in accordance with relevant PRC laws and regulations. Based on the confirmation letters we obtained in December 2017 from the competent tax authorities as further described in "Business – Potential Implication of the 2016 Decision and Related Implementing Rules on our PRC Operating Schools – Tax implication of the 2016 Decision on our PRC Operating Schools", the preferential tax treatment policies applicable to our PRC Operating Schools will remain unchanged until the State Administration of Taxation of the PRC promulgates any new policies.

We have obtained confirmation letters from the local tax bureaus in the areas where we operate our PRC Operating Schools, which confirmed, among other things, that our PRC Operating Schools are not required by the tax bureaus to pay PRC income tax in respect of revenue from formal education services during the Track Record Period. The amount of tax effect of non-taxable income for us was RMB27.0 million, RMB32.3 million, RMB40.5 million and RMB27.6 million, respectively, during the Track Record Period. See Note 7(b) of the Accountant's Report included in Appendix I to this prospectus. However, there is no assurance that the PRC government will not promulgate relevant tax regulations that will reduce or eliminate such preferential tax treatment, or the local tax bureaus will not change their policy in the future, in each such case, we will be subject to PRC income tax going forward. 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.

Our available-for-sale investments may be subject to certain counterparty risks and market risks.

During the Track Record Period, we invested certain amounts of surplus cash in available-for-sale investments. These available-for-sale investments are generally short-term wealth management products issued by licensed commercial banks in the PRC. As of December 31, 2014, 2015 and 2016 and September 30, 2017, the fair value of such available-for-sale investments totalled nil, RMB246.7 million, RMB120.1 million and RMB390.9 million, respectively. Accordingly, we are subject to the risks that any of our counterparties, such as the banks that issued wealth management products, may not perform their contractual obligations, such as in the event that any such counterparty declares bankruptcy or becomes insolvent. Any material non-performance of our counterparties with respect to the wealth management products we invested in could materially and adversely affect our financial position and cash flow. Furthermore, our available-for-sale investments are subject to the overall market conditions, including the capital markets. Any volatility in the market or fluctuations in interest rates may reduce our financial position or cash flow, which in turn, could materially and adversely impact our financial condition. In addition, general economic and market conditions affect the fair value of these available-for-sale investments. If circumstances indicate that the carrying amount of these investments may not be recoverable, such investments may be considered "impaired", and an impairment loss would be recognized in accordance with accounting policies and charged to our statements of profits or loss for the relevant period. Accordingly, any material decline in the fair value of these available-for-sale investments may have a material and adverse effect on our results of operations.

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

We depend on our senior management and school administrators for the smooth operation of our schools and execution of our business plans. 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, senior management and other key personnel are unable or unwilling to continue their employment with us, we may not be able to replace them with qualified personnel in a timely manner, or at all, and our business may be disrupted and our results of operations and financial condition may be materially and adversely affected. Competition for qualified and experienced teachers in the private education industry in the PRC and in particular, in Anhui Province, is intense, and the pool of qualified candidates is very limited. We may not be able to retain qualified personnel in the future. In the event we lose their services, or if any key teaching personnel joins our competitors or forms a competing company, we may not be able to retain our teachers, students and other professionals, which could have a material and adverse effect on our business, results of operations and financial condition.

We are exposed to concentration risks as both of our schools are located in Hefei City, Anhui Province.

During the Track Record Period, both of our Xinhua University and Xinhua School were located in Hefei City, Anhui Province and the majority of our students came from Anhui Province. While we may expand into other areas in the PRC in the future, we anticipate that the vast majority of our business operations in the foreseeable future will likely be concentrated in Anhui Province and schools in Anhui Province will continue to generate a significant majority of our revenue. If Anhui Province experiences any event negatively affecting its education industry, such as negative changes in local government policies relating to private education services, a serious economic downturn, a natural disaster or an outbreak of a contagious disease, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

In addition, if the relevant government authorities in Anhui Province implement additional rules and regulations restricting our enrollment growth, limiting the tuition or fees we may charge, or otherwise negatively impacting our business, our results of operations and growth prospects may be materially and adversely affected.

We maintain limited insurance coverage.

We maintain various insurance policies, such as school liability insurance to safeguard against risks and unexpected events. However, our insurance coverage is still limited in terms of amount, scope and benefit. In addition, we do not carry property insurance for the properties that are owned by us 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 the PRC is still at an early stage of development. Insurance companies in the PRC offer limited business-related insurance products. We do not have any business disruption insurance, product liability insurance or key-man life insurance. Any business disruption, litigation or legal proceedings or natural disaster, such as epidemics, pandemics or earthquakes, or other events beyond our control could result in substantial costs and the diversion of our resources. Our business, financial condition and results of operations may be materially and adversely affected as a result.

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

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

We outsource meal catering services for our schools to Independent Third Parties and, as a result, we cannot guarantee that the quality and price of the food they provide are always the best available. In addition, we may be exposed to potential liabilities if the food quality does not comply with relevant standards.

During the Track Record Period, our schools outsourced meal catering services to Independent Third Parties. Our schools generally entered into school canteen outsourcing agreements with these third-party catering service providers for a term of one year (each an "**outsource agreement**" and collectively, the "**outsource agreements**"). Our schools monitor the food quality strictly. We implemented a tiered management system to supervise the catering services at our schools and we had food safety management personnel to regularly conduct inspections of daily operation of the canteens at each of our schools. However, we cannot assure you that we will be able to monitor the preparation process to ensure its quality or require the Independent Third Parties to adhere to our food quality standards. In the event poor food quality results in any serious health violations or medical emergencies, such as mass food poisoning, our business and reputation could be materially and adversely affected.

From time to time, our business partners and suppliers may have disputes with us or file claims of breach of contract against us, which may harm our reputation and have a material and adverse effect on our business, financial condition and results of operations.

We collaborate with a large number of enterprise partners in a variety of school-enterprise collaboration programs, academic courses and other activities. In addition, we collaborate with certain universities in China and overseas countries. We also have supply contracts with various construction companies, textbook suppliers and utility suppliers. We cannot assure you that disputes from these collaborations and contracts will not arise or our business partners and suppliers will not bring claims against us. Any such claims, regardless of whether they are ultimately successful, could cause us to incur litigation costs, harm our business reputation and disrupt our operations.

Furthermore, we cannot assure you that we will be able to defend against such claims successfully. If any such claims against us were ultimately successful, we could be required to pay damages, which could materially and adversely affect our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

Companies operating in the PRC are required to participate in various employee benefit plans including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their businesses. During the Track Record Period, we did not make social insurance and housing provident fund contributions for certain of our PRC employees, such as student accommodation staff employed by Xinhua University and logistics staff employed by Xinhua School. In addition, during the Track Record Period, we failed to make adequate social insurance and housing provident fund contributions for our employees as the payment basis of the social insurance and housing provident fund is not determined in accordance with the applicable PRC laws. As of the Latest Practicable Date, we had not received any notice from the local authorities or any claim from our current and former employees regarding our non-compliance in this regard. We estimate that the aggregate amount of social insurance and housing provident fund contributions that we did not make in full for the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017 was approximately RMB12.5 million, RMB15.0 million, RMB15.6 million and RMB12.0 million, respectively. See "Business – Legal Proceedings and Compliance" in this prospectus for further details. We cannot assure you that the relevant local government authorities will not require us to pay the outstanding amount within a specified time limit or impose late fees or fines on us, which may materially and adversely affect our financial condition and results of operations.

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* (《中華人民共和國擔保法》) and the *PRC Property Law* (《中華人民共和國物權法》), mortgages, pledges or other encumbrances 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)* (《民辦教育促進法》), which provides that private education is considered in the nature of "public welfare" in the PRC. Accordingly, these properties are not allowed to be pledged as collateral when our schools enter into loan agreements with banks. In such case, the schools' ability to obtain financing to fund their operations will be limited. Even if collateral is meant to be created based on such properties under any loan agreement to be entered into between any of our schools and the potential lender, such pledge may not be valid or enforceable under the laws and regulations of the PRC, as a result of which, the schools' ability to obtain financing to fund their operation is limited.

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

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

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

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 the PRC. In particular, as most of our students are boarding students and our campuses in certain of our schools 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 arrangements in which Xinhua WFOE receives full economic benefits from our PRC Consolidated Affiliated Entities. See “Structured Contracts” in this prospectus for more information.

Foreign investment in the education industry in the PRC is extensively regulated and subject to numerous restrictions. Under the Foreign Investment Catalog, 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. While secondary vocational education is not listed in the Foreign Investment Catalog, Xinhua School was recognized by the MOE as a National Key Secondary Vocational School (國家級重點中等職業學校) and therefore was treated as if it falls within the "restricted" category according to the Anhui Education Department.

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* (《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》), 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 Sino-Foreign Regulation, 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. Wu with the undertaking given by him, which the Stock Exchange has limited power to enforce.

On January 19, 2015, MOFCOM published a 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)), or the Draft Foreign Investment Law. At the same time, MOFCOM published an accompanying explanatory note of the Draft Foreign Investment Law, or the Explanatory Note, which contains important information about the Draft Foreign Investment Law, including its drafting philosophy and principles, main content, plans to transition to the new legal regime and treatment of business in the PRC controlled by foreign invested enterprises, or the FIEs, primarily through contractual arrangements. The Draft Foreign Investment Law is intended to replace the current foreign investment legal regime consisting of three laws: the *Sino-Foreign Equity Joint Venture Enterprise Law* (《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 investment in certain industries listed on the negative list unless permission from the competent authority in the PRC is obtained. According to the negative list published by the PRC government on June 28, 2017 and that became effective on July 28, 2017, the education business that we operate is classified as a "restricted business". The Draft Foreign Investment Law also provides that any FIEs operating in industries on the negative list will require entry clearance and other approvals that are not required of PRC domestic entities. As a result of the entry clearance and approvals, certain FIE's operating in industries on the negative list may not be able to continue to conduct their operations through contractual arrangements.

While the Draft Foreign Investment Law 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. Wu is 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. As we primarily conduct education business and operate in the PRC, the occurrence of such event could have a material and adverse effect on our business, financial condition and results of operations such that the financial results of our PRC Consolidated Affiliated Entities would no longer be consolidated into our Group's financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. An investment loss would be recognized as a result of such derecognition.

As a measure to ensure the Structured Contracts remain a domestic investment and compliance with the Draft Foreign Investment Law, Mr. Wu, 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 Sponsor" in this prospectus. Our compliance with the Draft Foreign Investment Law depends on Mr. Wu's adherence to the terms of such undertaking. In the event that Mr. Wu breaches the undertaking, the Stock Exchange has limited enforcement power against Mr. Wu 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. Wu Junbao 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 Consolidated Affiliated Entities as direct ownership.

We have relied and expect to continue to rely on the Structured Contracts to operate the majority of our education business in the PRC. For a description of these Structured Contracts, see "Structured Contracts" in this prospectus. These Structured Contracts may not be as effective in providing us with control over our PRC Consolidated Affiliated Entities as equity ownership. If we had ownership of the school sponsor's interest of our PRC Consolidated Affiliated Entities, we would be able to exercise our rights as a direct or indirect holder of the school sponsor's interest of our PRC Operating 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 Consolidated Affiliated Entities or their respective school sponsors or the Registered Shareholders fail to perform their respective obligations under these Structured Contracts, we cannot exercise school sponsor's rights to direct such corporate action as the direct ownership would otherwise entail.

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

Nevertheless, we have implemented measures to ensure that the company seals of our PRC Operating Schools are properly secured, are under the full control of our Company and cannot be used by Xinhua Group or the Registered Shareholders without our Company's permission. Please refer to the section headed "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (10) Equity Pledge Agreement" of this prospectus for further details.

If the parties under such Structured Contracts refuse to carry out our directions in relation to everyday business operations, we will be unable to maintain effective control over the operations of our PRC Consolidated Affiliated Entities. If we were to lose effective control over our PRC Consolidated Affiliated Entities, certain negative consequences would result, including our being unable to consolidate the financial results of our PRC Consolidated Affiliated Entities with our financial results. Given that revenue from our PRC Consolidated Affiliated Entities constituted all of the total revenue in our combined financial statements for the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017, our financial position would be materially and adversely impacted if we were to lose effective control over our PRC Consolidated Affiliated Entities. In addition, losing effective control over our PRC Consolidated Affiliated Entities may negatively impact our operational efficiency and brand image. Further, losing effective control over our PRC Consolidated Affiliated Entities may impair our access to their cash flow from operations, which may reduce our liquidity.

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

Our control over our PRC Operating Schools is based upon the Structured Contracts with our PRC Operating Schools, Xinhua Group, the Registered Shareholders and the directors of our PRC Operating Schools as appointed by Xinhua Group in its capacity as school sponsor of our PRC Operating Schools. Xinhua Group is direct holder of our school sponsor's interest of our PRC Operating Schools and the Registered Shareholders, being shareholders of Xinhua Group, or their beneficial owners are also shareholders of our Company. 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 Xinhua 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 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 Anhui Education Department, there are no implementing measures or specific guidance on the Qualification Requirement and therefore the PRC Operating Schools or the schools to be newly established or invested by us are not likely to be converted into Sino-Foreign Joint Venture Private Schools at this stage. 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 sponsor's 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 sponsor's 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 Consolidated Affiliated Entities may be subject to certain limitations and we may incur substantial costs and expend significant resources to enforce the option under the Structured Contracts.

We may incur substantial cost on our part to exercise the option to acquire the school sponsor's interests in our PRC Operating Schools. Pursuant to the Exclusive Call Option Agreement, Xinhua WFOE 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 Xinhua WFOE or its designated purchaser acquires the school sponsor's 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, Xinhua WFOE 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 of PRC tax authorities and additional tax may be imposed, which may materially and adversely affect our results of operation and value of your investment.

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

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

The Structured Contracts provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the China International Economic and Trade Arbitration Commission in Beijing, the PRC. The Structured Contracts contain provisions to the effect that the arbitral body may award remedies over the equity interests and/or assets of our PRC Consolidated Affiliated Entities, injunctive relief and/or winding up of our PRC Consolidated Affiliated Entities. In addition, the Structured Contracts contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, we have been advised by our PRC Legal Advisors that the above-mentioned provisions contained in the Structured Contracts may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final winding-up order to preserve the assets of or any equity interest in our PRC Consolidated Affiliated Entities in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in the Structured Contracts. PRC laws allow an arbitral body to award the transfer of assets of or equity interest in our PRC Consolidated Affiliated Entities in favor of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts of judicial authorities in the PRC generally would not grant injunctive relief or the winding-up order against our PRC Consolidated Affiliated Entities as interim remedies to preserve the assets or equity interests in favor of any aggrieved party. Our PRC legal advisors are also of the view that, even though the Structured Contracts provide that courts in Hong Kong and the Cayman Islands may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favor of an aggrieved party) may not be recognized or enforced by PRC courts. As a result, in the event that our PRC Consolidated Affiliated Entities 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 Consolidated Affiliated Entities 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 Xinhua WFOEs 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 Xinhua WFOEs in turn depends on the service fees paid by our PRC Consolidated Affiliated Entities. Current PRC laws and regulations permit our subsidiaries in China to pay dividends to us only out of its retained earnings, if any, determined in accordance with Chinese accounting standards and regulations and Xinhua WFOEs shall make up its losses of previous years when conducting outward remittance. Under the applicable requirements of PRC laws and regulations, each of the Xinhua WFOEs is required to set aside at least 10% of its after-tax profits based on PRC accounting standards each year to fund a statutory reserve until the accumulated amount of such reserve has exceeded 50% of its registered capital and may only distribute after-tax dividends after deduction of statutory reserve and other expenses as required by the regulations. These reserves are not distributable as cash dividends.

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

Before promulgation of the 2016 Decision, pursuant to 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法實施條例》), a private school may elect to be a school that its school sponsors do not require reasonable returns or a school that its school sponsors require reasonable returns. The School Sponsor of our PRC Operating Schools has elected not to require reasonable returns. A private school that its school sponsors do not require reasonable returns cannot distribute dividends to its school sponsors. A private school that its school sponsors require reasonable returns may distribute reasonable returns to its school sponsors after deducting school operation costs, reserves for development funds (as further described in the paragraph below) and provision for certain costs in accordance with the PRC laws and regulations. However, 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 its school sponsors require reasonable returns or a school that its school sponsors do not require reasonable returns.

In addition, 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 its school sponsors require 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 its school sponsors do not require reasonable return, this amount is at least 25% of the annual increase in the net assets of the school, if any. Our PRC Operating Schools have allocated a total of approximately RMB27.0 million, RMB33.0 million, RMB41.1 million and nil for the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017 to the development funds.

Pursuant to the 2016 Decision, private schools will no longer be classified as either a school that its school sponsors require reasonable returns or a school that its school sponsors do not require reasonable returns. Instead, 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. As of the Latest Practicable Date, we have not elected nor decided as to whether our PRC Operating Schools will be registered as for-profit schools or non-profit schools. Other than the Anhui Opinion, 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, and therefore there are uncertainties involved in interpreting and implementing the 2016 Decision 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 Xinhua WFOEs 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 Xinhua WFOEs. The amount of dividends and other distributions paid to us by Xinhua WFOEs depends on the service fees received by Xinhua WFOEs from our PRC Operating Schools and our School Sponsor.

The current PRC laws and regulations do not provide a formula or guidelines for determining what constitutes a "reasonable return". Given that the entitlement to reasonable returns and profit from school operation are rights as a school investor under the relevant PRC laws and regulations, whereas the receipt of service fees is a right of a service provider under a contract, and based on the confirmations we obtained in December 2017 from the competent education and tax authorities as further described in "Business – Potential Implication of the 2016 Decision and Related Implementing Rules on our PRC Operating Schools" in this prospectus, our PRC legal advisors advise us that (i) the service fees payable by the PRC Operating Schools under the Structured Contracts will not be regarded as reasonable returns or operating profit from school operation distributable to the School Sponsor; (ii) Xinhua WFOEs' right to receive the service fees from our PRC Operating Schools and our School Sponsor does not contravene any PRC laws and regulations; and (iii) the 2016 Decision will not affect the legality and effectiveness of these Structured Contracts.

However, if relevant PRC government authorities take a different view to our PRC legal advisors, or the local government authorities change their policy in the future, or the State Administration of Taxation of the PRC and/or other PRC government authorities promulgate any new policies, they may seek to confiscate any or all of the service fees that have been paid by our PRC Operating Schools and our School Sponsor to Xinhua WFOEs, even retrospectively, to the extent that such service fees are considered as "reasonable returns" or operating profit from school operation 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 Decision, including treatments of schools in the PRC as non-profit schools or for-profit schools.

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

The 2016 Decision took effect on September 1, 2017 and PRC government authorities may or may not promulgate rules and regulations to implement it. It remains uncertain as to whether any such new rules and regulations would have any material adverse impact on our business. There is also significant uncertainty as to tax or other preferential treatments that our schools in the PRC will be able to enjoy (as non-profit private schools or for-profit schools which we may choose to register) after the 2016 Decision and the relevant regulations come into force. In addition, there are uncertainties regarding the interpretation and enforcement of the 2016 Decision and the relevant regulations by government authorities. Should we fail to fully comply with the 2016 Decision or any relevant regulations as interpreted by the relevant government authorities, we may be subject to administrative fines or penalties or other negative consequences which could materially and adversely affect our brand name and reputation, as well as our business, financial condition and results of operations.

Our Xinhua University and Xinhua School may choose to become for-profit schools or non-profit schools pursuant to the 2016 Decision. Pursuant to the Anhui Opinion, private higher education institutions, including our Xinhua University, are required to complete their registration under the new classification before 2022. The registration timeline for private education institutions for other education levels, including our Xinhua School, will be determined by each city and each county under the direct administration of Anhui Province. The registration methods will be promulgated separately. Other than the Anhui Opinion, 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 Decision, such as (i) specific procedures to be completed for a school to become a for-profit school or non-profit school; and (ii) the respective preferential tax treatments that may be enjoyed by a for-profit school and a non-profit school, respectively. 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 and the land and buildings ownerships our schools may be required to obtain as a result of the latest regulatory requirements.

In order to assess the potential impact of the 2016 Decision 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 Decision. The special committee comprises three members, Mr. Lu Zhen, Mr. Ni Zheng and Ms. Wang Jihong, and is led by Mr. Lu Zhen. 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, other than the Anhui Opinion, 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.

We had net current liabilities as of December 31, 2014 and we cannot assure you that we will not incur net current liabilities in the future.

We recorded a net current liabilities position as of December 31, 2014 primarily because we had RMB210.0 million of short-term bank loans, which were accounted for as current liabilities. We had RMB0.5 million, nil and nil in short-term bank loans as of December 31, 2015 and 2016 and September 30, 2017. We expect to fund our planned capital expenditures primarily with cash generated from our operations and the net proceeds from the Global Offering. We cannot assure you that we will not have net current liabilities in the future. Having significant net current liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to resort to external funding. If adequate external funds are not available on commercially reasonable terms or at all, we may face liquidity difficulties. As such, our business, financial condition and results of operations may be materially and adversely affected.

If any of our PRC Consolidated Affiliated Entities 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 Consolidated Affiliated Entities 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 Consolidated Affiliated Entities. If any of these PRC Consolidated Affiliated Entities is wound up, and all or part of their assets become subject to liens or rights of third-party creditors or are distributed to other persons of higher priority than the Registered shareholders in accordance with the applicable PRC laws and regulations and articles of association of our PRC Consolidated Affiliated Entities, 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 Consolidated Affiliated Entities undergoes a voluntary or involuntary liquidation proceeding, our PRC Consolidated Affiliated Entities may be required to distribute their assets to other persons of higher priority than the Registered shareholders, 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 the Registered Shareholders undertakes pursuant to the Structured Contracts that in the event of the dissolution or liquidation of our PRC Consolidated Affiliated Entities, Xinhua WFOE shall have the right to exercise all of the school sponsor’s rights on behalf of Xinhua Group and all of the shareholders rights on behalf of the Registered Shareholders, 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 Consolidated Affiliated Entities; which could materially and adversely affect our liquidity and our ability to fund and expand our business operations.

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

- loans by us to each of the Xinhua WFOEs cannot exceed statutory limits and must be registered with SAFE, or its local counterparts;

- loans by us to our PRC Consolidated Affiliated Entities, over a certain threshold, must be approved by the relevant government authorities and must also be registered with the SAFE or its local counterparts; and

- capital contribution to our PRC Consolidated Affiliated Entities must be approved by MOE and Ministry of Civil Affairs or their respective local counterparts.

We expect that PRC laws and regulations may continue to limit our use of net proceeds from the Global Offering or from other financing sources. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our entities in the PRC. 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 the PRC. 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 our foreign currency denominated obligations, if any. 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 legal requirements. Approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, impose restrictions 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.

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 the PRC. 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.

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相互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 our senior management 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. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands, the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in 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" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Since all of our management is currently located in the PRC, we may be recognized as a PRC tax resident enterprise for the purpose of the EIT Law and therefore we would be subject to PRC income tax at the rate of 25% on our worldwide income. In such event, our income tax expenses may increase significantly and our net profit and profit margin could be materially and adversely affected.

The unavailability of any financial subsidies that we have enjoyed could materially and adversely affect our results of operations.

We received government grants of RMB11.0 million, RMB6.8 million, RMB1.7 million and RMB5.9 million, respectively, during the Track Record Period from the local government which are of a non-recurring nature for the purpose of subsidizing the operating expenses arising from our schools' teaching activities, scientific research and expenditure on facilities. There is no assurance that we could continue to enjoy the financial subsidies described above at the historical levels, or at all. Any change, suspension or termination of these financial subsidies to us could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

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

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

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

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

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

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

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

The Offer Price of our Offer Shares is higher than the net tangible book value per Share immediately prior to the Global Offering. Therefore, purchasers of our Offer Shares in the Global Offering will experience an immediate dilution in pro forma adjusted combined net tangible asset value of HK$1.49 per Share (assuming an Offer Price of HK$3.26 per Offer Share, being the mid-point of our Offer Price range of HK$2.83 to HK$3.69 per Offer Share) and existing Shareholders will receive an increase in the pro forma adjusted combined 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 1,600,000,000 Shares outstanding immediately following the Global Offering, assuming no exercise of the Over-allotment Option. Our Controlling Shareholders agreed that any Shares held by them will be subject to a lock-up after the Listing. See “Underwriting – Underwriting Arrangements and Expenses” for more information. However, the Underwriters may release these securities from these restrictions at any time and such Shares will be freely tradable after the expiration of the lock-up period. Shares which are not subject to a lock-up arrangement represent approximately 25% of the total issued share capital immediately following the Global Offering (assuming no exercise of the Over-allotment Option) and will be freely tradable immediately following the Global Offering.

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

Immediately after the completion of the Global Offering and the Capitalization Issue (without taking into account of the Shares which may be issued upon the exercise of the Over-allotment Option or the Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), our Controlling Shareholders will own approximately 71.78% of our Shares. As such, our Controlling Shareholders will have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. These actions may be taken even if they are opposed by our other Shareholders, including those who purchased Shares in the Global Offering. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders.

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

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

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

During the Track Record Period and up to the Latest Practicable Date, no dividend has been proposed, paid or declared by our Company or by any of the subsidiaries of our Group. Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and the PRC laws, including (where required) the approvals from our shareholders and our Directors. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiary. As a result of the above, we cannot assure you that we will make any dividend payments on our Shares in the future with reference to our historical dividends. For further details of the dividend policy of our Company, see the section headed "Financial Information – Dividends" in this prospectus.

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

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net proceeds from the Global Offering, including the expansion of our school network, establish new campus and improve our school facilities and educational equipment as well as strengthen our market position and enhance our brand recognition. Please refer to the section headed "Future Plans and Use of Proceeds – Use of Proceeds" for more information. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

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

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

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

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

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

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

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

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

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

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. Wang Yongkai (王永凱) our executive Director, and Mr. Young Ho Kee Bernard (楊浩基), a 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 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. Mr. Wang Yongkai (王永凱) confirmed that he possesses valid travel documents to Hong Kong and Mr. Young Ho Kee Bernard (楊浩基) is ordinarily resident in Hong Kong, and they 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 Guotai Junan 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 time frame. Our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorized representatives and compliance adviser; and

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

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.

WAIVER FROM STRICT COMPLIANCE WITH RULES 4.04(1) AND 13.49(1) OF THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH SECTION 342(1) OF THE COMPANIES (WUMP) ORDINANCE IN RELATION TO PARAGRAPHS 27 AND 31 OF THE THIRD SCHEDULE THEREIN

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

Rule 13.49(1) of the Listing Rules requires a listed issuer to publish its preliminary results for each financial year not later than three months after the end of the financial year (the "**Rule 13.49(1) Requirement**").

Section 342(1) of the Companies (WUMP) Ordinance requires all prospectuses to include the matters specified in Part I of the Third Schedule and set out the reports specified in Part II of the Third Schedule therein. Paragraph 27 of Part I of the Third Schedule to the Companies (WUMP) Ordinance requires us to include in this prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) of our Company during each of the three financial years immediately preceding the issue of this prospectus including an explanation of the method used for the computation of such income or turnover, and pursuant to Paragraph 31 of Part II of the Third Schedule, our Company is required to include in this prospectus a report by its auditors with respect to the profits and losses of our Group in respect of each of the three financial years immediately preceding the issue of this prospectus and assets and liabilities of our Group at the last date to which the financial statements were prepared (the "**Companies Ordinance Requirements**").

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

We have applied to the Stock Exchange for a waiver from strict compliance with the Rule 4.04(1) Requirement and the Rule 13.49(1) Requirement on the following grounds:

(a) The financial year end of our Company is December 31, and the three financial years immediately preceding the issue of this prospectus are three financial years ended December 31, 2017. However, the Accountants' Report set out in Appendix I to this prospectus only covers the three financial years ended December 31, 2016 and the nine months ended September 30, 2017, but not the full financial year ended December 31, 2017. Strict compliance with the Rule 4.04(1) Requirement to cover the financial results of our Group for the full financial year ended December 31, 2017 would be unduly burdensome in order for the audited results of our Group for the year ended December 31, 2017 to be finalized shortly after the year end. If the full year results of our Group for the year ended December 31, 2017 are to be included in this prospectus, there will be a significant delay in the listing timetable and our Company and its reporting accountants would have to undertake a considerable amount of work to prepare, update and finalize the Accountants' Report to cover such additional period within a short period of time. Our Directors consider that the benefits of such work to the investing public may not justify the additional work and expenses involved and the delay in the listing timetable;

(b) Our Directors and the Sole Sponsor confirmed that after performing all due diligence work, up to the date of this prospectus, there has been no material adverse change in the financial position or prospects of our Group since September 30, 2017 and there has been no event since September 30, 2017 that would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus. In particular, there has been no material adverse change to the financial and trading position of our Group during the period from October 1, 2017 to the date of this prospectus. Our Directors and the Sole Sponsor confirmed that all information necessary for the public to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group has been included in this prospectus and that, as such, the waiver granted by the Stock Exchange from strict compliance with Rules 4.04(1) and 13.49(1) of the Listing Rules will not prejudice the interest of the investing public;

(c) Our Company has included in Appendix III to this prospectus its financial information for the financial year ended December 31, 2017 and a commentary on the results for the year in this prospectus (the "**Preliminary Financials**"). Such financial information (a) has been prepared in compliance with the content requirements as for a preliminary results announcements under Rule 13.49 of the Listing Rules; and (b) has been agreed with the reporting accountants of our Company following their work under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants; and

(d) Strict compliance with the Rule 13.49(1) Requirement would be unduly burdensome and not particularly meaningful given that our Company has included in this prospectus the Preliminary Financials prepared in compliance with the content requirements as for a preliminary results announcements under Rule 13.49 of the Listing Rules, and given the short timeframe between the proposed date of publication of this prospectus and the required date of publication of the preliminary financial results, this prospectus contains such other information sufficiently updated for the benefits of our Company's shareholders and the investing public. In addition, our Company will issue its annual report for the year ended December 31, 2017 by the end of April 2018 in accordance with Rule 13.46 of the Listing Rules, which will include the audited financial information of our Group for the year ended December 31, 2017.

Accordingly, the Stock Exchange has granted a waiver from strict compliance with Rules 4.04(1) and 13.49(1) of the Listing Rules, on the following conditions:

(a) Our Company be listed on the Stock Exchange on or before March 31, 2018;

(b) Our Company must obtain a certificate of exemption from the SFC on compliance with the Companies Ordinance Requirements;

(c) This prospectus must include the financial information of our Company for the financial year ended December 31, 2017, being the latest financial year, and a commentary on the results for the year. The financial information to be included in this prospectus must (a) follow the same content requirements as for a preliminary results announcement under Rule 13.49 of the Listing Rules; and (b) be agreed with the reporting accountants following their work under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants; and

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

In addition, we have also applied to the SFC for a certificate of exemption from strict compliance with the Companies Ordinance Requirements on the ground that the financial year end of our Company is December 31, and the three financial years immediately preceding the issue of this prospectus are three financial years ended December 31, 2017. However, the Accountants' Report set out in Appendix I to this prospectus only covers the three financial years ended December 31, 2016 and the nine months ended September 30, 2017, but not the full financial year ended December 31, 2017. Strict compliance with the Companies Ordinance Requirements to cover the financial results of our Group for the full financial year ended December 31, 2017 would be unduly burdensome in order for the audited results of our Group for the year ended December 31, 2017 to be finalized shortly after the year end. If the full year results of our Group for the year ended December 31, 2017 are to be included in this prospectus, there will be a significant delay in the listing timetable and our Company and its reporting accountants would have to undertake a considerable amount of work to prepare, update and finalize the Accountants' Report to cover such additional period within a short period of time. Our Directors consider that the benefits of such work to the investing public may not justify the additional work and expenses involved and the delay in the listing timetable.

Our Directors and the Sole Sponsor confirmed that after performing all due diligence work, up to the date of this Prospectus, there has been no material adverse change in the financial position or prospects of our Group since September 30, 2017 and there has been no event since September 30, 2017 that would materially affect the information shown in the Accountants' Report set out in Appendix I to this Prospectus. In particular, there has been no material adverse change to the financial and trading position of our Group during the period from October 1, 2017 to the date of this Prospectus. Our Directors and the Sole Sponsor confirmed that all information necessary for the public to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group has been included in this prospectus and that, as such, the exemption granted by the SFC from strict compliance with the Companies Ordinance Requirements will not prejudice the interest of the investing public.

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

(a) The particulars of the exemption be set forth in this prospectus; and

(b) This prospectus be issued on or before March 31, 2018 and our Company be listed on the Stock Exchange on or before March 31, 2018 (i.e. three months after the latest financial year end).

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION ON THE GLOBAL OFFERING

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the 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 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 Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed among us and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed. For further details about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFERS AND SALES OF SHARES

Each person acquiring the 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 authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

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

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, March 26, 2018, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, March 26, 2018. The Shares will be traded in board lots of 1,000 Shares each, the stock code of the Shares will be 02779.

PROFESSIONAL TAX ADVICE RECOMMENDED

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

HONG KONG BRANCH REGISTER AND STAMP DUTY

Our register of members holding Shares will be maintained by our principal share registrar, 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

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 RMB0.8099 = HK$1.00 or RMB6.3431 = US$1.00, respectively, and certain amounts denominated in U.S. dollars have been translated into Hong Kong dollars at an exchange rate of US$1.00 = HK$7.8374, 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.

DIRECTORS

Name	Address	Nationality
Chairman and non-executive Director		
Mr. Wu Junbao (吳俊保)	Room 6-606. No. 2 Shucheng Road Luyang District, Hefei City Anhui Province PRC	Chinese
Executive Directors		
Mr. Lu Zhen (陸真)	Room 1704, Building 6 Yuanyi Baizhuang No. 88 Chaohu South Street Baohe District, Hefei City Anhui Province PRC	Chinese
Mr. Wang Yongkai (王永凱)	Room 607, Building 24 Xinhua Xuefu Chuntian No. 318 Qianshan Road Shushan District Hefei City, Anhui Province PRC	Chinese
Ms. Wang Li (王麗)	Room 2408, Building 19 Xiangbin Huayuan Xiyou Road, Shushan District Hefei City, Anhui Province PRC	Chinese
Independent non-executive Directors		
Ms. Zhang Kejun (張可君)	Room 808, Building 16 Kaixuanmen Xiaoqu No.123 Qianshan Road Zhengwu District Hefei City, Anhui Province PRC	Chinese
Mr. Yang Zhanjun	9830 SW 2nd Street Plantation, Florida 33324 US	American
Mr. Chau Kwok Keung (鄒國強)	Flat B, 9/F, Block 2 Royal Peninsula 8 Hung Lai Road Hung Hom, Kowloon Hong Kong	Chinese

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

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**Macquarie Capital Limited** Level 18, One International Finance Centre 1 Harbour View Street Central Hong Kong
Joint Global Coordinators	**Macquarie Capital Limited** Level 18, One International Finance Centre 1 Harbour View Street Central Hong Kong
	ABCI Capital Limited 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
Joint Bookrunners	**Macquarie Capital Limited** Level 18, One International Finance Centre 1 Harbour View Street Central Hong Kong
	ABCI Capital Limited 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	CMB International Capital Limited 45/F, Champion Tower 3 Garden Road Central Hong Kong
	First Capital Securities Limited Unit 4512, 45/F The Center 99 Queen’s Road Central Central Hong Kong

Joint Lead Managers	**Macquarie Capital Limited** Level 18, One International Finance Centre 1 Harbour View Street Central Hong Kong
	ABCI Securities Company Limited 10/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	CMB International Capital Limited 45/F, Champion Tower 3 Garden Road Central Hong Kong
	First Capital Securities Limited Unit 4512, 45/F The Center 99 Queen's Road Central Central Hong Kong
Legal advisers to our Company	*As to Hong Kong and U.S. law:* **Luk & Partners** **In Association with** **Morgan, Lewis & Bockius** Suites 1902-09, 19/F Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong
	As to PRC law: **Jingtian & Gongcheng** 34/F Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing, PRC
	As to Cayman Islands law: **Conyers Dill & Pearman** Cricket Square P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

Legal advisors to the Sole Sponsor and the Underwriters	*As to Hong Kong 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** 2301, Building A Aerospace Science and Technology Plaza Haide 3rd Road Shenzhen, PRC
Reporting accountant	**KPMG** Certified Public Accountant 8th Floor Prince's Building 10 Chater Road Central Hong Kong
Property valuer	**Cushman & Wakefield Limited** 16/F Jardine House 1 Connaught Place Central Hong Kong
Receiving bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong
Compliance adviser	**Guotai Junan Capital Limited** *(A licensed corporation to carry on type 6 (advising on corporate finance) regulated activity as defined under the SFO)* 28/F, Low Block Grand Millennium Plaza 181 Queen's 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	No. 555 Wangjiangxi Road Hefei City Anhui Province PRC
Principal place of business in Hong Kong	18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Company's website	**http://www.chinaxhedu.com** (*information contained in this website does not form part of the prospectus*)
Company secretary	Mr. Young Ho Kee Bernard (楊浩基) (a member of the Hong Kong Institute of Chartered Secretaries) 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Authorized representatives	Mr. Wang Yongkai (王永凱) Room 607, Building 24 Xinhua Xuefu Chuntian No. 318 Qianshan Road Shushan District Hefei City, Anhui Province PRC Mr. Young Ho Kee Bernard (楊浩基) 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Audit committee	Mr. Chau Kwok Keung (鄒國強) *(Chairman)* *(a member of the Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants)* Mr. Wu Junbao (吳俊保) Ms. Zhang Kejun (張可君)

Remuneration committee	Ms. Zhang Kejun (張可君) *(Chairman)* Mr. Wu Junbao (吳俊保) Mr. Yang Zhanjun
Nomination committee	Mr. Wu Junbao (吳俊保) *(Chairman)* Ms. Zhang Kejun (張可君) Mr. Yang Zhanjun
Principal Banks	Agricultural Bank of China West Side Branch Room 108, Fengle Shiji Apartment No. 499 Changjiang West Road Shushan district Hefei City Anhui Province PRC Hefei Science and Technology Rural Commercial Bank Red Market Branch Building B, Hongqi Building No. 939 Heyu Road Yaohai District Hefei City Anhui Province PRC Huishang Bank Hefei Shushan Branch Multi-functional Building Xinhua Xuefu Garden East Zone No. 455 Huangshan Road Shushan District Hefei City Anhui Province PRC Hangzhou Bank Hefei Branch Pingan Building No. 1639 Huaining Road Shushan District Hefei City Anhui 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 PRC private higher education market, the PRC higher education focused on applied sciences, the employment market in the PRC 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 1,800 industry consultants, market research analysts and economists. We have agreed to pay a total of RMB700,000 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. Our Directors confirm to the best of their knowledge, and after making reasonable enquiries, that there is no adverse change in the market information since the date of publication of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information set out in this section.

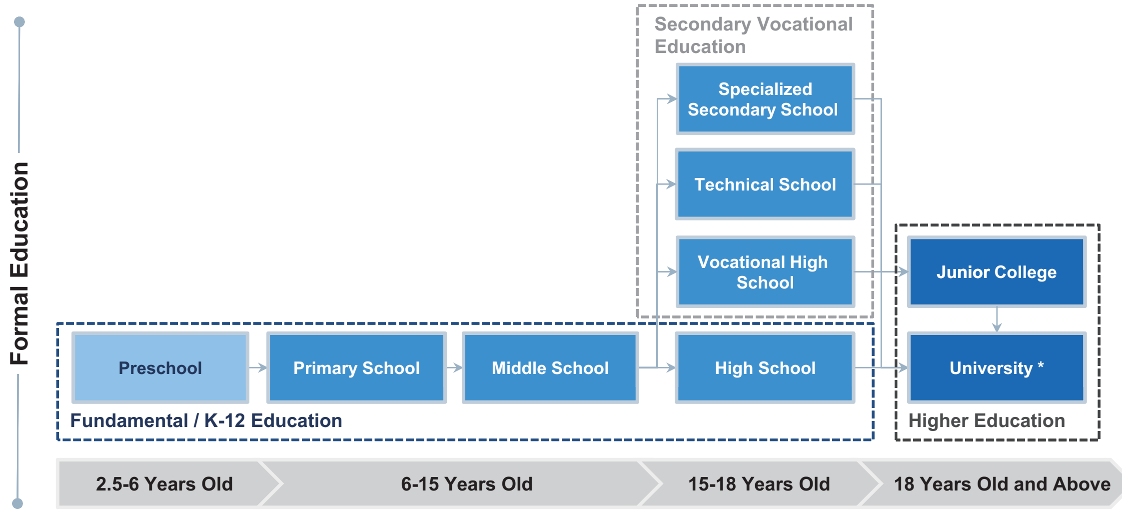
During the preparation of the market research report, Frost & Sullivan performed both primary research which involves discussing the status of the industry with leading industry participants and industry experts, and secondary research which involves review of annual reports of companies, independent 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 from 2017 to 2021; 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 2017 to 2021. 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

Generally, China's regular education system can be categorized into formal and informal education. Formal education is comprised of fundamental education, which includes education from preschool to high school, secondary vocational education and higher education, which is comprised of junior college and university. The formal education system provides students with the opportunity to obtain official certificates from the PRC government, whereas the informal education system merely enables students to obtain completion certificates for the training and learning courses they have taken, which are not be officially recognized by the PRC government.

Illustration of China's Formal Education System



Source: Frost & Sullivan

Note: University includes both regular university and independent college.

Market Size and Trends of the Education Industry in China

The PRC education industry has exhibited strong growth over the past five years, mainly driven by rising government public expenditure and private consumption. According to National Bureau of Statistics of China and the MOE, China's total public expenditure on education increased from RMB2,314.8 billion in 2012 to RMB3,137.3 billion in 2016, representing a CAGR of 7.9%. China's total public expenditure on education in 2016 represented approximately 4.2% of China's overall nominal GDP. For the year ended December 31, 2016, PRC public expenditure accounted for approximately 80.7% of the total revenue generated by the PRC education industry.

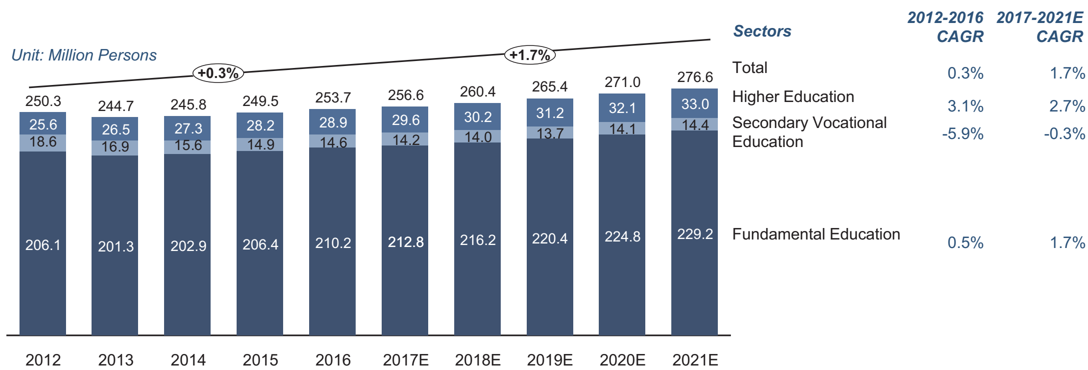
While the PRC government has continued to increase its budget on education, compared with developed countries, China still lagged behind as of 2015 in terms of public expenditure on education as percentage of GDP. For example, China's public expenditure on education in 2016 was approximately 4.2% of its GDP, which was less than that of the United States (6.0%), France (5.5%) and United Kingdom (5.3%), according to the Frost & Sullivan Report. Going forward, the PRC government is expected to further strengthen its investment in education.

Despite increasing public expenditure on education, the Chinese per capita annual expenditure of urban households on education grew from RMB820 in 2012 to RMB1,070 in 2016, representing a CAGR of 6.9%, which was associated with the increasing annual disposable income of urban households in China. Looking forward, with the increasing wealth of Chinese households and continued consciousness of Chinese parents regarding their children's education, per capita annual expenditure of urban households on education is likely to reach RMB1,487 by 2021 with a CAGR of 6.8% from 2016 to 2021, according to the Frost & Sullivan Report.

Student Enrollment in the Education Industry in China

According to the Frost & Sullivan Report, from 2012 to 2016, the number of student enrollment in the education industry in China has slightly increased from 250.3 million to 253.7 million, representing a CAGR of 0.3%. While both fundamental education and secondary vocational education have suffered from the decreasing school-age population and experienced a fluctuating period or downward trend, the number of students enrolled in higher education increased from 25.6 million in 2012 to 28.9 million in 2016, representing a CAGR of approximately 3.1%. The growth was mainly driven by the increasing enrollment rate with the relaxation of the one-child policy. By 2021, the number of student enrollment is expected to reach 33.0 million, 14.4 million, 229.2 million in higher education, secondary vocational education, and fundamental education, respectively, representing a CAGR of 2.7%, -0.3% and 1.7%, respectively. The diagram below sets forth the number of student enrollment in formal education in China from 2012 to 2016, as well as a forecast of student enrollment expected from 2017 to 2021.

Total Number of Student Enrollment in Education in China, 2012 – 2021E



Source: Frost & Sullivan

Development Trends of Chinese Education Industry

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

- ***Income growth is likely to drive premium education spending:*** As Chinese economy continues to grow steadily, annual disposable income for urban households is likely to grow as well. The rise of middle class families is likely to motivate the spending on premium education. For example, parents are inclined to send their children to schools which provide better access to premium education resources; and
- ***Increasing number of higher education institutions focusing on applied arts and technologies:*** In order to better match talent cultivation and market demand, the PRC government issued policies to support the development of profession-oriented undergraduate education in China, as well as the establishment of a classification and evaluation system for China's regular universities by 2020. It is expected that there will be increasing numbers of institutions focusing on applied arts and technologies in China in the future.

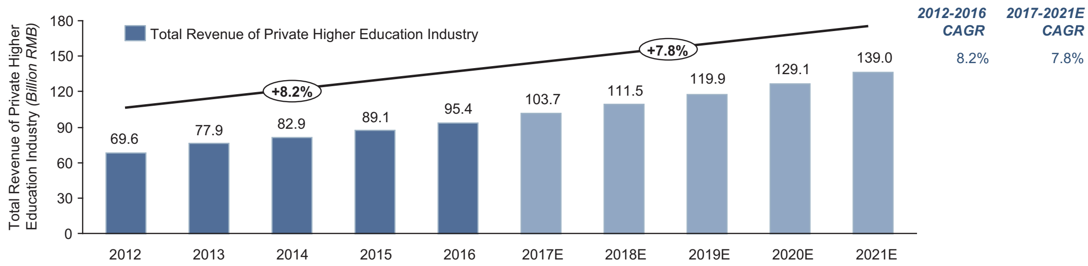
OVERVIEW OF THE PRIVATE HIGHER EDUCATION INDUSTRY IN CHINA

The private higher education industry in China has experienced rapid growth from the beginning of 1990s as it entered the phase of regulated development when the relevant government authorities made great effort in completing the regulative framework for private higher education, according to the Frost & Sullivan Report. Private higher education institutions in China can be divided into three categories, namely, private regular universities (民辦普通本科), independent colleges (獨立學院) and private junior colleges (民辦普通專科). Private higher education institutions are distinct from public institutions of higher education mainly in that public institutions of higher education are under the direct administration of the PRC national or local governments and their major source of funding is PRC public expenditure on education.

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

According to the Frost & Sullivan Report, the total revenue of the private higher education industry has increased from RMB69.6 billion in 2012 to RMB95.4 billion in 2016, representing a CAGR of 8.2%. Going forward, the total revenue of private higher education in China is expected to increase from RMB95.4 billion in 2016 to RMB139.0 billion in 2021, representing an expected CAGR of 7.8%. The following diagram illustrates the total revenue generated by the PRC private higher education industry from 2012 to 2016, and the forecast of revenue from 2017 to 2021.

Total Revenue of Private Higher Education Industry (China), 2012-2021E



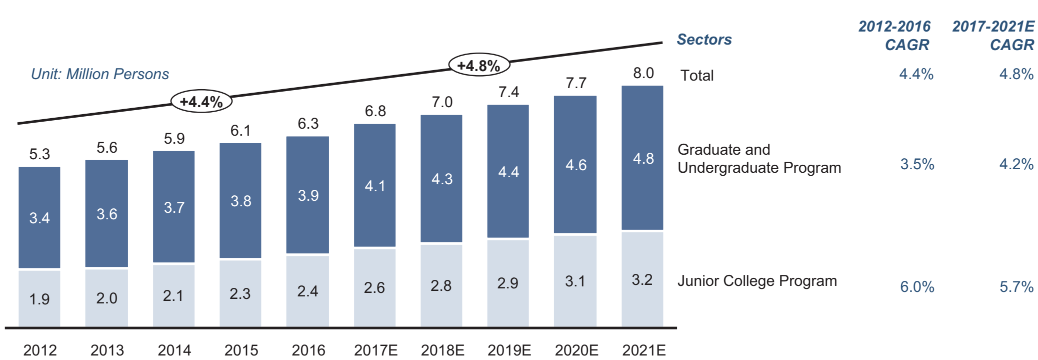
Source: Frost & Sullivan

According to the Frost & Sullivan Report, as of December 31, 2016, the total revenue of the private higher education was approximately RMB95.4 billion in China, representing approximately 9.4% of the total revenue generated from higher education industry in China.

Student Enrollment in the Private Higher Education Industry in China

According to the Frost & Sullivan Report, from 2012 to 2016, the total number of student enrollment in private higher education in China increased from 5.3 million to 6.3 million, representing a CAGR of approximately 4.4%. In 2021, the number is expected to increase to 8.0 million with a CAGR of 4.8% from 2016. Students enrolled in undergraduate and graduate program accounted for the largest portion of the number of student enrolled in private higher education in China. From 2012 to 2016, the number of student enrollment in undergraduate and graduate program increased from 3.4 million to 3.9 million, representing a CAGR of approximately 3.5%. In 2021, the number is expected to increase to 4.8 million with a CAGR of 4.2% from 2016. From 2012 to 2016, the number of student enrollment in junior college program increased from 1.9 million to 2.4 million, representing a CAGR of approximately 6.0%. The number is expected to reach 3.2 million in 2021, with a CAGR of 5.7% from 2016. The following diagram illustrates the total student enrollment in the PRC private higher education industry from 2012 to 2016, as well as a forecast of student enrollment from 2017 to 2021.

Total Number of Student Enrollments in Private Higher Education (China), 2012-2021E



Source: Frost & Sullivan

According to the Frost & Sullivan Report, the penetration rate of private higher education as a whole in China has increased from 20.8% in 2012 to 21.9% in 2016, indicating that more students have chosen to go to private universities or colleges instead of public ones, and the trend is likely to continue as the penetration rate is expected to reach 24.2% in 2021.

According to the Frost & Sullivan Report, as of December 31, 2016, the student enrollment rate of higher education industry in China was approximately 40.8%. According to the 13th five-year-plan in education industry issued by the State Council, the student enrollment rate of higher education industry in China is expected to reach

50.0%, so that more people are able to receive higher education in the future. Frost & Sullivan also estimates that the school-age population of higher education in China is likely to enjoy a steady growth in the future after the PRC government issued the two-child policy in 2015. The increasing student enrollment rate and school-age population of higher education will result in increased demand in the China higher education industry. Private higher education will gain more opportunities for development to fill the gap between the increasing demand for higher education and the relatively limited public higher education resources.

According to the Frost & Sullivan Report, the average tuition fee for private higher education in China is expected to continue to increase, given that (i) although the higher education industry in China is relatively fragmented and highly competitive, compared with the growing demand for higher education, the education resources in both public higher education and private higher education will still be relatively limited in the next few years; and (ii) relevant PRC government authorities have been gradually lifting certain restrictions on the private higher education industry and have given more autonomy to the private higher education institutions in determining their tuition fees, admissions and major offerings. Thus, the expected increasing average tuition fee is likely to further drive the growth of the higher education industry in China in the future.

Based on the foregoing, Frost & Sullivan forecasted that the private higher education industry in China and the Yangtze River Delta is likely to maintain robust growth in the future.

Teaching Costs for the Private Higher Education Industry in China

According to the Frost & Sullivan Report, the main costs for the PRC private higher education industry primarily consist of the teaching costs which are determined by multiple factors, such as the average salary for teachers, student-teacher ratio and the ratio of the number of teaching staff to the overall number of staff. The average annual salary of teachers in the PRC higher education industry increased from approximately RMB116,798 in 2012 to approximately RMB161,141 in 2016, according to the Frost & Sullivan Report. The average annual salary of teachers varies in different regions in China, depending on the development status of the regional economy as well as the local living standards and purchasing power.

Tuition Fees of the China Private Higher Education Industry

According to the Frost & Sullivan Report, China's average tuition fees for higher education per student per school year increased from RMB7,280 in 2012 to RMB7,844 in 2016, 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. The average tuition fee of private higher education institutions in 2016 was approximately RMB11,447, higher than the tuition fee of public higher education institutions, which was RMB6,834 for the same year. In addition, China's average tuition fee for higher education as a percentage of per capita GDP was approximately 14.5% in 2016.

Market Drivers of Private Higher Education in China

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

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

- ***Growing market demand for technical talents:*** With continued economic development, the market is demanding more technical talents in all areas. Especially with public higher education expanding their enrollment base, a significant lack of skilled and well-trained first-line operative works has been identified, which will support the growing demand for private higher education focusing more on professional education;
- ***Increasing diversification and strengthened education quality:*** With policy support and private education groups' increasing capabilities in resource integration, the education quality of private higher education is continuously improving. The emergence and steady development of a batch of leading private universities with comparable resources and education quality as first-tier public universities signified the latest upgrade of China's private higher education market. Meanwhile, private education that focuses on professional education are expanding their course profiles and increasing the level of specialization for each specific field. Such developments are expected to attract more people to consider private higher education and drive the growth of the market on a long-term basis; and
- ***Government support:*** The PRC government has released a number of policies such as Notification of Enhancing the Management and Conducting the Development of Non-governmental Colleges and Universities by General Office of the State Council of PRC and Non-governmental Education Promotion Law of People's Republic of China to promote the development of private higher education. These policies and regulations support the growth of the market.

Development Trends of the Private Higher Education Industry in China

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

- ***Industry consolidation:*** China's higher education market is expected to observe increasing consolidation as the leading players continue to develop with the primary strategy of pursuing growth through M&A. Such trend is also heightened by stringent legal requirements for the establishment of universities, large amount of required capital and long preparation period necessary for the establishment of higher education institutions;
- ***Increasing number of private universities:*** The transformation from independent colleges to private universities is likely to be a key development trend as it is supported by private education operators' increasing capability to integrate quality academic and capital resources, as well as their continuously improving education quality and recognition. This trend is also supported by the Chinese people's pursuit of higher education degree levels along with their increasing wealth and spending on education; and
- ***Better match of talent cultivation objective and market demand:*** Universities focusing on applied arts and technologies, generally focus on technical knowledge and skills. Students with strong practical skills are expected to constitute a major group in demand in China's employment market. The PRC government is expected to further increase its support for the development of profession-oriented higher education and relevant institutes.

Main Threats Confronting the PRC Private Higher Education Industry

According to the Frost & Sullivan Report, the PRC private higher education industry confronts the following threats:

- ***Uncertain impact of new policies and regulations promulgated in respect of private higher education:*** The participants in the private higher education industry are subject to various laws and regulations in the PRC. Relevant laws and regulations could be amended to accommodate the development of the education industry, in particular, the private education markets from time to time.
- ***Increasingly intense competition in the PRC private higher education industry:*** The participants in the PRC private higher education industry confront increasingly fierce competition among their peers in the sector. As a result, the PRC private higher education industry is expected to observe increasing consolidation and acquisition. Those participants that cannot adapt to the rapid evolution in the industry are likely to be weeded out.

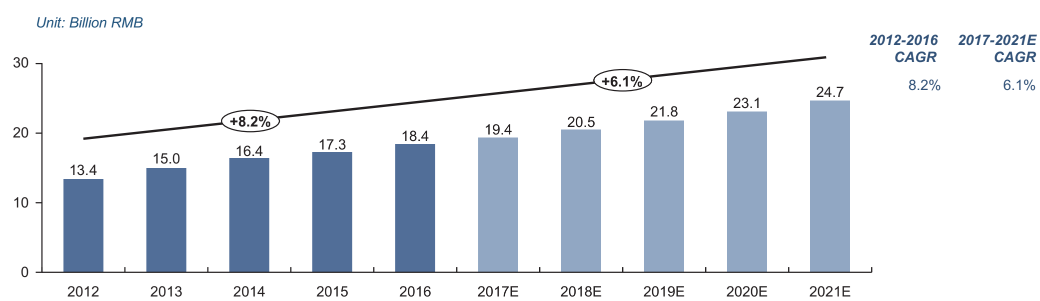
- ***Consumers' higher acceptance of public schools than private schools:*** Private higher education has a relatively short history in China compared with public higher education. Generally, students and parents have higher acceptance of public schools than private schools. Private schools have to gain wider acceptance among the general public in the PRC, especially among students and their parents, to compete with public schools.
- ***Limited resources of qualified teachers:*** Higher education in China has started a structural adjustment to match talent cultivation with market demand. As a result, teachers with practical industry experience and know-how are in great demand. However, the limited number of qualified teachers will be a threat in the near future.

OVERVIEW OF THE PRIVATE HIGHER EDUCATION INDUSTRY IN YANGTZE RIVER DELTA

Market Size and Trends of the Private Higher Education Industry in the Yangtze River Delta

According to the Frost & Sullivan Report, the total revenue of private higher education in the Yangtze River Delta grew from RMB13.4 billion in 2012 to RMB18.4 billion in 2016, representing a CAGR of 8.2%. The total revenue is expected to reach RMB24.7 billion in 2021 with a CAGR of 6.1% from 2016. The diagram below sets forth the total revenue of private higher education in the Yangtze River Delta each year from 2012 to 2016, as well as the forecast of total revenue from 2017 to 2021.

Total Revenue of Private Higher Education Industry (Yangtze River Delta), 2012-2021E



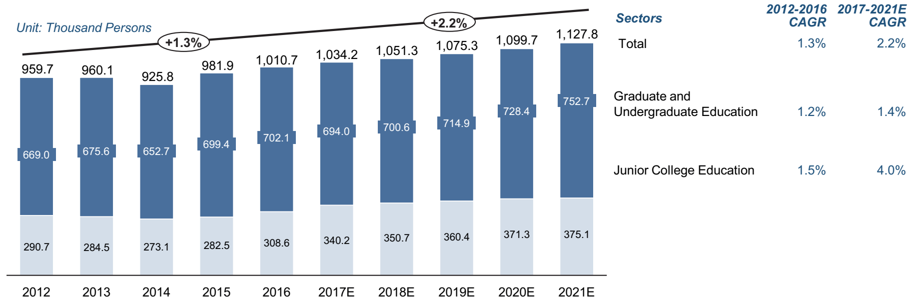
Source: *Frost & Sullivan*

According to the Frost & Sullivan Report, as of December 31, 2016, the total revenue of the private higher education industry in the Yangtze River Delta was approximately RMB18.4 billion, representing approximately 1.8% and 8.8% of the total revenue generated from the higher education industry in China and the Yangtze River Delta, respectively.

Student Enrollment in the Private Higher Education Industry in Yangtze River Delta

According to the Frost & Sullivan Report, the Yangtze River Delta primarily includes Shanghai, Jiangsu, Zhejiang and Anhui. From 2012 to 2016, the number of student enrollment in private higher education in the Yangtze River Delta increased from approximately 959,700 to approximately 1.0 million, representing a CAGR of approximately 1.3%. From 2016 to 2021, the number of student enrollment in private higher education in the Yangtze River Delta is expected to observe steady growth and to increase from approximately 1.0 million to 1.1 million, representing a CAGR of approximately 2.2%. Students enrolled in undergraduate and graduate programs occupied the largest proportion. Junior college education is also playing an increasingly important role in the Yangtze River Delta and the corresponding student enrollment increased from 290,700 in 2012 to 308,600 in 2016 and the number is expected to increase to 375,100 in 2021. The following diagram illustrates the total number of student enrollment in private higher education in the Yangtze River Delta from 2012 to 2016, as well as a forecast from 2017 to 2021.

Total Number of Student Enrollments in Private Higher Education (Yangtze River Delta), 2012-2021E

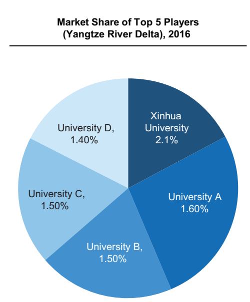


Source: *Frost & Sullivan*

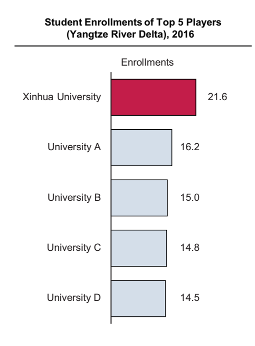
While from 2012 to 2016 the penetration rate of private higher education in the Yangtze River Delta has experienced a fluctuating period or downward trend due to the decrease of school-age population in the past five years, the penetration rate of private higher education in the Yangtze River Delta is expected to witness a steady growth from 20.9% in 2016 to 21.5% in 2021 because the school-age population in the next five years is expected to remain stable and witness a slight growth in the Yangtze River Delta and the government has enlarged universities in the Yangtze River Delta to enroll more students from other provinces, according to Frost & Sullivan Report.

COMPETITIVE LANDSCAPE OF THE PRIVATE HIGHER EDUCATION INDUSTRY IN THE YANGTZE RIVER DELTA

The Yangtze River Delta's private higher education market is rather decentralized. According to the Frost & Sullivan Report, as of December 31, 2016, the top five players in the Yangtze River Delta's private higher education market accounted for approximately 8.1% of the market share. According to the Frost & Sullivan Report, in 2016 our Xinhua University ranked first in terms of the number of student enrollment in the Yangtze River Delta with a market share of approximately 2.1%. The following chart and diagram illustrate the market share and student enrollment information of the top five private higher education service providers in the Yangtze River Delta in 2016.



Source: *Frost & Sullivan*

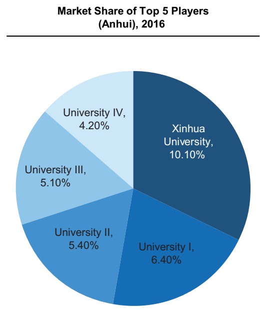


Source: *Frost & Sullivan*

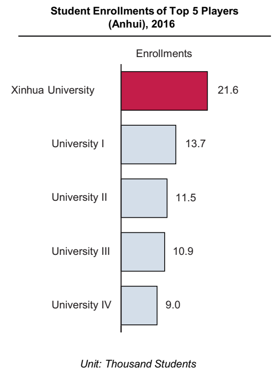
COMPETITIVE LANDSCAPE OF THE PRIVATE HIGHER EDUCATION INDUSTRY IN ANHUI

Xinhua University is located in Hefei Anhui Province, which is one of the three comprehensive national science center (綜合性國家科學中心) in the PRC. The other two are Beijing and Shanghai. According to Frost & Sullivan, the comprehensive national science center is an important platform for national competition in the field of science and technology and a basic platform for the construction of a national innovation system. It is likely to drive the development of higher education in Hefei.

The private higher education market in Anhui Province is rather concentrated. According to the Frost & Sullivan Report, as of December 31, 2016, the top five players in Anhui's private higher education market accounted for approximately 31.2% of the market share. Our Xinhua University ranked first in Anhui Province in 2016 with market share of approximately 10.1%. The chart and diagram below set forth the market share and the student enrollment information of the top five players in private higher education industry in Anhui Province in 2016.



Source: *Frost & Sullivan*



Source: *Frost & Sullivan*

OVERVIEW OF SPECIALIZED SECONDARY SCHOOL MARKET IN CHINA AND ANHUI

Market Size and Trends of the Private Specialized Secondary School in China and Anhui

According to the Frost & Sullivan Report, in 2016 there were 3,398 specialized secondary schools in China, among which approximately 15% were private ones. According to the Frost & Sullivan Report, the total revenue of the private specialized secondary school in China has decreased from RMB4.4 billion in 2012 to RMB3.8 Billion in 2016, representing a negative CAGR of 3.2%. The downward trend is primarily attributable to the decrease of school-age population in the past five years, according to Frost & Sullivan Report. However, the school-age population in China is expected to witness a reverse in the next five years and the growth of teaching costs has also driven the growth of per student expenditure on education, which in turn will lead to the growth in revenue. The revenue is expected to grow to RMB4.1 billion in 2021 with a CAGR of 1.2% from 2016. According to the Frost & Sullivan Report, Anhui's total revenue generated from private specialized secondary school generally increased from RMB215.7 million in 2012 to RMB285.3 million in 2016, representing a CAGR of approximately 7.2%. The revenue of private specialized secondary school industry in Anhui Province is expected to reach RMB353.1 million in 2021, representing a CAGR of approximately 4.4%.

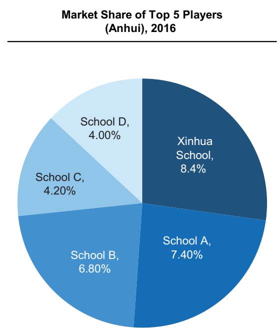
Student Enrollment in the Private Specialized Secondary School in China and Anhui

According to the Frost & Sullivan Report, from 2012 to 2016, as a result of the decrease of school-age population the total number of student enrollment in private specialized secondary school in China decreased from approximately 1.1 million in 2012 to 0.9 million in 2016, representing a negative CAGR of approximately 3.7%. In the forecast period, the total number of student enrollment in private specialized secondary school is expected to witness a slight growth with a CAGR of 0.6% in 2021. According to the Frost & Sullivan Report, in Anhui Province, the total number of student enrollment in private specialized secondary school slightly increased from 71,400 in 2012 to 74,600 in 2016, representing a CAGR of approximately 1.1%. The number is expected to reach 75,600 in 2021.

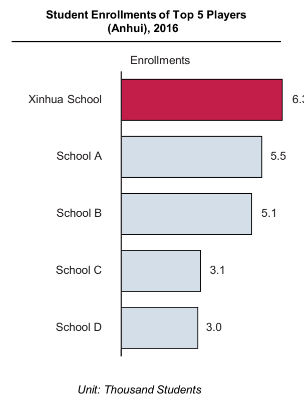
In addition, the penetration rate of private specialized secondary vocational school in China has decreased from 13.0% in 2012 to 12.6% in 2016. The decreases are primarily due to government subsidies for public secondary vocational schools, which do not charge tuition fee. However, according to Frost & Sullivan Report, the penetration rate is expected to increase to 12.9% in 2021, primarily because a number of provinces also launch subsidies for private secondary vocational schools. According the Frost & Sullivan Report, the penetration rate of private secondary vocational school in Anhui Province is relatively higher than China, which has increased from 17.4% in 2012 to 17.7% in 2016 and is expected to reach 18.1% in 2021.

Competitive Landscape of Private Specialized Secondary School in Anhui

Anhui's private specialized secondary school market is relatively concentrated. As of December 31, 2016, the top five players in Anhui's private specialized secondary school market accounted for approximately 30.8% of the market share with a total number of student enrollment in 2016 of approximately 74,600, according to Frost & Sullivan Report. Among these top five players, our Xinhua School ranked first in Anhui Province with a total student enrollment of approximately 6,300, accounting for approximately 8.4% of the market. The chart and diagram below set forth the market share and the student enrollment information of the top five players in private specialized secondary school in Anhui Province in 2016.



Source: *Frost & Sullivan*



Source: *Frost & Sullivan*

ENTRY BARRIERS ANALYSIS OF PRIVATE HIGHER EDUCATION IN CHINA

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

- ***Approval of the government:*** School operators in China are required to obtain and maintain a series of approvals, licenses and permits and comply with specific registration and filing requirements, including requirements on registered capital, total assets, availability of land and the number of minimum student enrollment, as well as teaching staff qualification. Additionally, the establishment of a private school in China is also subject to approvals under the Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education. The lengthy, complex and uncertain application process has become a natural entry barrier especially for new school operators;
- ***Availability of land and relevant facilities:*** Insufficient land resources, challenged availability of relevant facilities and rising rental costs in certain cities in China are imposing higher capital and time cost for new school establishment and existing schools to establish branches in new locations;
- ***Sufficient initial capital and durative investment:*** Establishing a new school in China requires large capital investment for the construction of school campuses and facilities as well as other related expenses, both initially and generally in an on-going basis. Therefore, the ability for school operators to secure sufficient capital is critical;
- ***Availability of qualified teachers:*** The structural adjustment of China's higher education industry that involves matching talent cultivation with market demand has meant that qualified teachers with relevant practical industry experience and know-how are in great demand, which may pose as a difficulty for new participants who do not have sufficient access to such resources from entering the market;
- ***Brand awareness and source of students:*** Students' and their parents' inclination to obtain education at well-known schools with a long history and well-established reputation, which takes time to achieve, poses obstacles for new entrants to attract sufficient students; and
- ***Operational experience and management capability:*** Operational and management experience are vital in human resources management required for the operations of schools as well as in achieving economies of scale, which is a significant entry barrier for new entrants.

FOREIGN INVESTMENT IN EDUCATION IN THE PRC

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 a 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, stating 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 (2017)

Under the Foreign Investment Industries Guidance Catalog (Amended in 2017) (外商投資產業指導目錄 (2017年修訂), the "**Foreign Investment Catalog**") which was amended and promulgated by the NDRC and the MOFCOM on June 28, 2017 and became effective on July 28, 2017, higher education, the industry in which we operate our business, is a restricted industry for foreign investors, and foreign investors are only allowed to invest in 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.

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**") and the Implementing Rules for the Regulations on Operating Sino-foreign Schools (中華人民共和國中外合作辦學條例實施辦法, the "**Implementing Rules**").

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 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 Fields of Education and Promoting the Healthy Development of Private Education* (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) to encourage private investment and foreign investment in the field of education. According to these opinions, the proportion of foreign capital in a Sino-foreign cooperative education 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 (全國人民代表大會) enacted the Education Law of the PRC (中華人民共和國教育法, the "**Education Law**") which was effective on September 1, 1995. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school education system comprising pre-school education, primary education, secondary education and higher education, a system of nine-year compulsory education, a national education examination system, and a system of education certificates. The Education Law stipulates that the government should formulate plans for the development of education and establishes and operates schools and other institutions of education and in principle, enterprises, social organizations and individuals are encouraged to establish and operate schools and other types of education institution in accordance with PRC laws and regulations. On December 27, 2015, the Standing Committee of the PRC National People's Congress (全國人民代表大會常務委員會), or the NPC Standing Committee, published the Decision on Amendment of the Education Law, which became effective on June 1, 2016. The NPC Standing Committee narrowed the provision prohibiting the establishment or operation of schools or other educational institutions for-profit 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 education institution, and the establishment, modification or termination of a school or any other education institution shall, in accordance with the relevant PRC laws and regulations, undergo examination, verification, approval, registration or filing.

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

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

Reasonable return and development fund

Under the above regulations, a private school may elect to be a school that its school sponsors do not require reasonable returns or a school that its school sponsors require reasonable returns. The School Sponsor of our PRC Operating Schools has elected not to require reasonable returns.

A private school that its school sponsors do not require reasonable returns cannot distribute dividends to its school sponsors. For a private school that its school sponsors require reasonable returns, it may distribute reasonable returns to its school sponsors after deducting school operation costs, reserves for the development fund (as further described in the paragraph below) and provision for certain costs in accordance with the PRC laws and regulations, and it shall consider factors such as the school's tuition, the 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 school sponsors 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 its school sponsors require reasonable returns or a school that its school sponsors do not require reasonable returns.

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 its school sponsors require 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 its school sponsors do not require reasonable returns, this amount is at least 25% of the annual increase in the net assets of the school, if any.

Pursuant to the 2016 Decision as further described in the paragraphs below, private schools will no longer be classified as schools that its school sponsors require reasonable returns and schools that its school sponsors do not require reasonable returns. Instead, 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.

The Decision on Amending the Law for Promoting Private Education of the PRC, or the 2016 Decision

On November 7, 2016, the Standing Committee of the NPC published the Decision on Amendment of the Law for Promoting Private Education of the PRC (《關於修改<中華人民共和國民辦教育促進法>的決定》), or the 2016 Decision, which became effective on September 1, 2017. According to 2016 Decision, 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.

The following table sets forth the key differences between a for-profit private school and a non-profit private school under the 2016 Decision:

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

If the school sponsors of Existing Private Schools 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 Decision and continue the school operation pursuant to such revised articles of association. Furthermore, upon the termination of such non-profit private schools, the government authority may grant some compensation or reward to the school sponsors who have made capital contribution to such 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 Existing Private Schools 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 Social Groups to Engage in Education and Promote the Healthy Development of Private Education

According to the Several Opinions on Encouraging Social Groups to Engage in Education and Promote the Healthy Development of Private Education (《關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見》), which was issued by the State Council of 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) different government support policies shall be applicable to private schools. The people's government 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 government at all levels may support the development of for-profit private 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; and (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 government 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 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; and (iii) implementing different land supply policies. Non-profit private schools enjoy the same land policy as public schools and may get land by way of land allocation while 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 MOE, the Ministry of Human Resources and Social Security, the Ministry of Civil Affairs, the State Commission Office of Public Sectors Reform and the State Administration for Industry and Commerce on January 5, 2017 without stipulating any definite 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 government 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 Existing Private Schools. If an Existing Private School chooses to register as a non-profit private school, it shall amend its articles of association in accordance with the relevant laws, continue its school operation, and complete the new registration formalities. If an Existing Private School chooses to register as a for-profit private school, it shall make financial settlement, clarify the ownership of the schools' land, buildings and accumulations with the consent of the relevant departments of the people's governments at or below the provincial level, pay relevant taxes and fees, obtain new school permits, 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 of the registration of the private schools in accordance with national laws and the local circumstances.

Implementation Opinion on Encouraging Social Groups to Engage in Education and Promote the Healthy Development of Private Education, or the Anhui Opinion

On October 27, 2017, the provincial government of Anhui Province promulgated the *Implementation Opinion on Encouraging Social Groups to Engage in Education and Promote the Healthy Development of Private Education* (《關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見》), or the Anhui Opinion. According to the Anhui Opinion, school sponsors may freely elect to establish for-profit schools or non-profit schools, but they are not allowed to establish for-profit private schools to engage in compulsory education. If a school chooses to register as a for-profit private school, it should first conduct an audit to clarify the ownership of its assets including its land, school facilities and surplus from its historical operations and pay relevant taxes on them, then obtain a new private school operating license, register again as a for-profit school, and continue its operations. Private higher education institutions, including our Xinhua University, are required to complete their registration under the new classification before 2022. The registration timeline for private education institutions for other education levels, including our Xinhua School, will be determined by each city and each county under the direct administration of Anhui Province. As of the Latest Practicable Date, no registration timeline for our Xinhua School has been promulgated by the local authorities. The registration methods for all private schools, including both of our PRC Operating Schools, will be promulgated separately.

Accordingly, as of the Latest Practicable Date, we have not elected nor decided as to whether our PRC Operating Schools will be registered as for-profit schools or non-profit schools. See "Business – Potential Implication of the 2016 Decision and Related Implementing Rules on our PRC Operating Schools" and "Regulatory Overview – Regulations on Private Education in the PRC – Implementation Opinion on Encouraging Social Groups to Engage in Education and Promote the Healthy Development of Private Education, or the Anhui Opinion" in this prospectus for details. For-profit private schools are permitted to obtain venture capital financing, strategic financing and other means of financing from the capital markets, including debt and equity financing. Donations from social groups to non-profit private schools are encouraged. Private schools are encouraged to establish special purpose foundations and use all proceeds for the development of the schools. The Anhui Opinion also encourages private schools to develop chain schools, franchise schools and operating groups by way of mergers, acquisitions and collaboration. The Anhui Opinion also encourages for-profit private schools to establish share option incentive schemes.

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 without stipulating 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 with the 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. 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 directors of the schools, the approval of the relevant government 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.

According to the Notice of the State Administration for Industry and Commerce and the Ministry of Education on the Registration and Administration of the Name of For-Profit Private Schools (工商總局、教育部關於營利性民辦學校名稱登記管理有關工作的通知), which was issued jointly by the MOE and the State Administration for Industry and Commerce on August 31,2017 and became effective on September 1, 2017, the private school shall registered as a limited liability company or a joint stock limited company according to the Company Law of the PRC (中華人民共和國公司法) and the Law for Promoting Private Education (中華人民共和國民辦教育促進法) and its name shall comply with the relevant laws and regulations on company registration and education.

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

The Interim Measures for the Management of the Collection of Private Education Fees (民辦教育收費管理暫行辦法, the "**Private Education Fees Collection Measures**") was promulgated by the NDRC, the MOE and the Ministry of Labor and Social Security (currently known as the Ministry of Human Resources and Social Security (中華人民共和國人力資源和社會保障部) on March 2, 2005. According to the Private Education Fees Collection Measures and the Implementation Rules for the Law for Promoting Private Education, the types and amounts of fees charged by a private school providing academic qualifications education shall be examined by 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 disclose such information. If a school raises its tuition levels without obtaining the proper approval or making the requisite filing with the relevant government pricing authorities, the school would be required to return the additional tuition fees obtained through such raise and become liable for compensation of any losses caused to the students in accordance with relevant PRC laws.

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 May 31, 2017, the Anhui Provincial Price Bureau and Anhui Provincial Education Department jointly issued the Notice regarding the Relevant Matters Concerning the Pilot Project on Releasing the Collection of Private Education Fees (關於開展放開民辦教育收費試點工作有關事項的通知), according to which, (i) for-profit or non-profit private schools are entitled to determine the price of the non-diploma education fees on their own, Education fees of non-profit private schools shall gradually release on the basis of the pilot project. Xinhua University was one of the pilot schools. (ii) the private schools are entitled to determine the price of the Sino-Foreign Cooperative Education tuition fees and boarding fees, and should file their pricing standard with the relevant provincial price and education department. (iii) the pilot schools are entitled to determine the price of the tuition fees and boarding fees, and should file its pricing standard with the relevant provincial price and education department.

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 PRC central government. The establishment of other higher education organizations shall be subject to examination and approval by the administrative department for education under the people's government of provinces, autonomous regions and municipalities directly under the PRC 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 were 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 principal 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 principal shall be 4 years in principle.

Regulations on Secondary Vocational Education

According to the Vocational Education Law of the PRC (中華人民共和國職業教育法), which was promulgated on May 15, 1996 and became effective on September 1, 1996, vocational education includes elementary, secondary and higher vocational education. Secondary vocational schools held secondary vocational education.

The MOE issued the Rules on the management of Secondary vocational schools (中等職業學校管理規程) on May 13, 2010, according to which, the establishment of secondary vocational schools shall be based on the standards issued by the national and provincial education administrative departments and its establishment, change and termination shall be approved or filled with the provincial education authorities. Secondary vocational schools combine academic education with vocational training, and provide full time and part time programs.

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) non-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 National People's Congress published Package Amendments to Education Laws (Draft) (教育法律一攬子修訂建議草稿(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.

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 became effective on 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 became effective on 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 became effective on 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 became effective on 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 became effective on 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.

Administration Measures for Internet Domain Names (互聯網域名管理辦法) was promulgated on August 24, 2017 and will become effective on November 1, 2017. The Measures for the Administration of Internet Domain Names of China will be abolished at the same time.

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 subsequently amended on December 28, 2012 and came into effect on July 1, 2013, and the Implementation Regulations on Labor Contract Law (勞動合同法實施條例) (Order No. 535 of the State Council) (the "**Labor Contract Law**"), which was promulgated on September 18, 2008 and became effective on 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 relevant law, with the social insurance premiums to be contributed respectively by the employers and foreigner employees as required. In accordance with such Interim Measures, the social insurance administrative agencies shall exercise their right to supervise and exam the legal compliance of foreign employees and employers and the employers who do not pay social insurance premium in conformity with the laws shall be subject to the administrative provisions provided in the Social Insurance Law and the relevant regulations and rules mentioned above.

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

The employer shall timely pay up and deposit housing provident fund contributions in full amount and late or insufficient payments shall be prohibited. The employer shall process housing provident fund payment and deposit registrations with the housing provident fund administration center. With respect to companies who violate the above regulations and fail to process housing provident fund payment and deposit registrations or open housing provident fund accounts for their employees, such companies shall be ordered by the housing provident fund administration center to complete such procedures within a designated period. Those who fail to process their registrations within the designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When companies breach the 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 became effective on 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 became effective on 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), private school enjoys the state preferential tax policies, while the non-profit private school enjoys the same preferential tax treatment as public schools.

Income Tax In Relation To Dividend Distribution

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排) (the "**Arrangement**") on August 21, 2006 and implemented the Arrangement from January 1, 2007. According to the Arrangement, the withholding tax rate 5% applies to dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests in the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests in the PRC company.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (國家稅務總局關於執行稅收協議股息條款有關問題的通知) promulgated by the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局) (the "**State Administration of Taxation**") 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, became effective on January 1, 1994, and was further 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.

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) (Cai Shui 2016 No. 36), which was promulgated by the MOF and the SAT on March 23, 2016 became effective 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.

Other Tax Exemptions

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

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**"). The Foreign Exchange Administration Rules were promulgated by the State Council of the PRC on January 29, 1996 and became effective on April 1, 1996 and were subsequently amended on January 14, 1997 and August 5, 2008. Under these rules, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

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

According to the Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (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 of the registration formality for offshore investment. The SPV is defined as "offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and individual resident) with their legally owned assets and equity of the domestic enterprise, or legally owned offshore assets or equity, for the 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 (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.

According to the Administration of Filing for Establishment and Change of Foreign Investment Enterprises (外商投資企業設立及變更備案管理暫行辦法), the merger and acquisition of domestic non-foreign-invested enterprises by foreign investors shall, if not involving special access administrative measures and affiliated mergers and acquisitions, be subject to the record filing measures.

REGULATIONS ON PRIVATE POSTSECONDARY EDUCATION IN THE STATE OF FLORIDA

(I) 2017 FLORIDA STATUTES, CHAPTER 1005

The K-20 Education Code (Chapters 1000 to 1013 of the 2017 Florida Statutes) establishes the structure of the school system in the state of Florida and governs the operation of both public and private educational institutions. In particular, Part II of Chapter 1005 of the 2017 Florida Statutes provides for the establishment, powers and duties of the CIE, and Part III of Chapter 1005 of the 2017 Florida Statutes provides for the licensing framework for non-public postsecondary education institutions.

Pursuant to Chapter 1005 of the 2017 Florida Statutes, the CIE is established in the Florida Department of Education and shall authorize the granting of diplomas and degrees by any independent postsecondary educational institution under its jurisdiction, including the American College. No non-public college shall continue to conduct or begin to conduct any diploma program, unless the college applies for and obtains approval for such program. Colleges under the jurisdiction of the CIE shall apply to the CIE. Colleges that are not under the jurisdiction of the CIE shall apply to the Florida Department of Education. Each college or school operating within the Florida State must obtain licensure from the CIE unless the institution is not under the CIE's purview or jurisdiction.

(II) FLORIDA ADMINISTRATIVE CODE, DIVISION 6E

Pursuant to Chapter 1005 of the 2017 Florida Statutes, the Commission has adopted Division 6E of the Florida Administrative Code ("**FAC**") as its rules to implement the provisions of Chapter 1005 of the 2017 Florida Statutes, and establish the regulations and standards of the CIE relative to the licensing and operation of independent postsecondary education institutions in Florida.

Pursuant to Division 6E of the FAC, new independent private postsecondary educational institutions applying to operate in Florida must go through the CIE's license application process for an initial provisional license. A provisional license is the first level of licensure obtained by an applicant and allows the institution to advertise, recruit students, accept fees and tuition from or on behalf of students, and hold classes. A provisional license will be granted for a period not exceeding one year when the CIE has determined that an applicant is in substantial compliance with the standards for an annual licensure.

An annual license will be granted for a period not exceeding one year if the CIE determines that the applicant has demonstrated full compliance with all licensure standards. An annual license will be extended for up to one year if the institution meets certain requirements. An institution which holds an annual license or any extension thereof will revert to a provisional license if it undergoes a substantive change or if probable cause is found. Annual license holders may add new degrees, programs or majors to its offerings or alter any licensed program by more than 20 percent since its last review, change the title of a program or the credential awarded, or discontinue a program upon approval by the CIE.

An applicant can also apply for a license by means of accreditation, which is a license status that allows institution to comply with an accreditor's standards, rather than the CIE's, when the accreditor is recognized by the Florida Department of Education and has standards that meet or exceed the CIE's.

Division 6E of the FAC sets out the standards required for the application process of applying for a new license or moving to a new level of licensure, as well as for the renewal of a license and fulfilling any other action of the CIE. Areas which certain standards are required to be met include naming of institutions, accomplishing purposes, administrative organization, education programs and curricula, recruitment and admissions, finances, faculty, learning resources, physical facilities, student services, publication and advertising, and disclosures.

Any licenses, approvals or authorizations under the CIE's jurisdiction will be denied upon a determination by the CIE that the applicant does not meet the requirements as set out in Chapter 1005 of the 2017 Florida Statutes and/or the applicable standards in Division 6E of the FAC. Other actions imposed by the CIE include placing on probation or revocation of licenses and authorizations.

Pursuant to Division 6E of the FAC, a change of ownership or control of a licensee is subject to review by the CIE and, if the standards for licensure are met, take affirmative action to issue a new license after evaluation of appropriate documents. Such final determination lies with the CIE.

The owners, directors or administrators of an institution must notify the CIE at least 30 days prior to closing and follow the provisions of Chapter 1005 of the 2017 Florida Statutes, which, among others, requires an orderly closure and providing for the completion of training of the students of that institution. Failure to do so is subject to civil and criminal liabilities as provided in other relevant sections of the 2017 Florida Statutes.

OUR HISTORY AND DEVELOPMENT

Overview

We are currently engaged in the provision of private formal higher education and formal secondary vocational education. Our history can be traced back to 1999 when Mr. Wu established Xinhua Group using his personal funds with two relatives. At that time, Xinhua Group was an investment holding company in the PRC which invested in diverse businesses, including non-education business.

In 2000, we established Anhui Xinhua Vocational College as a private school that mainly provided higher vocational education at college level (專科層次高等職業教育). In 2005, Anhui Xinhua Vocational College changed its name to "Anhui Xinhua University" and was approved to provide undergraduate education in addition to higher vocational education.

In 2002, we established Xinhua School as a private secondary vocational school.

Business Milestones

The following illustrates our major development milestones:

Year	Event
1999	Xinhua Group was established.
2000	The establishment of Anhui Xinhua Vocational College was approved by The People's Government of Anhui Province (安徽省人民政府).
2002	The establishment of Xinhua School was approved by the Anhui Education Department.
2005	Anhui Xinhua Vocational College transformed into Xinhua University and became the first private higher education institution in Anhui Province entitled to provide undergraduate education in addition to higher vocational education.
2006	Xinhua School was recognized by the MOE as a National Key Secondary Vocational School (國家級重點中等職業學校).
2010	Xinhua University was the only private higher education institution in the 50 higher education institutions recognized by MOE in 2010 for its achievement in graduate employment for the year 2009-2010 (2009-2010年度全國畢業生就業典型經驗高校), and was the only higher education institution in Anhui Province granted with this award.
2013	Xinhua University passed the undergraduate education assessment conducted by the MOE.
2015	Xinhua University was accredited as a regional high level university in applied sciences (地方應用型高水平大學建設單位).
2016	Xinhua University was recognised by Tencent as one of the private universities with brand strength.
2017	Expanding our school network in China through entering into an agreement to jointly operate the School of Clinical Medicine with Anhui Medical University.

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

HISTORY OF OUR SCHOOL SPONSOR

Xinhua Group has been the sole school sponsor of the Xinhua University and Xinhua School since their establishment.

Establishment of Xinhua Group

Xinhua Group, formerly known as Anhui Xinhua Investment Co., Ltd.* (安徽新華投資有限公司), was established on September 1, 1999 under the laws of the PRC with a registered capital of RMB10.6 million. Upon establishment, the equity interest of Xinhua Group was as set forth below:

Shareholder	Registered share capital	Percentage of the equity interest
	(RMB)	*(%)*
Mr. Wu	3,540,000	33.4
Mr. Wu Wei (吳偉), relative of Mr. Wu	3,530,000	33.3
Mr. Xiao Guoqing (肖國慶), relative of Mr. Wu	3,530,000	33.3
Total:	10,600,000	100

Capital increase

On November 5, 1999 and November 6, 2000, the registered capital of Xinhua Group was increased to RMB22 million and RMB72 million, respectively, with additional registered capital contributed by its shareholders proportionally.

On October 15, 2003, the registered capital of Xinhua Group was further increased to RMB99 million. Upon such capital increase, the equity interest of Xinhua Group was as set forth below:

Shareholder	Registered share capital	Percentage of the equity interest
	(RMB)	*(%)*
Mr. Wu	33,660,000	34
Mr. Wu Wei (吳偉), relative of Mr. Wu	32,670,000	33
Mr. Xiao Guoqing (肖國慶), relative of Mr. Wu	32,670,000	33
Total:	99,000,000	100

On July 8, 2004, Anhui Xinhua Investment Co., Ltd.* (安徽新華投資有限公司) changed its name to Anhui Xinhua Group Investment Co., Ltd.* (安徽新華集團投資有限公司).

Transfer of equity interest to Mr. Wu and Mr. Wu Di

As part of the family arrangement, on May 31, 2009, Mr. Wu Wei, Mr. Wu, Mr. Wu Di and Mr. Xiao Guoqing entered into an equity transfer agreement pursuant to which (1) Mr. Wu Wei agreed to transfer 33% equity interest in Xinhua Group to Mr. Wu; (2) Mr. Xiao Guoqing agreed to transfer 32% equity interest in Xinhua Group to Mr. Wu and (3) Mr. Xiao Guoqing agreed to transfer 1% equity interest in Xinhua Group to Mr. Wu Di at nil consideration. Upon registration of such equity transfer on August 13, 2009 the equity interest of Xinhua Group was as set forth below:

Shareholder	Registered share capital	Percentage of the equity interest
	(RMB)	*(%)*
Mr. Wu	98,010,000	99
Mr. Wu Di (吳迪), son of Mr. Wu	990,000	1
Total:	99,000,000	100

Capital increase

On February 6, 2013, the registered capital of Xinhua Group was increased to RMB120 million with additional registered capital contributed by its shareholders proportionally.

Demerger

Prior to the demerger of Xinhua Group, it was an investment holding company which invested in diverse businesses, including formal higher and secondary education, formal middle school education and non-education businesses. To delineate these distinct businesses, steps were taken by Xinhua Group to effect certain demerger in order to spin off the formal middle education and non-education businesses from Xinhua Group, and for such spun-off businesses to be grouped under a new company outside of the Group which was established as a result of the demerger process. For further details of such spun-off businesses, please refer to the section headed "Relationship with our Controlling Shareholders". The demerger process was completed on August 11, 2017 and the registered capital of Xinhua Group after demerger was RMB50,000,000. Under the PRC Companies Law, where a company undergoes a demerger, unless otherwise agreed by the company and its creditors in any written agreement regarding the repayment of company debts concluded prior to any demerger, the companies arising from and/or continuing to exist after such demerger shall be liable for the predecessor company's liabilities on a joint and several basis. According to our PRC Legal Advisors, all registrations necessary to implement such demerger were obtained from the PRC government authorities.

Capital increase by certain Directors and employees

As support to Mr. Wu's forward education business and to give certain directors, senior management and employees an opportunity to have a personal stake in our Company and help motivate them to optimize their future contributions to our Group, our three executive Directors (namely, Mr. Lu Zhen, Mr. Wang Yongkai and Ms. Wang Li), 26 employees of the Group together with Mr. Wu, Ms. Zhou Jiaju (spouse of Mr. Wu) and Mr. Wu Shan (son of Mr. Wu) invested in Xinhua Group through Huayuan Partnership. On August 18, 2017, Huayuan Partnership entered into a capital increase agreement to invest approximately RMB60,900,000 in Xinhua Group, among which RMB1,720,000 was contributed to the registered capital of Xinhua Group and the remaining amount was contributed to the capital reserve of Xinhua Group. Upon completion of such capital increase on August 25, 2017, the equity interest of Xinhua Group was as set forth below:

Shareholder	Registered share capital	Percentage of the equity interest
	(RMB)	*(%)*
Mr. Wu	49,500,000	95.70
Mr. Wu Di (吳迪), son of Mr. Wu	500,000	0.97
Huayuan Partnership[(1)]	1,720,000	3.33
Total:	51,720,000	100

Note:

(1) The general partner of Huayuan Partnership is Mr. Wu. Huayuan Partnership is owned by Mr. Wu as to 0.99%, Ms. Zhou Jiaju (spouse of Mr. Wu) as to 4.93%, Mr. Wu Shan (son of Mr. Wu) as to 3.28%, our three executive Directors (namely, Mr. Lu Zhen as to 9.85%, Mr. Wang Yongkai as to 9.85% and Ms. Wang Li as to 3.28%) and 26 other employees of the Group.

HISTORY OF OUR SCHOOLS

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

(1) Xinhua University

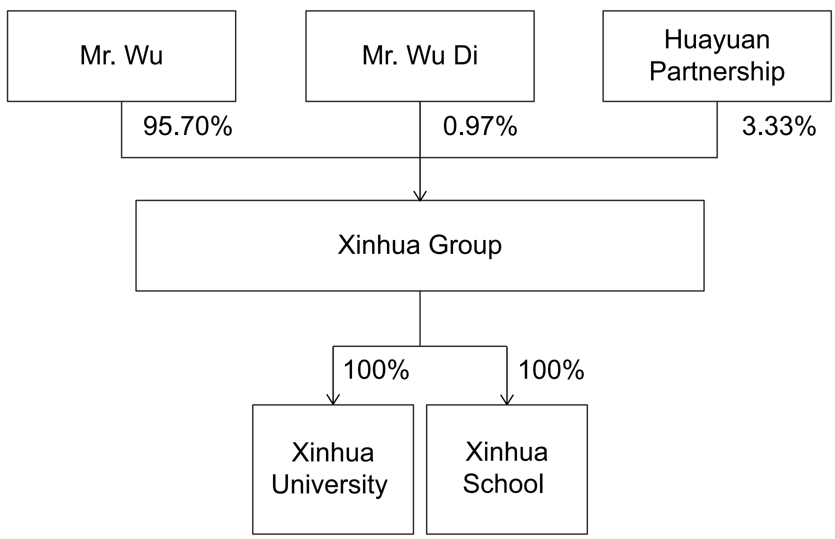
Xinhua University is a private formal higher institution providing undergraduate education and junior college education. The school sponsor of Xinhua University does not require reasonable returns according to its articles of association. The predecessor of Xinhua University is Anhui Xinhua Vocational College, whose establishment was approved by The People's Government of Anhui Province (安徽省人民政府) on June 18, 2000. Anhui Xinhua Vocational College had an initial capital of RMB60.48 million and commenced provision of higher vocational education at college level (專科層次高等職業教育) in September 2000. In May 2005, Anhui Xinhua Vocational College transformed into Xinhua University which is entitled to provide undergraduate education in addition to higher vocational education. The school sponsor's interest in Xinhua University has been wholly owned by Xinhua Group since establishment.

(2) Xinhua School

Xinhua School is a private formal secondary school providing vocational education. The school sponsor of the Xinhua School does not require reasonable returns according to its articles of association. Its establishment was approved by the Anhui Education Department on April 11, 2002. Xinhua School had an initial capital of RMB4.95 million and commenced provision of formal secondary vocational education in September 2002. The school sponsor's interest in the Xinhua School has been wholly owned by Xinhua Group since establishment.

CORPORATE REORGANIZATION

The following chart sets forth our corporate structure immediately prior to the commencement of the Corporate Reorganization.



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

1. Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on August 30, 2017 with an authorized share capital of HK$380,000 divided into 38,000,000 shares with par value of HK$0.01 each. On the same day, one Share was transferred from an Independent Third Party to WJB Company, 4,949 Shares were allotted and issued to WJB Company, 50 Shares were allotted and issued to WD Company and 172 Shares were allotted and issued to Huayuan Company. Our Company is the listing vehicle of our Group.

2. Incorporation of the offshore group companies

Xinhua BVI

Xinhua BVI was incorporated as a BVI business company on August 31, 2017 with an authorized share capital of US$500 divided into 50,000 shares with par value of US$0.01 each. On the same day, one share of Xinhua BVI was allotted and issued to our Company as fully-paid at par value. Xinhua BVI is an investment holding company.

Xinhua HK

Xinhua HK was incorporated as a limited liability company under the laws of Hong Kong on September 8, 2017 with an issued share capital of HK$1.00 and wholly owned by Xinhua BVI. Xinhua HK is an investment holding company.

3. Establishment of the onshore group company

Xinhua Anhui

On September 30, 2017, Xinhua Anhui was established in the PRC as a wholly foreign owned enterprise with a registered capital of RMB10 million, and was wholly owned by Xinhua HK. The registered capital will be fully paid up within ten years commencing from the date on which the business license is issued i.e. September 30, 2017. Xinhua Anhui is engaged in the provision of technical and management consultancy services.

Xinhua Xinjiang

Pursuant to relevant local government tax policy in Khorgos, Xinjiang, an enterprise established in Khorgos between January 1, 2010 and December 31, 2020 and falling within the scope of the *Catalog of Enterprise Income Tax Incentives for Industries Particularly Encouraged by Poverty Areas of Xinjiang for Development (新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄)* is exempted from enterprise income tax entirely for five years beginning from the first year in which revenue from its principal business is earned and, after this initial period, such enterprise is entitled to another exemption on the local portion of its enterprise income tax. See "Financial Information – Description of Major Components of Our Combined Statements of Profit or Loss – Income Tax Expenses" in this prospectus for details. In light of this preferential tax policy, on January 17, 2018, Xinhua Xinjiang was established in Khorgos, Xinjiang, the PRC as a wholly foreign owned enterprise with a registered capital of RMB50 million, and was wholly owned by Xinhua HK. The registered capital shall be fully paid up by December 5, 2027. Xinhua Xinjiang is engaged in the provision of technical and management consultancy services to our PRC Operating Schools and School Sponsor.

4. Incorporation of Xinhua US

Xinhua US was incorporated as a company under the laws of the State of Florida, U.S. on August 22, 2017 with 100 shares of par value of US$0.001 each being authorized to be issued. On October 24, 2017, 10 shares were issued to Xinhua BVI, the first shareholder of Xinhua US.

5. Entering into the Structured Contracts to control our PRC Consolidated Affiliated Entities by Xinhua WFOEs

On October 31, 2017, Xinhua Anhui entered into various agreements that constitute the Structured Contracts I 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 Xinhua Anhui by means of services fees payable by our PRC Consolidated Affiliated Entities to Xinhua Anhui.

In light of the preferential tax policy in Xinjiang, on February 6, 2018, Xinhua Xinjiang entered into the Structured Contracts II, the terms and conditions of which are the same as those contained in the Structured Contracts I in all material aspects, pursuant to which the Structured Contracts I were automatically terminated and all economic benefits arising from the business of our PRC Consolidated Affiliated Entities are transferred to Xinhua Xinjiang by means of services fees payable by our PRC Consolidated Affiliated Entities to Xinhua Xinjiang.

COMPLIANCE WITH PRC LAWS AND REGULATIONS

Our PRC Legal Advisors confirmed that the establishment of our School Sponsor 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 in all material respects.

CAPITAL INCREASE BY HUAYUAN COMPANY TO OUR COMPANY

On August 30, 2017, our Company issued 172 shares to Huayuan Company primarily to reflect the capital increase by Huayuan Partnership in Xinhua Group.

Background	Huayuan Company is a limited liability company incorporated under the laws of the BVI on August 28, 2017 and is owned by all partners of Huayuan Partnership, being Mr. Wu, Ms. Zhou Jiaju, Mr. Wu Shan, our three executive Directors and 26 other employees of the Group.
Date of the capital increase agreement	August 28, 2017
Total consideration	On August 18, 2017 Huayuan Partnership entered into a capital increase agreement to invest approximately RMB60,900,000 in Xinhua Group, among which RMB1,720,000 was contributed to the registered capital of Xinhua Group and the remaining amount was contributed to the capital reserve of Xinhua Group. On August 28, 2017, our Company issued 172 Shares to Huayuan Company to reflect such capital increase by Huayuan Partnership to Xinhua Group. The shareholders of Huayuan Company include all of the partners of Huayuan Partnership.
Basis of consideration	The investment price was determined with reference to the equity valuation of Xinhua Group as of June 30, 2017 as performed by an independent third party valuer using discounted cash flow projections based on financial forecast of Xinhua Group for the years 2017 to 2022.

Number of shares held by Huayuan Company and cost per Share	Upon the completion of the share issuance on August 28, 2017, Huayuan Company held 172 shares in our Company, representing approximately 3.33% of the then total issued share capital of our Company. Upon the Listing, Huayuan Company will hold 39,907,193 Shares, representing approximately 2.49% 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 Huayuan Company is approximately RMB1.53 (equivalent to approximately HK$1.88), which represents a discount of approximately 33.42% to the low end of the stated Offer Price range of HK$2.83, and a discount of approximately 48.94% to the high end of the stated Offer Price range of HK$3.69.
Payment date of the consideration	August 29, 2017
Lock up	Huayuan Company has not entered into lock-up arrangement with our Company, the Sole Sponsor or the Underwriter.

Strategic benefits of the capital increase

Our Directors are of the view that our Group can benefit from the capital increase as it provided financial resources for our business development while giving certain directors, senior management and employees opportunity to have a personal stake in our Company.

Use of proceeds from the capital increase

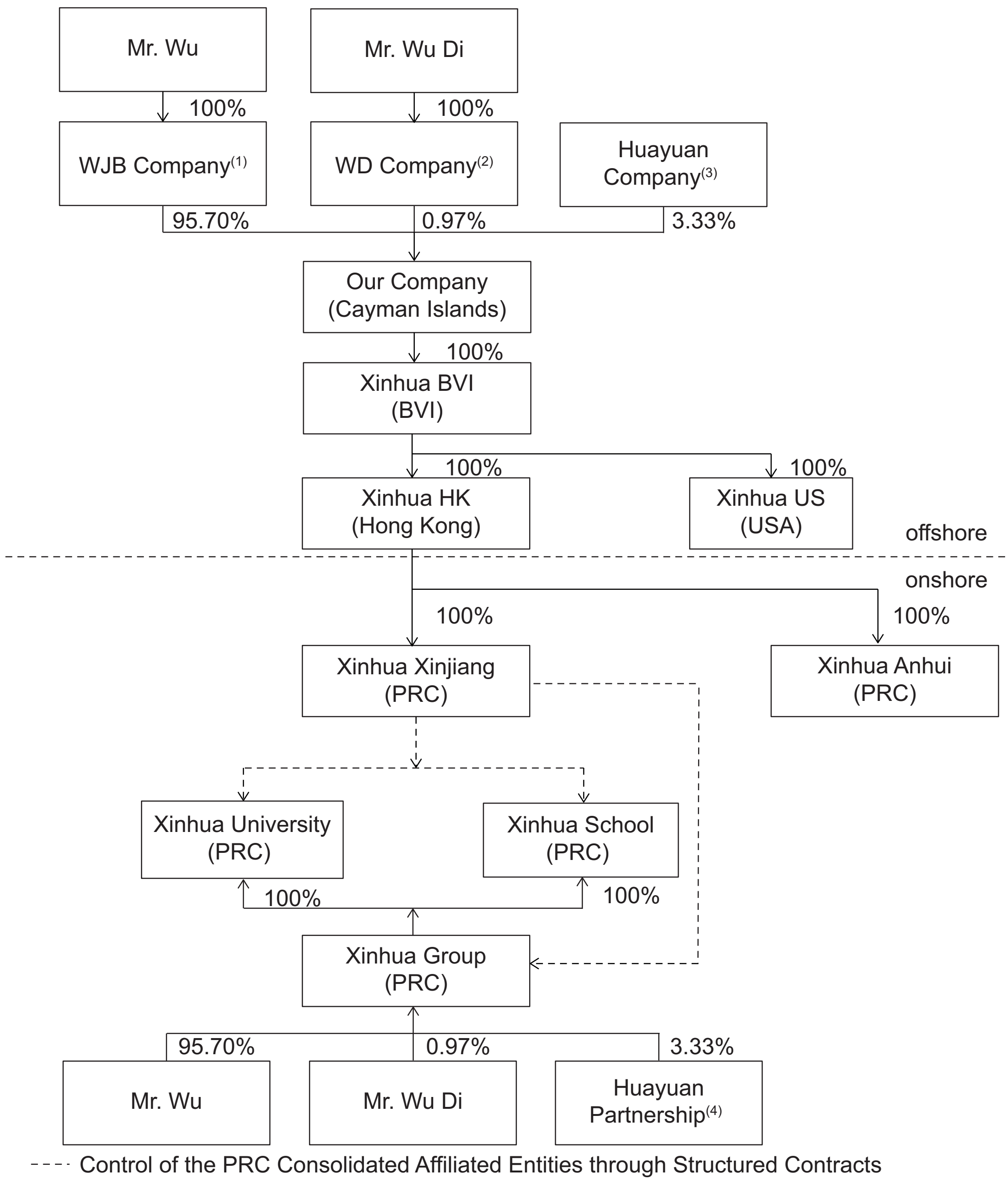
Our Company intends to apply the proceeds from capital increase as general working capital.

Confirmation from the Sole Sponsor

The Sole Sponsor has confirmed that the investments of the capital increase by Huayuan Company in our Company on August 30, 2017 is 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 and immediately prior to the Listing:



Notes:

(1) WJB Company is wholly owned by Mr. Wu.

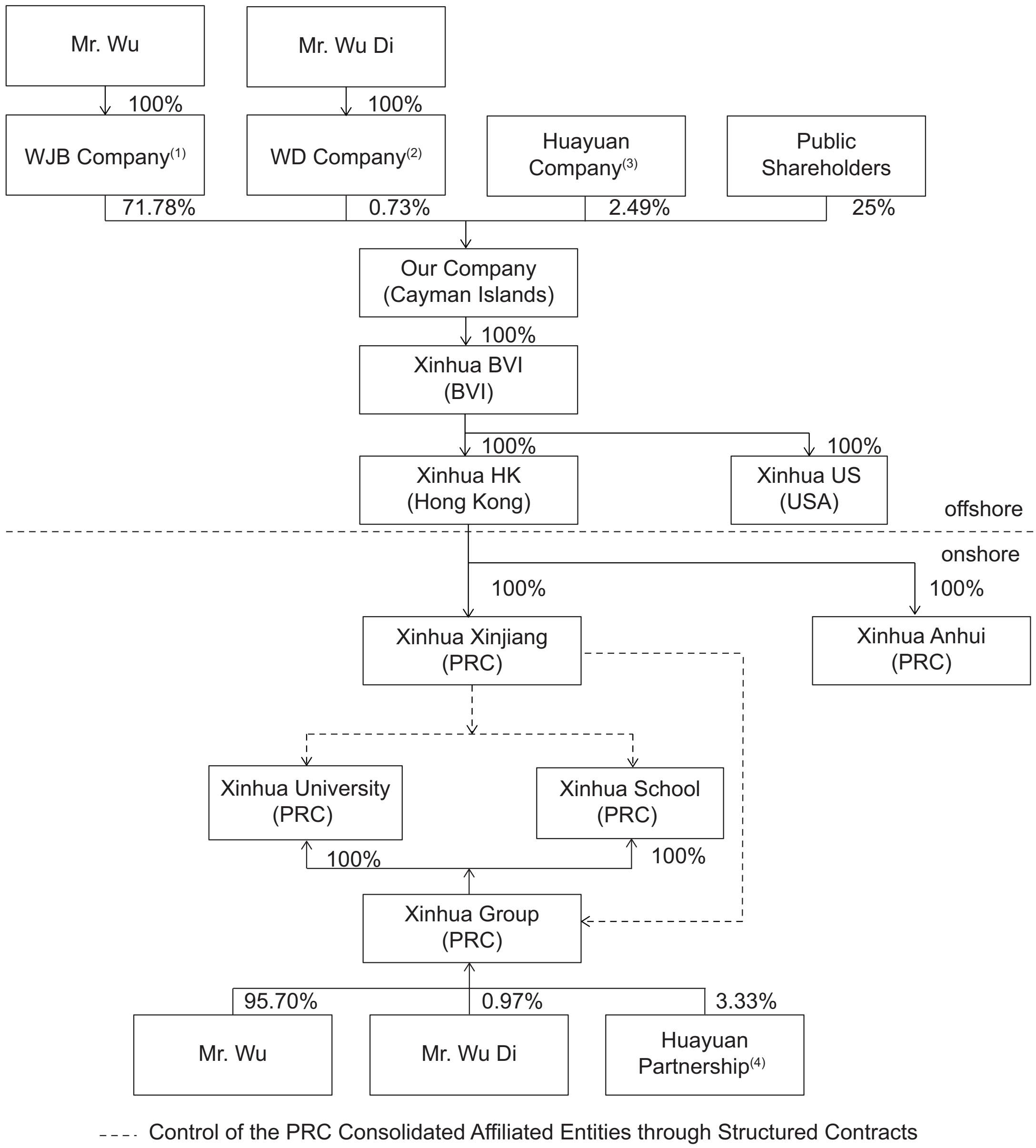
(2) WD Company is wholly owned by Mr. Wu Di.

(3) Huayuan Company is owned by Mr. Wu as to 0.99%, Ms. Zhou Jiaju (spouse of Mr. Wu) as to 4.93%, Mr. Wu Shan (son of Mr. Wu) as to 3.28%, our three executive Directors (namely, Mr. Lu Zhen as to 9.85%, Mr. Wang Yongkai as to 9.85% and Ms. Wang Li as to 3.28%) and 26 other employees of our Group.

(4) The general partner of Huayuan Partnership is Mr. Wu. Huayuan Partnership is owned by Mr. Wu as to 0.99%, Ms. Zhou Jiaju (spouse of Mr. Wu) as to 4.93%, Mr. Wu Shan (son of Mr. Wu) as to 3.28%, our three executive Directors (namely, Mr. Lu Zhen as to 9.85%, Mr. Wang Yongkai as to 9.85% and Ms. Wang Li as to 3.28%) and 26 other employees of our Group.

GROUP STRUCTURE UPON THE LISTING

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



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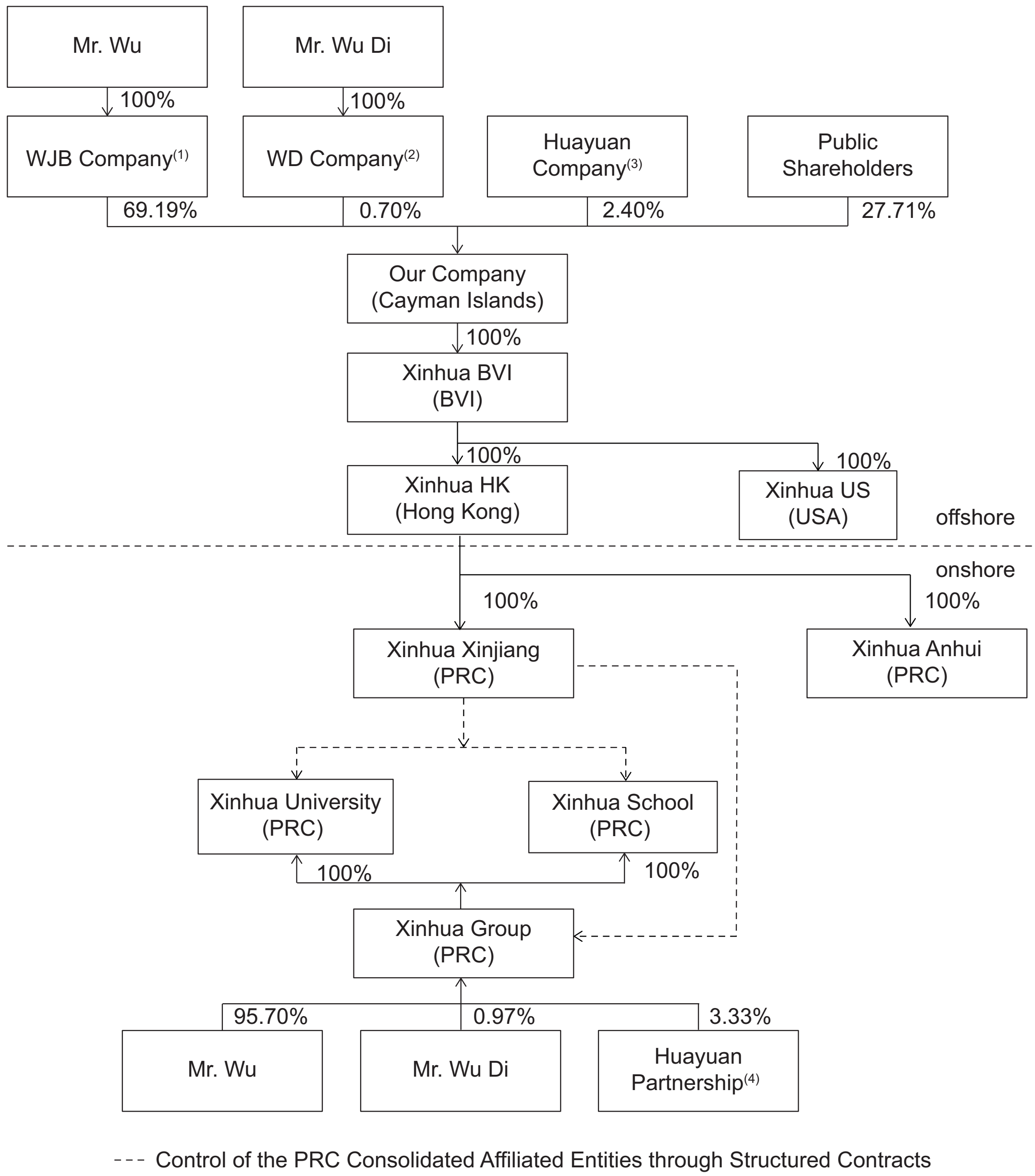
The following chart sets forth our corporate structure upon the Listing, assuming the Over-allotment Option is exercised in full:



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(4) The general partner of Huayuan Partnership is Mr. Wu. Huayuan Partnership is owned by Mr. Wu as to 0.99%, Ms. Zhou Jiaju (spouse of Mr. Wu) as to 4.93%, Mr. Wu Shan (son of Mr. Wu) as to 3.28%, our three executive Directors (namely, Mr. Lu Zhen as to 9.85%, Mr. Wang Yongkai as to 9.85% and Ms. Wang Li as to 3.28%) and 26 other employees of our Group.

SCHOOL TO BE ESTABLISHED/INVESTED

American College

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 Florida, the U.S. We have engaged an agent who has experience in post-secondary education to assist us in establishing Xinhua US in the State of Florida, and filing applications with the CIE regarding the establishment of the American College, a higher education institution, in Florida, U.S. On August 22, 2017, Xinhua US was established in the State of Florida by the agent, and it became our subsidiary on October 24, 2017 to operate and manage the American College. On August 29, 2017, we filed an application for a provisional license for the American College with the CIE. On December 27, 2017, we received the approval and the provisional license granted by CIE to the American College to offer post secondary programs for a period of one year. We have expended approximately US$16,800 in connection with our establishment of the American College as of the Latest Practicable Date. See also "Business – Planned Additional Schools" for details.

School of Clinical Medicine

On November 20, 2017, we entered into a formal agreement with Anhui Medical University for a term of three years to jointly operate the School of Clinical Medicine and convert it from an independent college into a higher education institution independently owned and operated by us. As required under this agreement, we have paid approximately RMB196.0 million in cash as a prepayment to Anhui Medical University. Under this agreement, we are responsible for providing, among others, the school's venue, including dormitories, canteens, laboratories, teachers and management personnel and satisfying the conditions for operating such school by September 1, 2020 as stipulated in the *Temporary Regulations on the Establishment of Ordinary Undergraduate Colleges*. According to the agreement, for the pre-existing students enrolled at the School of Clinical Medicine prior to this agreement, Anhui Medical University is responsible for their education and awarding them bachelor's degrees and graduation certificates upon their graduation. In addition, Anhui Medical University is also responsible for (i) assisting the School of Clinical Medicine to obtain relevant approvals from MOE to complete the conversion from an independent college to a higher education institution independently owned and operated by us; and (ii) assisting the School of Clinical Medicine in its daily operation during the cooperation period and assisting the School of Clinical Medicine to conduct teaching activities for undergraduate students recruited in September 2018. See also "Business – Planned Additional Schools" for details.

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投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 4, 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 branch to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Advisors, Mr. Wu and all other PRC residents who are the shareholders of the Overseas SPVs in our Group have completed the registration under the SAFE Circular No. 13 and SAFE Circular No. 37 on September 27, 2017.

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) each of the Xinhua WFOEs was established as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition by our Company under the M&A Rules, and (ii) no Regulated Activities were involved in the Corporate Reorganization under the M&A Rules, as advised by our PRC Legal Advisors, the establishment of each of the Xinhua WFOEs 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 and National Key Secondary Vocational School

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**").

While secondary vocational education is not listed in the Foreign Investment Catalog, Xinhua School was recognized by the MOE as a National Key Secondary Vocational School (國家級重點中等職業學校) and therefore was treated as if it falls within the "restricted" category according to the Anhui Education Department.

We had fully complied with the Foreign Control Restriction in respect of our PRC Operating Schools on the basis that (a) the principals and the chief executive officers of our PRC Operating Schools are all PRC nationals; and (b) all the members of the board of directors of our PRC Operating Schools are PRC nationals.

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 (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 of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education* (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), 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 Anhui Education Department on June 26, 2017, being the competent authority 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 the director of the department of foreign affairs office (外事處處長) at the Anhui Education Department that:

(i) the Foreign Ownership Restriction and Qualification Requirements 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 Anhui Province;

(iii) as a matter of policy, no Sino-Foreign Joint Venture Private School has been approved in Anhui Province after the Sino-Foreign Regulation became effective on September 1, 2003;

(iv) the Anhui Education Department expects that the possibility of approving the establishment of Sino-Foreign Joint Venture Private Schools (including but not limited to the Sino-Foreign higher education institution and Sino-Foreign national key secondary vocational school) in Anhui in foreseeable future is very low; and

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

Our PRC legal advisors are of the view that the aforesaid officer is 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 Anhui Province.

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 Anhui Education Department has confirmed that the possibility of approving the establishment of Sino-Foreign Joint Venture Private schools in Anhui in foreseeable future is very low.

Notwithstanding the above, we are committed to 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 to understand any regulatory developments, including whether there will be any change in policy for approving any Sino-Foreign Joint Venture Private School in Anhui Province, and assess whether we are qualified to meet the Qualification Requirement, with a view to unwinding the Structured Contracts wholly or partially as and when practicable and permissible under the prevailing PRC laws and regulations. See "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 are consolidated to those of our Group. Our PRC legal advisors have opined that each of our PRC Operating Schools and our School Sponsor 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 schools do not render our education business as illegal operations in the PRC. As disclosed above, we have obtained confirmation from the Anhui Education Department 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, as 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

In accordance with applicable PRC laws and our consultation with the Anhui Education Department, foreign investment in higher education and national key secondary vocational 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 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 other governing body of the sino-foreign cooperative educational institution.

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, or (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, Xinhua WFOE has also made undertaking in the Structured Contracts 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 Consolidated Affiliated 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 Anhui Education Department, there are no implementing measures or specific guidance on the Qualification Requirement and they are rarely likely to approve an application to convert the PRC Operating Schools into Sino-Foreign Joint Venture Private Schools at this stage and in the foreseeable future. Our PRC legal advisors are of the view that based on the above, although it is rarely likely for the Anhui Education Department to approve 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 at this stage and in the foreseeable future, 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 August 22, 2017, Xinhua US, a holding company of a new school (i.e., the American College) in the United States, was formed, and it became wholly owned by Xinhua BVI on October 24, 2017. We have submitted an application for provisional license for the American College to the CIE on August 29, 2017. On December 27, 2017, we received the approval and the provisional license granted by CIE to the American College for a period of one year. Under the provisional license, the American College may advertise, recruit students, accept fees and tuition from or on behalf of students and hold classes, but may not actually award a degree or a credential requiring one year or more to earn. The American College must attain an annual license before awarding degrees or other credentials or seeking CIE's approval to add or substantially modify programs or to add locations. In addition, in connection with our application submitted to the CIE for the approval to establish our new school in Florida, on September 14, 2017, we and Keiser University in the U.S. entered into an articulation agreement which contains detailed terms of our collaboration with Keiser University for offering bachelor's degree programs at the campus provided by Keiser University where students can earn a degree awarded by the American College after completing such degree programs. We have also nominated Mr. Ni Zheng to be the president of the American College, to oversee the administration of our international operations, including Xinhua US. We have expended approximately US$16,800 in connection with our plan as of the Latest Practicable Date. For details of the regulatory environment in Florida for the operation of a private postsecondary school, see "Regulatory Overview – Regulations on Private Postsecondary Education in the State of Florida" 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 Xinhua US, i.e. the American College 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 to be operated by Xinhua US, i.e. the American College 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. the American College to be operated by Xinhua US 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.

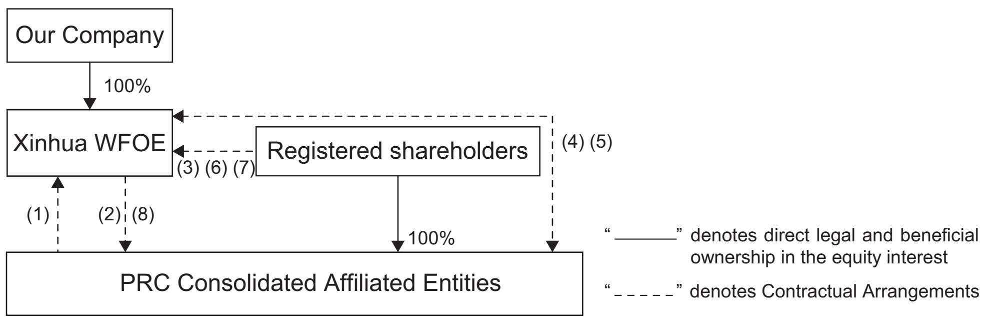
OPERATION OF THE STRUCTURED CONTRACTS

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 October 31, 2017, our wholly-owned subsidiary, Xinhua Anhui, entered into various agreements that constitute the Structured Contracts I with, among others, our PRC Operating Schools and our School Sponsor, under which all economic benefits arising from the business of our PRC Operating Schools and our School Sponsor are transferred to Xinhua Anhui to the extent permitted under the PRC laws and regulations by means of service fees payable by our PRC Operating Schools and our School Sponsor to Xinhua Anhui.

Pursuant to relevant local government tax policy in Khorgos, Xinjiang, an enterprise established in Khorgos between January 1, 2010 and December 31, 2020 and falling within the scope of the *Catalog of Enterprise Income Tax Incentives for Industries Particularly Encouraged by Poverty Areas of Xinjiang for Development (新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄)* is exempted from enterprise income tax entirely for five years beginning from the first year in which revenue from its principal business is earned and, after this initial period, such enterprise is entitled to another exemption on the local portion of its enterprise income tax. See "Financial Information – Description of Major Components of Our Combined Statements of Profit or Loss – Income Tax Expenses" in this prospectus for details. In light of this preferential tax policy, on January 17, 2018, Xinhua Xinjiang was established in Khorgos, Xinjiang, the PRC as a wholly foreign owned enterprise and was wholly owned by Xinhua HK. On February 6, 2018, Xinhua Xinjiang entered into the Structured Contracts II, the terms and conditions of which are the same as those contained in the Structured Contracts I in all material aspects, pursuant to which the Structured Contracts I were automatically terminated and all economic benefits arising from the business of our PRC Consolidated Affiliated Entities are transferred to Xinhua Xinjiang by means of services fees payable by our PRC Consolidated Affiliated Entities to Xinhua Xinjiang.

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 Registered shareholders' rights as shareholders of Xinhua Group are actually controlled by Xinhua WFOE.

The following simplified diagram illustrates the flow of economic benefits from our PRC Operating Schools and/or our School Sponsor 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 I – (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 I – (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 Sponsor's interest in our PRC Operating Schools and all or part equity interest in our School Sponsor. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (3) Exclusive Call Option Agreement" in this prospectus for details.

4. Entrustment of school sponsor' rights in our PRC Operating Schools by Xinhua Group. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (4) School Sponsor's and Directors' Rights Entrustment Agreement" and "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (5) School Sponsor's 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 I – (4) School Sponsor's and Directors' Rights Entrustment Agreement" and "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (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 I – (7) Shareholders' Rights Entrustment Agreement" and "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (8) Shareholders' Powers of Attorney" in this prospectus for details.

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

8. Provision of loans by Xinhua WFOE to Xinhua Group. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (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.

Xinhua Group, or the School Sponsor, is a holding company to hold the school sponsor interests in our PRC Operating Schools and it is not engaged in any other business. Under the Structured Contracts, each of our PRC Consolidated Affiliated Entities entered into the Exclusive Technical Service and Management Consultancy Agreement and Loan Agreement with, among others, Xinhua WFOE, pursuant to which each of the School Sponsor and our PRC Operating Schools will be directly bound by and subject to the terms and conditions thereof. Accordingly, for any services provided by Xinhua WFOE to any of our School Sponsor and our PRC Operating Schools, the respective service fee will be paid by such School Sponsor and/or PRC Operating Schools to Xinhua WFOE directly.

In addition, in order to prevent the leakage of assets and values of our PRC Consolidated Affiliated Entities, the Registered Shareholders and our PRC Consolidated Affiliated Entities have undertaken that, without the prior written consent of Xinhua WFOE or its designated party, our PRC Operating Schools shall not, among others, distribute dividends or other payments to our School Sponsor, or the Registered Shareholders. For further details, see "– Summary of the Material Terms of the Structured Contracts I – (1) Business Cooperation Agreement" in this section.

Summary of the Material Terms of the Structured Contracts I

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

(1) Business Cooperation Agreement

Pursuant to the Business Cooperation Agreement, Xinhua Anhui 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 Sponsor shall make payments accordingly.

To ensure the due performance of the Structured Contracts, each of our PRC Operating Schools and our School Sponsor 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 Sponsor 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 Sponsor and the quality and standard of private education;

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

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

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

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

(f) to adopt the advice, guidance and plans given by Xinhua Anhui 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) each of Mr. Wu and Mr. Wu Di undertakes, separately, to Xinhua Anhui 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 Xinhua Group, he has made all necessary arrangement and sign all necessary documents such that his 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 I;

(b) Huayuan Partnership undertakes to Xinhua Anhui that, in the event of a merger and subdivision of Huayuan Partnership, presentation by Huayuan Partnership or Huayuan Partnership being presented any application for winding up, liquidation, restructuring or reconciliation, dissolution and liquidation of Huayuan Partnership, pursuant to an order, application for voluntary dissolution of Huayuan Partnership or other reasons, or other circumstances which may affect Huayuan Partnership in exercising its direct or indirect interest in Xinhua Group, it 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 Xinhua Group shall not prejudice or hinder the enforcement of the Structured Contracts I;

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

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

In order to prevent the leakage of assets and values of our PRC Consolidated Affiliated Entities, we have obtained undertakings from the Registered Shareholders, our School Sponsor and each of our PRC Operating Schools that, without the prior written consent of Xinhua Anhui or its designated party, the Registered Shareholders, our School Sponsor 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 Sponsor or (ii) on the ability of the School Sponsor, the Registered Shareholders and each of our PRC Operating Schools to perform the obligations under the Structured Contracts I. Such activities and transactions include, without limitation:

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

(b) conduct of any activity by any of our PRC Operating Schools and/or our School Sponsor 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 Sponsor or its subsidiaries;

(c) consolidation, subdivision, change of form of corporate organization, dissolution or liquidation of our PRC Operating Schools and/or our School Sponsor 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 Sponsor and/or subsidiaries of School Sponsor 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 Sponsor 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 Sponsor 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 Sponsor or its subsidiaries to any third party other than Xinhua Anhui 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 Sponsor or its subsidiaries to any third party other than Xinhua Anhui 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 Sponsor 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 Sponsor or its subsidiaries to third parties other than to Xinhua Anhui or its designated party;

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

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

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

(n) distribution of dividend, reasonable return or other payments to our School Sponsor, or the Registered Shareholders or the shareholders of any of the subsidiaries of our School Sponsor and/or our Operating Schools;

(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 Sponsor or its subsidiaries or its ability to make any payment to Xinhua Anhui;

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

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

Furthermore, each of Registered Shareholders undertakes to Xinhua Anhui that, unless with the prior written consent of Xinhua Anhui, 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 Sponsor and its subsidiaries ("**Competing Business**"), (ii) use information obtained from any of our PRC Operating Schools and/or our School Sponsor 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, Xinhua Anhui 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 I. If Xinhua Anhui 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, Xinhua Anhui agreed to provide exclusive technical services to our PRC Operating Schools and our School Sponsor, 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 Sponsor; (c) design, development, update and maintenance of management information systems necessary for the education activities of our PRC Operating Schools and our School Sponsor; (d) provision of other technical support necessary for the education activities of our PRC Operating Schools and our School Sponsor; (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 Sponsor.

Furthermore, Xinhua Anhui agreed to provide exclusive management consultancy services to our PRC Operating Schools and our School Sponsor, 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 Sponsor.

As of the Latest Practicable Date, Xinhua Anhui had over eight personnel working in various departments of Xinhua Anhui 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 Sponsor 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 Xinhua Anhui, each of our PRC Operating Schools and our School Sponsor agreed to pay Xinhua Anhui 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) and other costs and funds that shall be retained at our PRC Operating Schools in accordance with applicable PRC laws. Xinhua Anhui 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 Sponsor, provided that any adjusted amount shall not exceed the amount mentioned above. Our PRC Operating Schools and our School Sponsor 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, Xinhua Anhui 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 Xinhua Anhui to our PRC Operating Schools and our School Sponsor, 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 Xinhua Anhui and our PRC Consolidated Affiliated Entities.

(3) Exclusive Call Option Agreement

Under the Exclusive Call Option Agreement, the Registered Shareholders have irrevocably granted Xinhua Anhui or its designated purchaser the right to purchase all or part of the school sponsor's interest of our School Sponsor in our PRC Operating Schools and all or part of equity interest in our School Sponsor ("**Equity Call Option**"). The purchase price payable by Xinhua Anhui 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. Xinhua Anhui 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 Sponsor as it decides at any time.

In the event that PRC laws and regulations allow Xinhua Anhui or us to directly hold all or part of the school sponsor interest in our PRC Operating Schools and/or all or part of the equity interest in our School Sponsor and operate private education business in the PRC, Xinhua Anhui 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 Xinhua Anhui or us under PRC laws and regulations.

The Registered Shareholders have further undertaken to Xinhua Anhui that, it:

(a) shall not sell, assign, transfer or otherwise dispose of or create encumbrance over the school sponsor's interest in any of our PRC Operating Schools and/or equity interest in our School Sponsor without the prior written consent of Xinhua Anhui;

(b) shall not increase or reduce or agree to the increase or reduction of capital investment in our PRC Operating Schools and/or capital investment in our School Sponsor without the prior written consent of Xinhua Anhui;

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

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

(f) shall not procure any of our PRC Operating Schools and/or our School Sponsor 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 Sponsor without the prior written consent of Xinhua Anhui, save for transactions which are in the ordinary course of business of our PRC Operating Schools and/or our School Sponsor with the amount involved not more than RMB100,000, or transactions which have been disclosed to Xinhua Anhui and approved by Xinhua Anhui;

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

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

(i) shall ensure that any of our PRC Operating Schools and/or our School Sponsor 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 Sponsor exceeds RMB100,000, obligations which restrict or hinder the due performance of obligations under the Structured Contracts I by our PRC Operating Schools and/or our School Sponsor, obligations which restrict or prohibit the financial or business operations of our PRC Operating Schools and/or our School Sponsor, 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 Sponsor) outside its ordinary course of business without the prior written consent of Xinhua Anhui;

(j) shall use their best endeavors to develop the business of any of our PRC Operating Schools and/or our School Sponsor and ensure compliance with laws and regulations by our PRC Operating Schools and/or our School Sponsor, 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 Sponsor;

(k) shall, prior to the transfer of the school sponsor's interest or shareholders' interest to Xinhua Anhui or its designated purchaser and without prejudice to our School Sponsor's 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 Sponsor;

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

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

(n) shall, in its capacity as a school sponsor of our PRC Operating Schools and/or shareholders of our School Sponsor and without prejudice to the Structured Contracts I, procure directors nominated by them to exercise all rights to enable any of our PRC Operating Schools and/or our School Sponsor to perform their 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 Xinhua Anhui 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 Sponsor exceeds RMB0, shall pay such excess amount to Xinhua Anhui or its designated entity.

(4) School Sponsor's and Directors' Rights Entrustment Agreement

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, Xinhua Group has irrevocably authorized and entrusted Xinhua Anhui to exercise all its rights as school sponsor of each of our PRC Operating Schools 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 sponsor's interest in accordance with the laws; (h) the right to choose for the school to be a for-profit school or non-profit school pursuant to applicable PRC laws and regulations and the articles of association of each school as amended from time to time; and (i) 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 Sponsor's and Directors' Rights Entrustment Agreement, each of the directors/council members appointed by our School Sponsor in our PRC Operating Schools (the "**Appointees**") has irrevocably authorized and entrusted Xinhua Anhui to exercise all his/her rights as directors/council members of our PRC Operating Schools 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 Sponsor; (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; (d) the right to sign all board minutes, board resolutions and other legal documents which the directors appointed by Xinhua Group have authority to sign in his/her capacity as directors of our PRC Operating Schools; (e) the right to instruct the legal representative and financial and business responsible persons of our PRC Operating Schools to act in accordance with the instruction of Xinhua Anhui; (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; (g) the right to handle the legal procedures of registration, approval and licensing of our PRC Operating Schools 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 as amended from time to time.

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

(5) School Sponsor's Powers of Attorney

Pursuant to the School Sponsor's Powers of Attorney executed by our School Sponsor in favor of Xinhua Anhui, our School Sponsor authorized and appointed Xinhua Anhui, the director of which is Ms. Fei Yun (費雲) (who is not a director of any of our School Sponsor and 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. For details of the rights granted, see "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (4) School Sponsor's and Directors' Rights Entrustment Agreement" of this prospectus.

Xinhua Anhui shall have the right to further delegate the rights so delegated to the directors of Xinhua Anhui or other designated person. The School Sponsor 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 Sponsor's subdivision, merger, winding up, consolidation, liquidation or other similar events. The School Sponsor's Power of Attorney shall constitute a part and incorporate terms of the School Sponsor's 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 Xinhua Anhui, each of the Appointees authorized and appointed Xinhua Anhui, the sole director of which is Ms. Fei Yun (費雲) (who is not a director of any of our School Sponsor 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/council members 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 I – (4) School Sponsor's and Directors' Rights Entrustment Agreement" of this prospectus.

Xinhua Anhui shall have the right to further delegate the rights so delegated to the directors of Xinhua Anhui 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 Sponsor's and Directors' Rights Entrustment Agreement.

(7) Shareholders' Rights Entrustment Agreement

Pursuant to the Shareholders' Rights Entrustment Agreement, each of the Registered Shareholders has irrevocably authorized and entrusted Xinhua Anhui to exercise all of his/its respective rights as shareholders of Xinhua Group to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to attend shareholders' meetings of Xinhua Group, 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 Xinhua Group, as the case may be; (c) the right to appoint directors or legal representative of Xinhua Group, as the case may be; (d) the right to propose to convene interim shareholders' meetings of Xinhua Group, as the case may be; (e) the right to sign all shareholders' resolutions and other legal documents which the Registered Shareholders have authority to sign in its capacity as shareholders of Xinhua Group, as the case may be; (f)the right to instruct the directors and legal representative of Xinhua Group, as the case may be to act in accordance with the instruction of Xinhua Anhui; (g) the right to exercise all other rights and voting rights of shareholders as prescribed under the articles of association of Xinhua Group, as the case may be; (h) the right to handle the legal procedures of registration, approval and licensing of Xinhua Group, 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 has irrevocably agreed that (i) Xinhua Anhui may delegate its rights under the Shareholders' Rights Entrustment Agreement to the directors of Xinhua Anhui or its designated person, without prior notice to or approval by the Registered Shareholders; and (ii) any person as successor of civil rights of Xinhua Anhui or liquidator by reason of subdivision, merger, liquidation of Xinhua Anhui or other circumstances shall have authority to replace Xinhua Anhui 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 Shareholders in favor of Xinhua Anhui, each of the Registered Shareholders authorized and appointed Xinhua Anhui, 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 Xinhua Group. For details of the rights granted, see "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (7) Shareholders' Rights Entrustment Agreement" in this prospectus.

Xinhua Anhui shall have the right to further delegate the rights so delegated to its directors or other designated person. Each of the Registered Shareholders 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 Shareholders' 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 respective spouse of the Registered Shareholders has irrevocably undertaken that:

(a) the spouse has full knowledge of and has consented to the entering into of the Structured Contracts I by the respective Registered Shareholders, and in particular, the arrangement as set out in the Structured Contracts I in relation to the restrictions imposed on the direct or indirect equity interest in Xinhua Group, pledge or transfer the direct or indirect equity interest in Xinhua Group, or the disposal of the direct or indirect equity interest in Xinhua 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 Sponsor and our PRC Operating Schools;

(c) the spouse authorizes the respective Registered Shareholders 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 Xinhua Group (direct or indirect) in order to safeguard the interest of Xinhua Anhui under the Structured Contracts I 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 Xinhua 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 Xinhua Anhui and the spouses of the respective Registered Shareholders 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/its equity interest in Xinhua Group together with all related rights thereto to Xinhua Anhui as security for performance of the Structured Contracts I and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Xinhua Anhui as a result of any event of default on the part of the Registered Shareholders, our School Sponsor or each of our PRC Operating Schools and all expenses incurred by Xinhua Anhui as a result of enforcement of the obligations of the Registered Shareholders, our School Sponsor and/or each of our PRC Operating Schools under the Structured Contracts I (the "**Secured Indebtedness**").

Pursuant to the Equity Pledge Agreement, without the prior written consent of Xinhua Anhui, 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 Xinhua Anhui. 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 Sponsor or our PRC Operating Schools commits any breach of any obligations under the Structured Contracts I;

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

(c) any provision in the Structured Contracts I 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, Xinhua Anhui 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, Xinhua Anhui may request the Registered Shareholders to transfer all or part of his or her or its equity interest in our School Sponsor to any entity or individual designated by Xinhua Anhui 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.

Under the Structured Contracts I, there is no equity pledge arrangement between Xinhua Anhui and our School Sponsor over the school sponsor's interest in our PRC Operating Schools held by our School Sponsor. As advised by our PRC legal advisors, if we were to make an equity pledge arrangement with our School Sponsor where our School Sponsor 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 I being unwound, with the aim of further enhancing our control over our PRC Operating Schools and our School Sponsor, in particular:

(a) as disclosed above, pursuant to the Business Cooperation Agreement, our School Sponsor, the Registered Shareholders and each of our PRC Operating Schools have undertaken that, without prior written consent of Xinhua Anhui 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 Sponsor or (ii) on the ability of School Sponsor, the Registered Shareholders and each of our PRC Operating Schools to perform the obligations under the Structured Contracts I. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (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 Xinhua Anhui that, among others, each of them shall not sell, assign, transfer or otherwise dispose of or create any encumbrance over school sponsor's interest in any of our PRC Operating Schools and/or equity interest in our School Sponsor without prior written consent of Xinhua Anhui. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (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 our School Sponsor are properly secured, are within the full control of our Company and cannot be used by our School Sponsor or the Registered Shareholders or our PRC Operating Schools without our permission. Such measures include arranging for the company seals of our PRC Operating Schools and our School Sponsor to be kept in the safe custody of the finance department of Xinhua Anhui 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 Xinhua Anhui.

(11) Loan Agreement

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

The terms of the Loan Agreement shall continue until all interest of our PRC Operating Schools and our School Sponsor are transferred to Xinhua Anhui or other parties designated by our Company.

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

Structured Contracts I and Structured Contracts II

Other than the Spouse Undertakings, each of the specific agreements that comprise the Structured Contracts I contains clauses which provide that, to the extent permitted by the PRC laws, Xinhua Anhui shall have the right to designate other entities agreed by the Company (including any wholly foreign-owned enterprise to be established by us from time to time) to enter into and perform the agreements which are on the same terms and conditions as the Structured Contracts I (excluding the Spouse Undertakings) with the other parties to the Structured Contracts I (excluding the Spouse Undertakings), and the other parties to the Structured Contracts I shall unconditionally procure the signing and performance of such agreements. The Structured Contracts I shall be automatically terminated on the date on which the aforementioned agreements are entered into and become effective.

In light of the preferential tax policy in Xinjiang, on February 6, 2018, Xinhua Xinjiang entered into the Structured Contracts II, the terms and conditions of which are the same as those contained in the Structured Contracts I in all material aspects, pursuant to which the Structured Contracts I were automatically terminated and all economic benefits arising from the business of our PRC Consolidated Affiliated Entities are transferred to Xinhua Xinjiang by means of services fees payable by our PRC Consolidated Affiliated Entities to Xinhua Xinjiang.

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 Sponsor 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 Sponsor 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 Sponsor 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 School Sponsor interest in our PRC Operating Schools or equity interest in our School Sponsor 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 Sponsor or our PRC Operating Schools, injunctive relief or winding-up of School Sponsor or each of our PRC Operating Schools or our School Sponsor as interim remedies, before there is any final outcome of arbitration or judgment;

(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 Sponsor and School Sponsor interest in 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 Sponsor 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 any of our PRC Operating Schools, School Sponsor or the Registered Shareholders breaches any of the Structured Contracts, we may not be able to obtain sufficient remedies in a timely manner, or at all, and our ability to exert effective control over our PRC Operating Schools and/or our School Sponsor 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 respective spouse of Mr. Wu and Mr. Wu Di has irrevocably undertaken that, among others, the spouse authorizes Mr. Wu and Mr. Wu Di and their respective 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 direct and indirect equity interest of Mr. Wu and Mr. Wu Di in Xinhua Group in order to safeguard the interest of Xinhua WFOE 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 I – (9) Spouse Undertakings" in this prospectus for details.

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

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

Pursuant to the Business Cooperation Agreement, in the event of the dissolution or liquidation of our PRC Operating Schools and/or our School Sponsor, the Registered Shareholders undertake that, among others, Xinhua WFOE and/or its designee shall have the right to exercise all school sponsor's rights on behalf of Xinhua Group and/or to exercise all shareholders' rights on behalf of the Registered Shareholders. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (1) Business Cooperation Agreement" in this prospectus for details.

Furthermore, Xinhua WFOE has been irrevocably authorized and entrusted to exercise the rights of our School Sponsor 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 Xinhua Group. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (4) School Sponsor's and Directors' Rights Entrustment Agreement" and "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (7) Shareholders' Rights Entrustment Agreement" in this prospectus for details.

LOSS SHARING

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

None of the agreements constituting the Structured Contracts provide that our Company or its wholly-owned PRC subsidiary, Xinhua WFOE, is obligated to share the losses of our PRC Operating Schools and/or our School Sponsor or provide financial support to our PRC Operating Schools and/or our School Sponsor. Further, our PRC Operating Schools and/or our School Sponsor 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 Xinhua WFOE, is not expressly required to share the losses of our PRC Operating Schools and/or our School Sponsor or provide financial support to our PRC Operating Schools and/or our School Sponsor. Despite the foregoing, given that our PRC Operating Schools and our School Sponsor's 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 or our School Sponsor 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 I – (1) Business Cooperation Agreement" and "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts I – (3) Exclusive Call Option Agreement" above, the potential adverse effect on Xinhua WFOE 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 sponsor's interest that the Registered Shareholders (directly and indirectly) hold in our School Sponsor and our PRC Operating Schools by Xinhua WFOE 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) Xinhua WFOE 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 Sponsor 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 Xinhua WFOE or us to directly hold all or part of the School Sponsor's interest in our PRC Operating Schools and/or all or part of the equity interest in our School Sponsor and operate private education business in the PRC, Xinhua WFOE shall exercise the Equity Call Option as soon as practicable and Xinhua WFOE or its designated party shall purchase such amount of equity interest or School Sponsor 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 sponsor's interest that the Registered Shareholders (directly and indirectly) hold in our School Sponsor and our PRC Operating Schools by Xinhua WFOE 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 Xinhua WFOE that, unless with the prior written consent of Xinhua WFOE, the Registered Shareholders shall not directly or indirectly engage, participate in, conduct, acquire or hold any Competing Business and Xinhua WFOE 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 I – (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 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:

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

(b) the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts are legal, valid and binding on the parties thereto, enforceable under PRC laws and regulations, except that the Structured Contracts provide that the arbitral body may award remedies over the shares and/or assets of our PRC Operating Schools and/or our School Sponsor, injunctive relief and/or winding up of our PRC Operating Schools and/or School Sponsor, 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 Sponsor in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognizable or enforceable in China, and do not, individually or collectively, constitute a breach of any PRC laws and regulations and will not be deemed invalid or ineffective under those laws and regulations; in particular, the Structured

Contracts do not violate the provisions of the PRC Contract Law including "concealing illegal intentions with a lawful form," the General Principles of the PRC Civil Law and other applicable PRC laws and regulations;

(c) each of the Structured Contracts is not in violation of provisions of the articles of association of our PRC Operating Schools and our School Sponsor and Xinhua WFOEs;

(d) each of the Structured Contracts is enforceable under PRC laws and regulations, entering and the performance of the Structured Contracts to each of the Structured Contracts are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that: (i) the pledge of any equity interest in Xinhua Group in favor of Xinhua WFOE 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 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 Sponsor contemplated under the Structured Contracts is subject to applicable approval and/or registration requirements under the then applicable laws and (iv) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Structured Contracts are subject to applications to competent PRC courts for recognition and enforcement;

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

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

(g) a private school that its school sponsors do not require reasonable return cannot distribute reasonable returns to its school sponsor. No current national PRC laws or regulations or regulations in Anhui Province stipulate any proportion and/or amount limit for the reasonable return. Furthermore, in Anhui Province, 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 Xinhua WFOE.

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 Sponsor which engage or will engage in the operation of higher education and national key secondary vocational education, which are subject to foreign investment restriction in accordance with applicable PRC laws and our consultation with the Anhui Education Department.

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 Sponsor 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.

COMBINATION OF 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 Sponsor, the Structured Contracts as mentioned above enable our Company to exercise control over our PRC Operating Schools and our School Sponsor. The basis of combining the results of our PRC Operating Schools and our School Sponsor is disclosed in note 1 to the Accountants' Report. Our Directors consider that our Company can combine the financial results of our PRC Operating Schools and our School Sponsor 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 our School Sponsor by Xinhua WFOE, through which we operate our education business in the 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 reinvestment, 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. Wu, who is of Chinese nationality, will indirectly control approximately 71.78% (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 control approximately 69.19% of the issued share capital of our Company assuming that the Over-allotment Option is exercised in full; (ii) our Company through Xinhua WFOE exercises effective control over our PRC Operating Schools and our School Sponsor pursuant to the Structured Contracts; and (iii) Mr. Wu 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 and national key secondary vocational education institution is no longer in the negative list and our Group is allowed to operate the education business under PRC Laws without using the Structured Contracts, Xinhua WFOE 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 Sponsor and unwind the Structured Contracts subject to re-approval by the relevant authorities.

If the operation of higher education and national key secondary vocational education institution 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 Sponsor. As a result, the financial results of our PRC Operating Schools and our School Sponsor 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 Sponsor

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 Sponsor and receive all economic benefits derived from our PRC Operating Schools and/or our School Sponsor, Mr. Wu 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. Wu 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. Wu 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. Wu 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. Wu, 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 Sponsor and receive all economic benefits derived from our PRC Operating Schools and/or our School Sponsor. 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 possibilities that the above measures to maintain control over and receive the economic benefits from our PRC Operating Schools and/or our School Sponsor 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 Xinhua WFOE and our PRC Operating Schools and/or our School Sponsor to deal with specific issues or matters arising from the Structured Contracts.

In addition, notwithstanding that our non-executive Director, Mr. Wu is also one of the Registered Shareholders, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently after the Listing under the following measures:

(a) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(b) each of our Directors is aware of his fiduciary duties as a Director which requires, amongst other things, that he acts for the benefits and in the best interests of our Group;

(c) we have appointed three independent non-executive Directors, comprising over one-third of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and

(d) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

OVERVIEW

We are the largest private higher education provider in the Yangtze River Delta, as measured by the full time student enrollment of our higher education programs as of December 31, 2016, according to Frost & Sullivan. During the Track Record Period and as of the Latest Practicable Date, we operated two schools, Xinhua University, which is a private formal university, and Xinhua School, which is a private secondary vocational school. We control both schools through the Structured Contracts. Our Xinhua University is the largest private formal higher education institution in the Yangtze River Delta, as measured by its full time student enrollment as of December 31, 2016, according to Frost & Sullivan. In addition, our Xinhua School is the largest private specialized secondary school in Anhui Province in terms of student enrollment as of December 31, 2016, according to Frost & Sullivan.

According to Frost & Sullivan, only approximately 40.8% of the college-aged population in China was enrolled in higher education institutions as of December 31, 2016, compared with an average of approximately 64.0% and 87.0% in developed countries in Europe and North America, respectively. Meanwhile, with the strong economic development in China and increasing disposable income of Chinese residents, demand for higher education has been increasing at a fast pace, 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, private providers of higher education are expected to fill the gap between the rapid increase in market demand and the relatively limited public higher education resources, 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 market potential and opportunities in the PRC higher education sector.

We provide high-quality education to our students, including both formal university education and vocational education in a wide selection of fields in applied sciences. Our comprehensive and diversified curriculums, which encompass a broad range of practical major offerings, are designed to equip our students with readily applicable and practical skills and enable them to meet the demands of a rapidly evolving labor market. We adjust our major offerings from time to time based on the extensive and on-going market research we conduct to determine employer preferences and labor market demands. We have set up workplace simulation training studios which are designed to simulate typical workplaces to allow our students to put into practice the knowledge they learned through our curriculums. In addition, we collaborate with enterprise partners closely and have jointly designed applicable curriculums and established a number of practical training bases and internship bases with them to help students acquire useful skills and find desirable employment. As a result, we have achieved high initial graduate employment rates of approximately 96.4%, 96.1% and 94.4% in 2014-2015, 2015-2016 and 2016-2017 school years, respectively, for our full time students at Xinhua University, compared with the relevant industry averages in China of 77.7%, 77.9% and 78.4% for the same periods, according to Frost & Sullivan. We also provide continuing education to adult students at Xinhua University. The initial graduate employment rates for our students at Xinhua School were approximately 99.4%, 96.0% and 96.8% in 2014, 2015 and 2016, respectively. We believe the relatively high initial graduate employment rates we have achieved attests to the effectiveness of our educational approach, which we believe will continue to enhance our reputation, raise our profile and attract talented students.

We experienced steady growth in our revenue, gross profit and student enrollment during the Track Record Period. Our revenue increased from RMB250.1 million for the year ended December 2014 to RMB281.6 million for the year ended December 31, 2015, and further to RMB303.3 million for the year ended December 2016. For the nine months ended September 30, 2017, our revenue amounted to RMB220.8 million compared to revenue of RMB200.4 million for the nine months ended September, 30, 2016. Our profit for the year increased from RMB133.2 million for the year ended December 31, 2014 to RMB150.0 million for the year ended December 31, 2015, and further to RMB172.5 million for the year ended December 31, 2016. For the nine months ended September 30, 2017, our profit for the period was RMB106.2 million compared to a profit of RMB109.2 million for the nine months ended September 30, 2016. Our full time student enrollments grew from 26,498 as of December 31, 2014 to 28,030 as of September 30, 2017. In addition, our student enrollment of Xinhua University's continuing education program grew from 4,006 as of December 31, 2014 to 5,605 as of September 30, 2017.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success and will continue to distinguish us from our competitors:

As a leading private provider of formal higher education in the Yangtze River Delta, we are well positioned to capitalize on opportunities in the fast-growing higher education industry in China.

We are the largest private higher education provider in the Yangtze Delta, as measured by the full time student enrollment of our higher education programs as of December 31, 2016, according to Frost & Sullivan. Our Xinhua University is the largest private formal higher education institution in the Yangtze River Delta, as measured by its total enrollment of full time students as of December 31, 2016, according to Frost & Sullivan. According to Frost & Sullivan, the development of a country's higher education can be classified into three stages, including elite higher education stage with an enrollment rate below 15.0%, mass higher education stage with an enrollment rate ranging between 15.0% and 50.0% as well as universal higher education stage with an enrollment rate over 50.0%. China is currently in the mass higher education stage, according to Frost & Sullivan. Only approximately 40.8% of the college-aged population in China were enrolled in a higher education institution as of December 31, 2016, compared with 64.0% and 87.0% in developed countries in Europe and North America, respectively, as of the same date, according to Frost & Sullivan. A meaningful increase in China's college enrollment rate would represent a significant market potential since China has the largest population in the world with over 1.4 billion people. With the strong economic development in China and increasing disposable income of Chinese residents, demand for higher education has been increasing at a fast pace, according to Frost & Sullivan. As a result, we believe the higher education market in China has significant growth potential. At the same time, private providers of higher education are expected to fill the gap between the rapid increase in market demand and the relatively limited public higher education resources, according to Frost & Sullivan.

In addition, the PRC government has promulgated a number of policies and regulations to encourage the development of private education, such as the *Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education* (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) in 2012, the *Decision on Amending Private Education Promotion Law* in 2016, the *Several Opinions of the State Council on Encouraging Social Groups to Engage in Education and Promote the Healthy Development of Private Education* in 2017 and *Implementation Rules for Supervision and Management of For-profit Private Schools* in 2016. As one of the leaders in applied science-focused private formal higher education in the Yangtze River Delta, we believe that we are well positioned to benefit from these PRC government policies and capitalize on market potential and industry opportunities. Anhui Province ranked second among provinces in the Yangtze River Delta and eighth in China overall in terms of population in 2016, which provides a large applicant pool for our schools. Moreover, Hefei City, the capital of Anhui Province and where our schools are located, is one of the three "Comprehensive National Science Centers" (綜合性國家科學中心). Our Xinhua School ranked first among all private specialized secondary schools in Anhui Province in terms of student enrollment as of December 31, 2016, according to Frost & Sullivan. We believe that our schools' leading position in Anhui Province and the geographical advantages of Anhui Province and Hefei City help to ensure a sustainable large base of applicants for our schools.

Our Xinhua University was among the first batch of private higher education institutions in Anhui Province to be permitted by the Education Department and Price Bureau of Anhui Province to set our own tuition fee rates, which we believe demonstrates recognition of our reputation and operational success and we further believe will enable us to obtain pricing for our services that best reflects the quality of the education we provide. Prior to September 2017, we were required to obtain the approval of the Education Department and Price Bureau of Anhui Province before raising tuition fees. In September 2017, Xinhua University became one of the only six private higher education institutions in Anhui Province that are not subject to prior approval for tuition fee raises except for a filing with the relevant authorities in Anhui Province.

We believe the success of our schools in attracting increasing numbers of students is driven primarily by the quality of the education we offer and the high employment rates achieved by our students and the reputation for excellence we have built. In addition, we believe that our ability to continuously attract students to our schools and to charge tuition fees corresponding to the high quality education services we offer provides us with high visibility regarding future enrollments, revenues and cash flows, which in turn serves as a platform for our planned future growth.

Our wide ranging and diversified curriculums provide our students with professional training and practical skills that prepare them well for future employment.

We believe that our graduate employment rates help to enhance our reputation, raise our profile within our industry, and attract talented high school graduates. We have achieved high initial graduate employment rates for our full time students at Xinhua University, with an average of approximately 96.4%, 96.1% and 94.4% in 2014-2015, 2015-2016 and 2016-2017 school years, respectively, compared with the corresponding industry averages in China of 77.7%, 77.9% and 78.4% for the same periods, according to Frost & Sullivan. The initial graduate employment rates for our students at Xinhua School were approximately 99.4%, 96.0% and 96.8% in 2014-2015, 2015-2016 and 2016-2017 school years. Our achievement in graduate placements has been well-recognized. For example, our Xinhua University has been recognized as an Advanced

Graduate Employment Higher Institution of Anhui Province (安徽省普通高校畢業生就業工作先進集體) six times. Furthermore, Xinhua University was one of the 50 higher education institutions, and the only one in Anhui Province, recognized by MOE in 2010 for its achievement in graduate employment for the year 2009-2010 (2009-2010年度全國畢業生就業典型經驗高校). In 2012, Xinhua University was one of the 35 Sponsors of the National Alliance of Applied Science-Focused Higher Institutions (全國應用型高校聯盟發起單位). In addition to the ability to award junior college diplomas across a wide range of specializations, Xinhua University became the first private university in Anhui Province to offer undergraduate bachelor's degrees in 2005, which was only five years after the inception of Xinhua University. In 2015, Xinhua University was accredited as a "regional high level university in applied sciences" (地方應用型高水平大學) by the Education Department of Anhui Province. In the 2016 Research Report on Universities in China published by Chinese Universities Alumni Association Net (中國校友會網), Xinhua University was ranked first among private universities in Anhui Province in terms of overall strengths, which was evaluated by its teaching quality, achievements in scientific research and social influence and was one of the top 20 private universities in China. Xinhua University was ranked second in the "Top 300 Most Competitive Entrepreneurs among Private Universities in China" (中國大學創業競爭力排行榜300強) by 3wYes.com (創業時代網) in 2016. In 2006, Xinhua School was recognized by the MOE as a National Key Secondary Vocational School (國家級重點中等職業學校), which made it the first batch of private schools in Anhui Province to win this recognition. We believe this recognition reflects the quality of education we provide and helps differentiate us from other private universities.

We are committed to providing high-quality private higher education to our students, including both formal university education and vocational education. We have dedicated our resources to developing comprehensive and diversified curriculums encompassing a broad range of practical major offerings. We believe that these majors and curriculums are instrumental in equipping our students with readily applicable and practical skills that enable them to meet the demands of a rapidly evolving labor market.

Based on our research of current and anticipated market demands, we have established several market-oriented clusters of majors after careful consideration. For example, our Xinhua University offers a comprehensive range of specialized majors to its full time students through its 11 colleges, including civil and environmental engineering, electronic communication engineering, information engineering, international education and technology, with a total of 58 individual undergraduate majors in, among others, internet finance, accounting, communication engineering, logistics management, pharmaceuticals and animation. We are one of the first six universities in China approved by the MOE to offer the internet finance major. Our curriculums consist of course offerings in general education, professional education and career education. We seek to cultivate practical skills through a combination of theory and practice. We focus on various aspects of our students' growth, especially their character development. We instill social and emotional skills through our career education. We provide differentiated education to our students according to their individual capabilities and promote their innovative and creative capabilities. Our schools and enterprise partners work in unity to promote learning, application of knowledge and creativity through our general education, professional education and career education. Approximately 30% to 40% of the course credits for each of our full time majors consist of practical training courses. Our wide ranging programs and curriculums allow us to prepare students for employment in a wide variety of industry sectors. In addition, we have entered into collaboration agreements with over 90 enterprise partners and established practical training/employment bases at some of these enterprises.

Our highly successful school-enterprise collaboration program has created abundant opportunities for our students to attain practical skills and secure desirable employment.

Our reputation as a leading private provider of applied science-focused higher education in the Yangtze River Delta has helped us to establish industry connections and attract a large number of enterprise partners for a variety of collaboration programs and other activities, thus giving our students exposure to the latest developments in various industries and valuable opportunities for further study and practical experience in their fields of interest. We have on-going arrangements with a number of private enterprise partners that offer joint programs at our schools and internships to our students. Such partners include Datang Mobile Communications Equipment Co., Ltd. (大唐移動通信設備有限公司), Sungrow Power Supply Co., Ltd. (陽光電源股份有限公司) and a publicly-listed high technology company, among others. We cooperate with our enterprise partners to formulate and design applicable curriculums and practical training programs in order to bring first-hand practical knowledge to our students. Jointly with our enterprise partners, we have achieved successful results in developing applied majors and courses and establishing laboratories, practical training bases and scientific research platforms. For example, we have collaborated with enterprise partners, including Shenzhen Xunfang Technology Co., Ltd (深圳訊方技術股份有限公司), to establish a number of practical training centers on campus, providing students with practical training courses using advanced equipment at such training centers. In addition, we have signed collaboration agreements with two animation companies to establish practical training bases on our campus at which the animation companies will provide practical training and professional and technical personnel to assist in training our students. Through our collaboration with industry leaders in various fields that we believe offer good career prospects, we pave the way for our students to acquire useful skills and find desirable employment.

In the past three academic years, we have established eight such school-enterprise cooperative classes with our enterprise partners. In addition, we cooperate with our enterprise partners to set up external practical training bases where our students can attend additional real workplace training projects. Many of these partners also provide internship opportunities for our students to work with them onsite. Through our collaboration with these enterprise partners, we are able to offer our students access to abundant training opportunities that not only enable them to acquire valuable knowledge and skills but have also led to post graduation employment in many cases. For details of our school-enterprise collaboration programs at each of our schools, please see "School-Enterprise Collaboration Programs" under "Xinhua University" and "Xinhua School", respectively, in "– Our Schools" below.

We have highly qualified teachers who are instrumental in providing high quality education to our students.

We believe that hiring, retaining and training high quality teaching staff is a critical part of providing high quality education to students, as the quality of education we provide is closely tied to the quality of our teachers. Teacher recruitment and retention is one of our top priorities. We have formulated and implemented strict standards and procedures for teacher recruitment to ensure that our teachers possess a high level of professional expertise as well as teaching experience. We emphasize the development of teachers that excel in teaching applied skills and are familiar with the "industry-academics-research" (IAR) cooperative education concept (產學研合作教育). Through our targeted efforts, we have built a team of teachers with "dual capabilities" who are familiar with the needs of both schools and enterprises and well-qualified to deliver applied skill-focused curriculums.

As of September 30, 2017, we had a full time teaching staff consisting of 625 teachers in total at our two schools. Almost all of these full time teachers had bachelor's degrees and approximately 78.2% had master's degrees or above. As of September 30, 2017, approximately 53.4% of our full time teachers held the intermediate professional title and approximately 16.2% of our full time teachers held the senior professional title. To attract strong teacher candidates, we have implemented rigorous selection procedures under which applicants are required to teach a live class, conduct in-person interviews and/or complete written assessments so we can evaluate and assess his or her performance. We offer mandatory and on-the-job training courses for newly hired teachers, as well as continuing training programs for existing teachers so that they can stay abreast of the changes in the profession and master new teaching techniques and skills. As of September 30, 2017, approximately 55.0% of our full time teachers had been with us for five years or above, and approximately 20.0% had been with us for over ten years. We believe that we have a relatively low teacher turnover ratio, which was consistently below 7.0% during the Track Record Period. We believe that our highly qualified and stable teaching staff is one of the key reasons for our success.

We have a strong, stable and experienced senior management team.

Our schools are led by a strong, seasoned senior management team with extensive, hands-on experience in education in China. Our Board is responsible for the overall management and strategic development of our Group. Our Chairman of the Board and non-executive director, Mr. Wu Junbao, is the founder of the Xinhua Group. He has more than 18 years of experience in the education industry. Mr. Wu Junbao has been Vice President of Anhui Private Education Association (安徽省民辦教育協會) since 2015. Our executive vice president and executive director, Mr. Lu Zhen, joined our Group in 2014. He has more than eight years of experience in the education industry.

Each of our schools is managed on a day-to-day basis by its principal, who is assisted by several deputy principals, each of whom is responsible for one or more specific aspects of a school's operations, such as educational curriculums, student admissions, security and logistics, student affairs and human resources. Principals at our schools are all experienced and dedicated educators. For example, the principal of Xinhua University, Mr. Shi Xiuhe (石秀和), has over 30 years of experience in higher education. Prior to joining us, he served as the principal of Anhui University of Finance and Economics (安徽財經大學). Mr. Shi was awarded the title of ministerial excellent expert (部級優秀專家) by the PRC Ministry of Commerce (中國商務部) in 1992 and he has enjoyed the State Council Special Allowance (國務院特殊津貼) since 1993. The principal of Xinhua School, Mr. Peng Weiguo (彭衛國), joined us in 2000 and has over 17 years of experience in private vocational education.

We believe that the extensive experience of our principals and our senior management team in education and management represents a significant competitive advantage. Their industry knowledge and expertise enable us to effectively manage our operations while continuing to enhance our reputation and provide high quality education to our students.

OUR STRATEGIES

We intend to continue to grow our business and expand our school network. To achieve these goals, we plan to pursue the following business strategies:

Pursue suitable opportunities for acquisitions

We intend to pursue suitable opportunities for acquisitions or investments primarily in the Yangtze River Delta to expand our school network and increase our market share in the private higher education sector. In particular, we plan to focus on suitable opportunities to acquire or invest in undergraduate colleges that can grant bachelor's degrees, including private universities and independent colleges in provincial capitals. We intend to give priority to schools that offer specialized majors, including but not limited to medicine, nursing, safety technology and arts, which we believe will complement the current major offerings of our Xinhua University, such as pharmacy and safety engineering, and help to diversify our major offerings to meet differentiated market demand. In addition, we will also consider acquiring entities that own educational assets or institutions in provincial capitals, municipalities under the direct administration of the central government and major cities with independent budgets. We believe these acquisitions and investments will allow us to expand our school network to capture market opportunities. We will also consider acquiring well-known private universities offering curriculums and programs that complement ours, which we believe will create business synergies with our existing schools in terms of sharing resources and student recruitment as graduates of our Xinhua School may pursue further studies at the acquired schools.

Our expansion plan requires a significant amount of capital. According to the property valuation report prepared by Cushman & Wakefield Limited as set forth in Appendix IV to this prospectus, the value of the properties owned and occupied by our schools as of December 31, 2017 was RMB1,800 million. Because the acquisition price of private higher education institutions would generally include the market price of the properties they own and occupy, which we believe is significant, if we aim to acquire one or more schools in the future as part of our expansion plan, our cash generated from operations would not be sufficient and additional funding would be required, including proceeds from the Global Offering and banking facilities.

When conducting our analysis regarding potential acquisition targets, we seek to acquire undergraduate colleges primarily focusing on the following criteria: (i) with a total student enrollment of not more than 10,000; and (ii) located in Anhui Province or the Yangtze River Delta. Our Directors are of the view that we will be able to identify suitable targets because according to Frost & Sullivan, as of December 31, 2016, the student enrollments of higher education institutions in the Yangtze River Delta represented approximately 16.7% of the total higher education student enrolment in the PRC and the number of higher education institutions in the Yangtze River Delta represented approximately 15.8% of the total number of higher education institutions in the PRC, while the total geographic area of the Yangtze River Delta only represented approximately 3.7% of that of the PRC. According to Frost & Sullivan, in 2016, there were 139 private higher education institutions in the Yangtze River Delta, including 80 private universities and 59 private junior colleges. Approximately 83.0% of these schools each had a total student enrollment of not more than 10,000. In the same year, there were 31 private higher education institutions in Anhui Province, including 15 private universities and 16 private junior colleges. Approximately 87.0% of these schools each had a total student enrollment of not more than 10,000. In line with our expansion strategy, our Directors are of the view that these schools comprise a list of potential acquisition targets we would consider pursuing in the future. In addition, as the largest private higher education provider in the Yangtze River Delta, we believe that our reputation, investment capabilities, as well as our extensive operating experience in the private higher education industry give us competitive advantages in bidding for suitable targets. Where appropriate, we will also consider raising bank financing and utilizing cash flow from operations to support our acquisition activities. As of the Latest Practicable Date, we had entered into an agreement with Anhui Medical University in connection with the establishment of a new campus under the School of Clinical Medicine. We expect that approximately RMB720.0 million of internally generated funds are required for the funding needs of the new campus. Other than that, we have not identified any specific targets as of the Latest Practicable Date. We intend to apply the above-mentioned criteria to identify potential suitable acquisition targets.

Following completion of such acquisitions, we plan to leverage our successful operational experience and educational expertise to optimize the operations of the acquired school. In particular, we intend to integrate the newly acquired schools into our school network and implement centralized management to achieve higher overall operating efficiency. To achieve this goal, we intend to enhance inter-school cooperation and resource sharing between our existing schools and acquired schools. In particular, we expect to be able to share internship and employment information among our schools in order to provide students with more options and opportunities for practical experience and employment. In addition, we plan to conduct student recruitment for our existing schools and acquired schools within our school network, and we can promote our brand and raise the profile of our Group as a whole through our Group's websites and other centralized marketing efforts. Moreover, with our expansion, we intend to implement a centralized administrative system among our schools to facilitate curriculum sharing and tuition payment for our students and to manage procurement of teaching materials, construction and maintenance of school facilities as well as other logistics support for schools under our network. Through such centralized administrative system, we expect to further improve our management and enhance our operational efficiency. We believe that our schools have sufficient talent reserve, including a number of experienced senior management as well as teachers and administrative staff who are able to help us improve the management and teaching capabilities of the new schools within a short period. Moreover, we believe that our wide ranging and diversified major offerings and extensive experience in curriculum design will enable us to efficiently expand the disciplines covered by new schools and effectively enhance their education quality. With respect to graduate employment, we will share our employment information and resources with all schools under our network. We believe our close relationships with various enterprise partners and our diversified school-enterprise collaboration programs will significantly benefit the newly acquired schools. We believe that with the integration of these resources, our acquisitions will complement our existing business and give rise to further business synergies through economies of scale including shared management, procurement, and other operational resources, as well as our Group's brand value. After integrating the newly acquired schools into our school network, we believe our enhanced market position and profile as well as more diversified curriculums and major offerings, such as medicine, pharmacy, nursing and safety technology, will enable us to attract more students while maintaining consistent educational quality.

Improve our school facilities and educational equipment

We intend to continue to increase student enrollment at our existing schools. In order to achieve this strategic goal and support the growth of our business, we plan to improve our school facilities and educational equipment. We plan to construct new facilities including classroom building(s), practical training studios, a library building and sports facilities on our existing land, with a total of over 170,000 square meters in floor area. Specifically, we plan to construct practical training studios with a total of more than 18,000 square meters in floor area; a library with a total of 25,000 square meters of floor area; and a gymnasium with a total area of over 20,000 square meters.

We expect to incur approximately RMB229.0 million in capital expenditures relating to the improvement of our school facilities and educational equipment. The construction of the new library and gymnasium is expected to be completed by August 2020. We expect to begin to construct some classroom buildings in 2018, with no more than RMB100.0 million of capital expenditures to be incurred in 2018.

Enhance our profitability by optimizing our pricing at our schools and increasing revenue sources

The tuition fees and boarding fees we charge our full time students are a significant factor affecting our profitability. Historically, we have kept our tuition rates at levels we believe are competitive in order to increase student enrollment and market share. As we believe we have established a strong reputation for providing quality education to our students, we believe that we are in a position to optimize our pricing without compromising our ability to maintain and grow our student base. In September 2017, Xinhua University became one of only six private higher education institutes in Anhui Province that are not subject to prior approval for tuition fee increases. We also plan to increase our revenue from tuition fees through increasing our total student enrollment.

In addition, we plan to diversify our sources of revenue and other income. Specifically, we plan to leverage the advantages of our wide-ranging and diverse groups of majors and provide training courses to the local government and enterprises in various industry sectors. We intend to continue to enhance our school-enterprise cooperation and gradually expand the cooperation as well as the coverage of our majors. We plan to provide staff members of our enterprise partners with skills training and further education enabling them to obtain diplomas. In addition, we plan to continue our cooperation with well recognized universities, such as the School of Continuing Education and Teacher Training of a leading public university in the PRC, Northwestern Polytechnic University and Nankai University, to operate additional online distance education programs. In these cooperation arrangements, we provide facilities and certain education services, and students will receive our partner university's relevant degree upon graduation.

Continue to strengthen our market position and enhance our brand recognition

We intend to continue to promote our brand and raise our profile in the private education industry in China, particularly in the Yangtze River Delta region. Specifically, we intend to establish additional specialty majors as well as promote our existing majors to display our strengths and attract potential students. We plan to promote Xinhua University through online publications such as Higher Education Research Institute and China Education Daily, which publish articles regularly on private higher education institutions in China. We plan to give speeches regularly at industry conferences, which we believe will help to raise our profile and promote our brand. We plan to seek professional and industry accreditation and participate in relevant rankings to increase awareness of our brand and raise our profile. In addition, we intend to participate in rankings published on large internet platforms, which we believe are effective and efficient ways to promote our brand and our group.

Continue to attract and retain qualified teachers

The quality of our education services largely depends on our teachers. We intend to continue to attract and retain qualified teachers, improve the overall quality of our teaching staff and build a first-rate team. To achieve this goal, we intend to enhance our compensation system with additional rewards for extra teaching hours, responsibilities and results. We also plan to add flexibility to our compensation system and ensure compensation incentivizes our staff and helps to retain core staff members.

In addition, we intend to construct a comprehensive training system. We plan to build an organizational system for internal training so that our core departments and secondary departments can combine their efforts to integrate our training resources and improve our training quality. We intend to adopt innovative training methods to increase participation and effectiveness. We also plan to increase hiring of high end talents to join our teaching staff to serve the needs of our departments and meet our educational goals. We believe the above measures will help us build a high quality teaching team.

OUR EDUCATIONAL MISSION

Our fundamental educational mission is “to serve our country through education” (興教報國). We are committed to providing applied science education to students and helping our students to adopt a service mindset and pursue career-oriented education. We seek to cultivate high quality talents with applicable skills, potential for future development and an ability and willingness to keep learning.

OUR SCHOOLS

Overview

As of the Latest Practicable Date, we operated two schools:

- *Xinhua University*: a formal university-level education institution located in Hefei City, Anhui Province, the PRC, which provides formal undergraduate education and junior college education focused on applied sciences. It offers approximately 82 majors in a wide range of areas, including, among others, accounting, internet finance, electronic communication engineering, logistics management, pharmaceutical and animation; and

- *Xinhua School*: a formal secondary education institution located in Hefei City, Anhui Province, the PRC, which provides full time secondary vocational education. It offers 16 majors in a variety of areas, including three majors under the general secondary vocational program, namely computer graphic design, e-commerce and automobile application and maintenance.

The following tables set forth the revenue, revenue attributable to tuition fees and boarding fees and gross profit margin for each of our schools for the periods indicated. The revenue and gross profit margin are calculated based on all students, including both full time students and students in the continuing education program of Xinhua University:

School	Revenue			Revenue from Tuition Fees			Revenue from Boarding Fees			Gross Profit Margin(1)		
	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'000)*			*(RMB'000)*			*(%)*		
Xinhua University	225,575	253,354	271,747	202,912	227,712	243,775	22,663	25,642	27,972	55.3	56.0	59.8
Xinhua School	24,539	28,292	31,515	20,950	24,064	26,619	3,589	4,228	4,896	56.8	56.1	53.1
Total	250,114	281,646	303,262	223,862	251,776	270,394	26,252	29,870	32,868	55.5	56.0	59.1

School	Revenue		Revenue from Tuition Fees		Revenue from Boarding Fees		Gross Profit Margin(1)	
	Nine months ended September 30,		Nine months ended September 30,		Nine months ended September 30,		Nine months ended September 30,	
	2016	2017	2016	2017	2016	2017	2016	2017
	(RMB'000)		*(RMB'000)*		*(RMB'000)*		*(%)*	
Xinhua University	179,898	198,180	159,229	175,423	20,669	22,757	56.9	51.8
Xinhua School	20,493	22,666	16,889	19,069	3,604	3,597	48.9	55.1
Total	200,391	220,846	176,118	194,492	24,273	26,354	56.1	52.1

Notes:

(1) Gross profit margin is calculated as gross profit divided by revenue.

During the Track Record Period, our gross profit margin increased from 55.5% for the year ended December 31, 2014 to 56.0% for the year ended December 31, 2015 and further to 59.1% for the year ended December 31, 2016, primarily because (i) the mix of undergraduate students and junior college students at Xinhua University had changed during this period with the percentage of undergraduate students increasing each year, and the tuition fees that we charged undergraduate students were higher than what we charged junior college students; and (ii) we raised tuition fees for full time students for certain majors at our schools while the related costs remained stable. Between the nine months ended September 30, 2016 and the same period in 2017, our gross profit margin decreased from 56.1% to 52.1%, which was primarily due to an increase in the cost of sales as a result of (i) the increased financial aid provided to students at Xinhua University; (ii) an increase in teaching activity costs as a result of an increase in the expenses incurred in relation to our school's information technology projects, an increase in our school's landscaping expenses and the increased funding for research and teaching activities at our schools; (iii) an increase in salaries and benefits paid to our school personnel primarily due to an increase in the average salary level; and (iv) an increase in depreciation and amortization as a result of the increase of our property, plant and equipment.

The gross profit margin of our Xinhua School decreased from 56.8% for the year ended December 31, 2014 to 56.1% for the year ended December 31, 2015 and further to 53.1% for the year ended December 31, 2016, which was mainly attributable to a larger increase in its cost of sales as a result of the increase in salaries and benefits of our teaching staff and the increase in cost of repair primarily because we undertook certain maintenance projects of our school facilities during the Track Record Period.

Our gross profit margin for any interim period may not be indicative of our financial performance for the year because tuition 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 (Xinhua University generally charges boarding fees once at the beginning of the school year for the entire year and Xinhua School generally charges boarding fees each semester for a six-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 as well as a mismatch between our recognition of revenue and cash flow 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 2016, the revenue under tuition fees included five months' tuition fees for the 2015-2016 school year, which was from September 2015 to June 2016 and four months' tuition fees for the 2016-2017 school year, which was from September 2016 to June 2017.

The following table sets forth the average tuition fee and the average boarding fee for each of our schools for the periods indicated:

School	Average Tuition Fee per student(1)					Average Boarding Fee per student(1)				
	Year ended December 31,			Nine months ended September 30,		Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017	2014	2015	2016	2016	2017
	(RMB)			(RMB)		(RMB)			(RMB)	
Xinhua University	10,138	10,961	11,305	7,230	7,738	1,132	1,234	1,297	939	1,004
Xinhua School	3,232	3,675	4,244	2,700	3,558	554	646	781	576	671
Total	8,448	9,215	9,714	6,228	6,939	991	1,093	1,181	858	940

Note:

(1) The average tuition fee per student and the average boarding fee per student are calculated by dividing the revenue generated from tuition fees and boarding fees, respectively, of all students, including both full time students and students in the continuing education program of Xinhua University, for the periods indicated by the number of our full time students enrolled as of the end of such period.

The average tuition fee per student of our Xinhua University increased each year from 2014 to 2016, primarily because (i) the mix of undergraduate students and junior college students at Xinhua University had changed during this period with the percentage of undergraduate students increasing each year, and the tuition fees that we charged undergraduate students were higher than those we charged junior college students; and (ii) we raised tuition fees for full time students for certain majors at our Xinhua University during these years, both of which resulted in a larger increase in revenue from tuition fees compared to the increase in the total full time student enrollments. The average tuition fee per student of our Xinhua School increased each year from 2014 to 2016, primarily because we raised tuition fees for full time students for certain majors at our Xinhua School, which resulted in a larger increase in revenue generated from tuition fees compared to the increase in the total full time student enrollments.

The average boarding fee per student of our Xinhua University increased each year from 2014 to 2016, primarily as a result of increases in revenue generated from boarding fees because (i) we raised our boarding fee rates for the 2015-2016 school year due to the installment of air conditioners in student dormitories and (ii) the number of students living in the four-bed dorms (which has higher boarding fee rate) was more than the number of students living in the six-bed dorms. The average boarding fee per student of our Xinhua School increased each year from 2014 to 2016, mainly due to increases in revenue generated from boarding fees, which in turn, were primarily because (i) we raised boarding fee rates for the 2015-2016 school year; and (ii) a number of students at Xinhua School lived on campus for a longer period in 2016 because the internship schedule was postponed and students' boarding time on campus was extended, which meant that they paid additional boarding fees. In the past, students generally live off campus during their internships. The average tuition fee per student and the average boarding fee per student of our schools for the nine months ended September 30, 2017 also increased compared to the nine months ended September 30, 2016 for the same reasons as described above.

As of September 30, 2017, we had an aggregate of approximately 22,670 and 5,360 full time students enrolled at Xinhua University and Xinhua School, respectively. In addition, we also offer continuing education programs at Xinhua University. As of September 30, 2017, we had an aggregate of 5,605 students enrolled in the continuing education program of our Xinhua University. Both of our schools are boarding schools with on-campus dormitories. As of September 30, 2017, our campus occupied approximately 820,777.29 sq.m. of land and we occupied 59 buildings with an aggregate gross floor area of approximately 360,159.77 sq.m.. Our school facilities include classrooms, laboratories, practical training studios, multi-media classrooms, administrative offices 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 steady growth since our inception.

Student Enrollment and Capacity

During the course of our operations, we have sought to capture growth opportunities in terms of the demand for talents with applicable skills. As a result, we have experienced steady growth in full time student enrollments during the Track Record Period.

The following table sets forth information relating to the student enrollment for each of our schools as of the dates indicated:

	Student Enrollment(1)			
	School Year			
School	**2014-2015**	**2015-2016**	**2016-2017**	**2017-2018(2)**
Xinhua University				
Full time students				
Junior college program(3)	5,644	4,879	4,482	4,730
Undergraduate program(4)	14,372	15,896	17,082	17,940
Full time students subtotal	20,016	20,775	21,564	22,670
Continuing education program(5)	4,006	4,949	6,559	5,605
School Subtotal	**24,022**	**25,724**	**28,123**	**28,275**
Xinhua School				
Full time students				
General secondary vocational program	4,182	3,689	3,323	2,284
Undergraduate oriented secondary vocational program	1,197	1,363	1,424	1,618
Five-year junior college oriented secondary vocational program(6)	1,103	1,496	1,525	1,458
School Subtotal(7)	**6,482**	**6,548**	**6,272**	**5,360**
Total	**30,504**	**32,272**	**34,395**	**33,635**

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 December 31 to present student enrollment for each school year other than 2017-2018 school year.

(2) Student enrollments for the 2017-2018 school year in the above table were as of September 30, 2017.

(3) Junior college program includes (i) three-year junior college program; (ii) three-year junior college program under the international cooperation program; and (iii) students who have enrolled in the five-year junior college oriented secondary vocational program in Xinhua School commencing their last two school years of the junior college education at Xinhua University. For details of the five-year junior college oriented secondary vocational program, please refer to note 6.

(4) Undergraduate program includes (i) four-year undergraduate program; (ii) four-year undergraduate program under the international cooperation program; and (iii) two-year junior college-undergraduate program.

(5) For continuing education program, the number of students enrolled for the relevant school year includes both March and September intake.

(6) Students who enrolled in the five-year junior college oriented secondary vocational program spend the first three school years at Xinhua School, after which they attend junior college education at Xinhua University for the last two school years.

(7) The full time student enrollments at Xinhua School decreased from 6,272 students for the 2016-2017 school year to 5,360 students for the 2017-2018 school year mainly due to our Group's strategic adjustment to allow more enrollment of undergraduate students and increase the capacity of the undergraduate programs. As all of Xinhua School's programs share the same campus and facilities with Xinhua University and the capacity of such campus and facilities was limited, based on the overall student capacity of Xinhua University and Xinhua School for the 2016-2017 school year, we strategically reduced the student enrollments of Xinhua School's general secondary vocational program for the 2017-2018 school year in order to accommodate the anticipated increases in student enrollments in Xinhua School's undergraduate-oriented program and Xinhua University's undergraduate program. Due to the limitation of our capacity, we also ceased to offer certain majors in Xinhua School during the 2017-2018 school year. In order to expand the capacity of our schools and increase the number of student enrollments of our schools going forward, we constructed additional classroom buildings and dormitories which were put into operation in September 2017, thereby increasing the overall student capacity of Xinhua University and Xinhua School to accommodate a total of 31,502 full time students and allowing us to allocate more student capacity for Xinhua School. We also intend to develop and offer new majors at Xinhua School, primarily majors that we believe have strong market demand, such as telecommunication services, hotel management, logistics management, and construction management. In particular, for the 2018-2019 school year, we intend to (i) offer three new majors under the five-year junior college oriented secondary vocational program, including reopening two majors (construction engineering and financial affairs studies) which we temporarily ceased to offer in the 2017-2018 school year; and (ii) offer five new majors under the general secondary vocational education program, including reopening two majors (computer application and apparel design and craft), which we temporarily ceased to offer in the 2017-2018 school year. In addition, the government of Anhui Province has promulgated a number of regulations to encourage and support secondary vocational education in Anhui Province, including maintaining certain ratios between the respective numbers of secondary vocational school students and regular secondary school students. Based on the foregoing, our Directors do not believe that the recent decline in Xinhua School's student enrollment is likely to continue.

We generally require all students enrolled in our full time formal education programs at Xinhua University and Xinhua School to live on campus. As a result, our full time student capacity is limited by the number of beds available in student dormitories at each of our schools. Accordingly, the full time 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 full time student capacity and school utilization rate for each of our schools for the school years indicated:

	Student Capacity(1)(2)				**School Utilization Rate%**			
	School Year				**School Year**			
School	**2014-2015**	**2015-2016**	**2016-2017**	**2017-2018(3)**	**2014-2015**	**2015-2016**	**2016-2017**	**2017-2018(3)**
Xinhua University	**22,312**	**22,312**	**23,988**	**27,056**	**89.7**	**93.1**	**89.9**	**83.8**
Xinhua School(4)	**4,380**	**4,104**	**4,902**	**4,446**	**79.9**	**97.0**	**86.1**	**89.1**
Total	**26,692**	**26,416**	**28,890**	**31,502**	**88.1**	**93.7**	**89.2**	**84.5**

Notes:

* We generally provide beds for our full time students. If we have empty beds, we also offer students in Xinhua University's continuing education program the option to board at the school. For each of the periods listed above, a small number of students in the continuing education program at Xinhua University also lived on campus.

* The full time student capacity 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 December 31 to present full time student enrollment for each school year other than 2017-2018 school year.

(2) Our schools are boarding schools. The capacity for full time student enrollment is primarily restricted by the number of beds available in student dormitories. In addition, the capacity for full time student enrollment at Xinhua University and full time student enrollment at five-year junior college oriented secondary vocational program of Xinhua School is also restricted by student enrollment quota approved and adjusted by the relevant PRC education authorities. For the 2014-2015, 2015-2016, 2016-2017 and 2017-2018 school years, the admission quota approved by relevant PRC education authorities for the junior college program of our Xinhua University is 2,000, 1,700, 1,600 and 1,600, respectively. The admission quota approved by relevant PRC education authorities for the undergraduate program of our Xinhua University is 4,700, 5,000, 5,100 and 5,150, respectively, for the same school years. For the 2014-2015, 2015-2016, 2016-2017 and 2017-2018 school years, the admission quota approved by relevant PRC education authorities for the five-year junior college oriented secondary vocational program of our Xinhua School is 570, 600, 450 and 540, respectively.

(3) The full time student capacity and school utilization rate for the 2017-2018 school year in the above table were as of September 30, 2017.

(4) During the Track Record Period, we only provided beds in dormitories to students enrolled in general secondary vocational program of Xinhua School during the first two school years and for the third school year these students generally left school for internships and did not board on campus. The utilization rates of Xinhua School are calculated after excluding the students who did not board on campus during the school years. For the 2014-2015, 2015-2016, 2016-2017 and 2017-2018 school years, the total numbers of students who lived on campus at Xinhua School were 3,499, 3,981, 4,219 and 3,961, respectively, resulting in utilization rates of approximately 79.9%, 97.0%, 86.1% and 89.1%, respectively, for the same school years.

Tuition Fees and Boarding Fees

We typically charge our students fees comprising tuition fees and boarding fees. During the Track Record Period, we raised tuition fees for full time students for certain majors at our schools to reflect our increased operating costs. During the Track Record Period, we raised tuition fees for certain majors at Xinhua University for the 2014-2015 school year, 2016-2017 school year and 2017-2018 school year. We have also raised tuition fees for full time students for certain majors at Xinhua School for the 2014-2015 school year, 2015-2016 school year and 2016-2017 school year. New tuition rates are only applicable to newly enrolled students. The tuition rates for full time students who have already enrolled at our schools will remain unchanged. At Xinhua University, it is our mandatory policy for students who enrolled in three-year junior college program and four-year undergraduate program to live on-campus, though we only generally provide beds in dormitories to students enrolled in the general secondary vocational program during the first two school years. For students who are enrolled in the continuing education program, we generally do not require them to board on campus. During the Track Record Period, a small number of students in the continuing education program lived on campus each year. For the 2014-2015, 2015-2016, 2016-2017 and 2017-2018 school years, we charged boarding fees per student admitted in the relevant school year ranging between RMB800 to RMB1,200, RMB1,000 to RMB1,500, RMB1,000 to

RMB1,500 and RMB1,300 to RMB2,000, respectively, for students at Xinhua University. As of the same school years, we charged boarding fees of RMB600 per student per semester for students at Xinhua School. The boarding fee rates we charged per student per school year for students in the continuing education program are the same as full time students in Xinhua University for the same school years.

The following table sets forth the tuition fee information for our schools for the school years indicated:

	Tuition Fee(1) (RMB)			
School	**2014-2015 school year**	**2015-2016 school year**	**2016-2017 school year**	**2017-2018 school year**
Xinhua University				
Four-year undergraduate Program(2)(3)	11,000-22,000	11,000-20,000	12,100-20,000	15,100-25,000
Three-year junior college program(4)	7,000-18,000	7,000-18,000	7,700-18,000	10,700-21,000
Continuing education program	1,200-8,900	1,200-8,900	1,200-8,900	1,200-8,900
Xinhua School				
General secondary vocational program	3,600-4,000	4,000-5,000	5,200-7,600	5,200-7,600
Undergraduate oriented secondary vocational program	4,200	5,200	8,000	8,000
Five-year junior college oriented secondary vocational program	4,500	6,000	8,000	8,000

Notes:

(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) The high-end of the tuition fee range for the four-year undergraduate program of Xinhua University decreased from RMB22,000 per student per school year in the 2014-2015 school year to RMB20,000 per student per school year for the 2015-2016 and 2016-2017 school year mainly because we ceased to admit new students for the animation major under the international cooperation program in these school years, which constituted the high-end of the tuition fee range.

(3) The tuition fee range of the four-year undergraduate program includes (i) undergraduate program; and (ii) undergraduate program under the international cooperation program.

(4) The tuition fee range of three-year junior college program includes (i) junior college program; and (ii) junior college program under the international cooperation program.

For the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017, tuition fees from our schools accounted for approximately 89.5%, 89.4%, 89.2% and 88.1% of our total revenue, respectively, while boarding fees accounted for the remainder. We generally require students at Xinhua University to pay tuition fees and boarding fees for the entire school year at the beginning of the school year and students at Xinhua School to pay tuition fees and boarding fees for the entire school semester at the beginning of each of the two school semesters, which begin in March and September of each year. We recognize tuition fees and boarding fees proportionately over a nine-month and 12-month period, respectively. Prior to 2017, we were required to obtain the prior approvals of the Education Department and Price Bureau of Anhui Province before raising tuition fees and boarding fees for our full time students. Beginning in September 2017, Xinhua University became one of the only six private higher education institutions in Anhui Province which are not subject to prior approval for tuition fee increases. These schools are only required to make a filing with the Education Department and Price Bureau of Anhui Province. Requests to raise tuition fees and boarding fees in Xinhua School are still subject to the approval of the Price Bureau of Hefei City.

Student Withdrawals and Refund

In the event that a full time student withdraws during the school year, we have refund policies in place at each of the schools we operate, setting forth the percentage of tuition fees and boarding fees that can be refunded to such student based on when during the school year he or she leaves the school. These policies were formulated pursuant to *The Law for Promoting Private Education of the PRC* (中華人民共和國民辦教育促進法) and *The Interim Measures on Regulating Tuition Fees Charges by Private Education Providers* (民辦教育收費管理暫行辦法). For example, the refund policy for the full time education program of Xinhua University is as follows: if a student withdraws from the school (i) within 15 days of the commencement of the current school year, 90% of the tuition fees and boarding fees will be refunded; (ii) after 15 days but within 30 days of the commencement of the current school year, 70% of the total tuition fees and boarding fees will be refunded; (iii) after 30 days but within 60 days after the commencement of the current school year, 50% of the total tuition fees and boarding fees will be refunded; and (iv) after 60 days of the current school year, neither tuition fees nor boarding fees will be refunded. The refund policy for the continuing education program of Xinhua University is as follows: if a student in the self-taught examination preparation program or online distance education program withdraws from the school (i) within one month of the commencement of the current school year, 80% of the tuition fees and boarding fees will be refunded; (ii) after one month but within two months after the commencement of the current school year, 60% of the tuition fees and boarding fees will be refunded; (iii) after two months but within three months after the commencement of the current school year, 50% of the tuition fees and boarding fees will be refunded; and (iv) after three months of the current school year, no tuition fees nor boarding fees will be refunded. The adult higher education program of the continuing education program follows the same refund policy with Xinhua University’s full time education program. The refund policy for Xinhua School is as follows: if a student withdraws from the school (i) the day of the commencement of the current school year, 100% of the tuition fees and boarding fees will be refunded; (ii) within 15 days of the commencement of the current school year, 90% of the tuition fees will be refunded; (iii) after 15 days but within 30 days of the commencement of the current school year, 50% of the total tuition fees will be refunded; and (iv) after 30 days of the current school year, no tuition fees nor boarding fees will be refunded.

The following table sets out the number of full time students who dropped out of our schools for the school years indicated:

School	Number of full time students dropped out — School Year 2014-2015	2015-2016	2016-2017	2017-2018[1]
Xinhua University	56	61	62	9
Xinhua School	66	54	27	16
Total	122	115	89	25

Note:

(1) The number of full time students dropped out for 2017-2018 school year was as of September 30, 2017.

The table below sets forth the amount of tuition fees and boarding fees refunded to the full time students by our schools for the periods indicated:

	Tuition Fee and Boarding Fee Refunded			
	Year ended December 31,			Nine months ended September 30,
School	**2014**	**2015**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Xinhua University	190.7	307.1	244.3	157.3
Xinhua School	133.3	145.2	171.9	150.3
Total	324.0	452.3	416.2	307.6

Xinhua University

Overview

Xinhua University is a formal university-level education institution providing formal undergraduate education, junior college education and continuing education focused on applied sciences whose predecessor, Anhui Xinhua Vocational College, was established in 2000. After satisfying relevant standards established by the PRC educational authorities for higher education institutions qualified to grant bachelor's degrees, Xinhua University became the first private university in Anhui Province entitled to provide undergraduate education in addition to junior college education in 2005.

As of September 30, 2017, Xinhua University had a total of approximately 22,670 full time students under enrollment and employed approximately 790 teachers. Xinhua University is open to PRC citizens and generally recruits students from Anhui Province and other areas in the PRC.

Major Offerings

Xinhua University offers 82 majors to its full time students through its 11 colleges. We have established a number of clusters of majors based on the key developing industries in Anhui Province. These majors cover a comprehensive range of specialized fields of study, such as accounting, internet finance, internet of things engineering, electronic communication engineering, logistics management, e-commerce, civil engineering, architecture, business English, journalism, advertising, pharmaceuticals and animation. Among the 82 majors, 58 are undergraduate majors and 24 are junior college majors. We review and adjust our major offerings in accordance with changes in market demand. Among the majors that our Xinhua University offers, 6 majors such as communication engineering, civil engineering and computer science and technology have been recognized as "provincial specialty majors" and five majors including logistics management, information and computing science, network engineering, environmental engineering and measurement techniques and instrumentation, have been approved as new major development projects of the "provincial revitalization plan". In addition, our Xinhua University also offers an online distance education program in cooperation with some public universities in the form of off-campus learning center (校外學習中心), adult higher education program and self-taught examination preparation program (自考助學), which are part of our continuing education programs.

Continuing Education Program

In addition to the three-year junior college program and the four-year undergraduate program, our Xinhua University also provides a continuing education program to adult students not registered as our full time students. Upon completion of relevant courses and passing required exams, students who enrolled in such program will be awarded bachelor's degrees or junior college diplomas. The number of students to enroll in the online distance education program and self-taught examination preparation program is not restricted by any student enrollment quota. While the number of students we are able to admit for enrollment in the adult higher education program is generally subject to the relevant education authorities' approval. Our continuing education primarily comprises the following programs:

- *Online Distance Education Program (網絡遠程教育):* we have been approved to serve as the off-campus learning center (校外學習中心) in Anhui Province for online distance education programs operated by other public higher education institutions in China such as the School of Continuing Education and Teacher Training of a leading public university in the PRC, Northwestern Polytechnic University (西北工業大學) and Nankai University (南開大學), which provide students with online courses for their undergraduate education, junior college education or junior college-undergraduate education depending on the program they enrolled in. Under the agreements we entered into with these universities, we assist the universities in recruiting high school graduates or junior college graduates, as the case maybe, for such online distance education programs. Those cooperative universities would normally determine the curricula and courses to be offered to students and conduct distant teaching activities through their online network. Students will be awarded bachelor's degrees or junior college diplomas by the cooperative universities upon their completion of the relevant courses and passing the required exams. We have agreed with these universities to share a certain percentage of the tuition fees from these programs. Our online distance education program covers a variety of majors, including, among others, pre-school education, e-commerce, accounting, finance, management administration and civil engineering. The cooperative universities determine the number of students for enrollment. For the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017, the total number of students admitted by the cooperative universities for enrollment in the online distance education program under cooperation with us was 1,189, 1,247, 1,550 and 2,083, respectively.

- *Adult Higher Education Program (成人高等教育):* Our adult higher education program primarily offers part time junior college education to students, with an academic duration of approximately two and half years. We offer five majors in this program, including automobile inspection and maintenance technology, accounting, art and design, business administration and e-commerce. Xinhua University will grant junior college diplomas to participating students upon their completion of required courses and passing relevant exams.

- *Self-taught Examination Preparation Program (自考助學):* In 2012, Xinhua University was approved by Anhui Education Examinations Authority (安徽省教育招生考試院) as the first higher education self-taught examination service center (高等教育自學考試學習服務中心) in Anhui Province to provide self-taught examination preparation programs to students. For students who have completed the full time junior college education or bachelor's degree program in Xinhua University, they are eligible to enroll in the self-taught examination preparation program. The majors that our Xinhua University offers under this program primarily include, among others, international business and trade, architecture, computer application and technology, accounting, marketing and animation. We will provide students with self-study courses. The universities that administer relevant self-taught examinations will award students with bachelor's graduation certificates upon their completion of self-taught courses and passing the required exams. Students are able to apply for bachelor's degrees awarded by such universities that administer the self-study examinations if they have met the academic conditions and requirements of these universities.

Junior College-Undergraduate Program

Xinhua University also has a two-year junior college-undergraduate program, allowing students who have obtained a junior college degree to enroll in an undergraduate program to study undergraduate courses and obtain a bachelor's degree awarded by Xinhua University, subject to, among others, passing required exams. For students applying for this program, we have autonomous enrollment policies in place and arrange entrance exams for these students. We currently offer two majors for students in such program, namely international economics and trade as well as civil engineering.

International Cooperation Programs

In order to provide our students with access to overseas educational environments, Xinhua University has established academic cooperation with several universities abroad, including the University of Sunderland in the U.K. (英國桑德蘭大學), the Southern New Hampshire University in the U.S. (美國南新罕布什爾大學) and two other universities in the U.S.. Under the cooperation with these institutions, Xinhua University has offered to students several specific majors, which include financial management, economics and finance, financial management and practice, software engineering, business English, animation and computerized accounting . As of the Latest Practicable Date, over 300 students from Xinhua University have attended these courses. The academic duration of such program generally lasts for three to four years. Under such cooperation, Xinhua University is responsible for student enrollment, and students are required to complete relevant courses stipulated by Xinhua University for their junior college education or undergraduate education, upon which Xinhua University will award them junior college diplomas or bachelor's degrees. These overseas universities will recognize the credits obtained by students at Xinhua University. Upon completing the agreed additional length of study (typically one year) at these overseas universities, students are able to obtain degrees granted by these overseas universities. These cooperative universities develop and implement their own teaching plans and syllabus and do not send teaching staff, administrative staff and other personnel to Xinhua University to participate in teaching activities in China.

Exchange Programs

In order to provide our students with necessary exposure to various cultures and opportunities to seek education outside the PRC, we have entered into letters of intent with two universities in Malaysia and entered into cooperative agreements with a university in Poland and a university in Taiwan to establish exchange programs. These exchange programs allow our students to visit and study in these schools for a term of one semester or one year according to the agreements. For instance, in 2014 we entered into an agreement with the University of Information Technology and Management in Rzeszow, Poland for a term of five years regarding the exchange program, pursuant to which (i) the two universities allowed selected undergraduates to study at each other's university for one semester or one year; (ii) students selected by Xinhua University for this exchange program were required to meet certain academic requirements and pass certain English tests; (iii) both universities agreed to arrange accommodation for exchanged students; and (iv) all the exchanged students were not required to pay extra tuition fees to either university for such program but they should afford boarding fees and living expenses themselves. As of the Latest Practicable Date, 26 students from Xinhua University have participated in these exchange programs.

Graduation and Employment

During the Track Record Period, Xinhua University has achieved high initial employment rates for full time graduates. For the 2014-2015, 2015-2016, 2016-2017 school years, Xinhua University had 5,197, 5,401 and 5,487 graduates of its full time courses, respectively, and the initial graduate employment rates of such students were approximately 96.4%, 96.1% and 94.4%, respectively. In contrast, the initial graduate employment rates for higher education in China were approximately 77.7%, 77.9% and 78.4%, respectively, for the same school years, according to Frost & Sullivan. The following table sets forth the number of graduates and initial employment rates for the full time graduates from Xinhua University by program for the school years indicated:

	Number of Graduates and Initial Employment Rate					
	School Year					
	2014/2015		2015/2016		2016/2017	
Type of Graduates	Number of Graduates	Initial Employment Rate	Number of Graduates	Initial Employment Rate	Number of Graduates	Initial Employment Rate
		(%)		*(%)*		*(%)*
Three-year junior college program	2,200	96.1	1,831	95.3	1,713	94.9
Four-year undergraduate program	2,997	96.6	3,570	96.4	3,774	94.1
Total	5,197	96.4	5,401	96.1	5,487	94.4

Due to our dedication to developing students' practical skills, our achievement in graduate placements has been well-recognized. For example, Xinhua University has been recognized as an Advanced Graduate Employment Higher Institution of Anhui Province (安徽省普通高校畢業生就業工作先進集體) six times. Furthermore, in 2009, Xinhua University became one of the first batch of 50 higher education institutions to be recognized by the MOE for its achievement in graduate employment (全國畢業生就業工作典型經驗高校50強).

School-Enterprise Collaboration Programs

Xinhua University has developed meaningful industry connections and has established school-enterprise collaboration programs to combine resources from the school and third-party enterprises and institutions to create an educational environment that blends academic teaching with practical training. Xinhua University has collaborated with over 65 enterprises and jointly established workplace simulation training bases both within and outside the school, among which one is a national level university student external workplace education base, and four are provincial level school-enterprise cooperation education bases. We collaborate with enterprise partners engaged in telecommunications, pharmaceutical engineering and computer science and engineering, among others in various aspects to give our students and teachers both academic and practical experience in their fields of interest. These aspects include, among others, designing applied majors, developing applied curriculum and teaching materials, cultivating multi-talented teachers, having classes taught by outside industry experts at our school and constructing workplace simulated training laboratories.

For example, the curriculum and teaching materials of our electronic communication engineering major are jointly designed by our electronic communication engineering college and certain communication companies that are our enterprise partners. Instead of using unified textbooks generally used in other universities, we use these self-designed, practical and reader-friendly textbooks in our classes to facilitate our students to acquire applied knowledge. In addition, to give students ample opportunities to perfect their practical knowledge and skills, we have constructed numerous laboratories at the schools we own and operate. These laboratories provide enterprise-like simulated training environments and offer specific task-oriented training programs so that our students can seamlessly transition from in-class learning to obtaining real work-like experience. In order to better prepare our students to face challenges professionally after graduation and provide them with better job prospects, certain of our major courses are taught in the form of simulation training. During the Track Record Period, we entered into cooperation agreements with over 40 enterprises and have established eight cooperative courses with these partners.

Our Xinhua University generally selects enterprise partners with strength in their industries and enters into cooperation agreements with them to realize mutual benefits in terms of production, academics and research. For example, we entered into an industry-academics-research cooperative agreement (產學研合作協議) with an e-commerce company from Anqing, Anhui Province. We believe that such cooperation was developed by integrating our strength in e-commerce and information engineering majors to cooperate with the enterprise in high-technology industries. Under such agreement: (i) Xinhua University was allowed to make use of the resources provided by the e-commerce company and cultivate students in accordance with the company's demands; (ii) the e-commerce company agreed to provide internship and employment opportunities to students from Xinhua University; (iii) the e-commerce company also agreed to recommend experienced technicians or managers to be part time teachers at our university; and (iv) teachers from Xinhua University were allowed to conduct practical training at the e-commerce company and such company would cooperate with Xinhua University to undertake research projects concerning technology development and upgrades, as a result of which the company will also benefit from our school's research capabilities.

One of the major types of cooperation with enterprises that contributes to our employment rates is the outsourced work arrangements (校企合作訂單班培養學生). We have entered into cooperation agreements with over 40 business entities regarding the establishment of outsourced work arrangements at the Xinhua University or the premises of these business entities. Through such arrangements, 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 the relevant business entity. Our teaching faculty and representatives from such business entities will complete teaching tasks together. For example, Xinhua University has entered into a cooperation agreement with a food industry company from Jiangsu Province regarding the employer-tailored training of students. Under such agreement, the parties jointly established a cooperative cultivation class and the company selected well-qualified students majoring in mechatronics, logistics and finance to join such class. The company agreed to grant subsidies to at least 20% of students enrolled in the class with outstanding academic performance. The amount of student subsidies is RMB600 for each student. Students enrolled in the cooperative cultivation class were required to study at Xinhua University for two academic years and work at the company as interns for the remaining school years. The company agreed to provide employment opportunities to students with outstanding performance. If students from the class successfully join the company and work for a year, the company has also agreed to reimburse the tuition fees for such students.

Another type of cooperation is the joint establishment of internship bases and practical training bases. In general, each school year Xinhua University designates a certain number of students to participate in internships at the cooperative enterprises. The enterprises also assign relevant representatives to supervise and instruct students' work during the internship period. Xinhua University has also jointly established a number of practical training centers at our campus with enterprise partners from various industries. For example, cooperating with a scientific and technological company in Beijing, we jointly established an iPhone operating system (IOS) software development training center at Xinhua University. We provide premises to carry out the training relating to IOS software development engineering. The company provides equipment such as iMac computers and other essential software for such training and it also designates relevant engineers to provide guidance to students' practical training in relation to IOS software development.

Moreover, our collaboration arrangements not only benefit our students but also our teachers. Our cooperative agreements generally contain terms pursuant to which our enterprise partners will provide practical training opportunities to teachers in Xinhua University. In some cases our teachers play an important role in our collaboration with enterprise partners. For example, Xinhua University entered into a cooperation agreement with an engineering technology company, pursuant to which our teachers in Xinhua University will provide Building Information Modeling (BIM) training to students in the BIM laboratory co-established and co-managed by Xinhua University and the engineering technology company with the aim of helping the students to prepare for the relevant national certification exam. Under this arrangement, our teachers are trained by the engineering technology company to improve their professional and teaching skills. We also encourage our teachers to get involved in external projects through which they are able to accumulate relevant industry experience and enhance their professional skills. For example, our teachers in the civil and environmental engineering college of Xinhua University undertook approximately ten design and research projects with external entities and our teachers in the college of pharmaceutical studies at Xinhua University conducted research projects with a pharmaceutical company and obtained relevant national patents. We believe this practice will bring mutual benefits to our teachers and students when our teachers are able to improve their teaching quality through enhancing their own practical skills and enriching their own industry experience. We also believe the valuable platform we provide to our teachers enables us to attract and retain high-quality teachers.

Xinhua School

Overview

Xinhua School is a secondary vocational school established in 2002. It primarily provides general secondary vocational education, five-year junior college oriented secondary vocational education and undergraduate oriented secondary vocational education.

As of September 30, 2017, Xinhua School had a total of approximately 5,360 students under enrollment and employed approximately 155 teachers. Xinhua School shares the premises with Xinhua University. Xinhua School is open to PRC citizens and generally recruits students from Anhui Province.

Major Offerings

Xinhua School mainly focuses on the provision of specialized secondary vocational education. In particular, it provides students with general secondary vocational education programs and undergraduate oriented secondary vocational education programs, both of which have a duration of three academic years. Our Xinhua School currently offers three majors under the general secondary vocational program, including computer graphic design, e-commerce and automobile application and maintenance. It offers six majors under the undergraduate oriented secondary vocational program, including computer application, accounting, e-commerce, social culture and arts, apparel design and technology and application of electromechanical technology. For the five year junior college oriented secondary vocational education program, our Xinhua School currently offers seven majors, including computer application, computer graphic design, computer animation and game design, e-commerce, accounting, application of electromechanical technology and automobile application and maintenance. Xinhua School adopts standard secondary vocational school textbooks, and maintains a balance between theoretical and practical classes.

General Secondary Vocational Education Program

Xinhua School mainly focuses on providing general secondary vocational education programs to its students. As of September 30, 2017, Xinhua School had a total of approximately 2,284 students enrolled in its general secondary vocational education program. Apart from the compulsory academic courses such as Chinese, mathematics and English, we provide students enrolled in the general secondary vocational education program with various mandatory major-related courses, such as sketching, color composition and advertising design for students majoring in computer graphic design, internet marketing, e-commerce logistics management and commercial website design for students majoring in e-commerce, as well as basic knowledge of vehicle mechanics, vehicle structure and inspection and second-hand automobile evaluation for students majoring in automobile application and maintenance. In addition, we also provide students with a variety of elective courses such as photography, social etiquette, modern dance, basketball and speech and eloquence, and simulation training courses such as Photoshop intensive training, website design and automobile awareness and training.

Undergraduate Oriented Secondary Vocational Education

In addition to vocational training, Xinhua School provides courses tailored to students who are interested in participating in the National Higher Education Entrance Exam for further study in college. As of September 30, 2017, Xinhua School had a total of 1,618 students enrolled in the undergraduate oriented secondary vocational program. We provide students enrolled in undergraduate oriented secondary vocational education with compulsory academic courses, including, among others, Chinese, English and mathematics and certain theoretical courses. Upon completion of our courses in Xinhua School, our students are eligible to participate in the higher education entrance exam that is targeted for applied sciences as well as the ordinary National Higher Education Entrance Exam.

Five-year Junior College Oriented Secondary Vocational Education Program

We encourage our students in Xinhua School to further their study after graduation. In particular, students in our Xinhua School have enjoyed benefits from Xinhua School's cooperation with Xinhua University. Our Xinhua School provides a five-year junior college oriented secondary vocational program. Students enrolled in this program will have three years of secondary vocational training at Xinhua School, after which they will have two years of junior college education at Xinhua University. Xinhua University will award them a junior college diploma upon their graduation. As of September 30, 2017, Xinhua School had a total of 1,458 students enrolled in its five-year junior college oriented secondary vocational education program.

Graduation and Employment

For the 2014-2015, 2015-2016, 2016-2017 school years, Xinhua School had 1,814, 2,133 and 2,124 graduates, respectively, among which, 1,803, 2,048 and 2,057 graduates found employment upon graduation and the initial employment rates of its graduates were approximately 99.4%, 96.0% and 96.8%, respectively.

In addition to finding employment, for the 2014-2015, 2015-2016, 2016-2017 school years, 143, 314 and 423 students, respectively, who graduated from Xinhua School have successfully applied for and were admitted to junior college programs or undergraduate program in Xinhua University, accounting for approximately 7.9%, 14.7% and 19.9% of graduates, respectively, for the same school years.

School-Enterprise Collaboration Programs

Through cooperative agreements we have entered into with certain enterprise partners, we implement a "half-classroom, half-workshop" ("半工半讀") approach for our students in Xinhua School. Through this approach, our students will intern and practice what they have learned in class in the workplace of our enterprise partners, where they are tutored by employees of those enterprise partners. We believe that this approach has enabled our students to gain a deeper understanding of their theoretical knowledge and build up practical experience. Moreover, these enterprise partners, who are generally highly competitive players in their respective industries, agree to provide employment opportunities to our students with outstanding performance in the workplace. For instance, we entered into an agreement with a production-oriented company located in Chuzhou, Anhui Province in August 2017. Under such agreement, the company agreed to accept students from Xinhua School to intern at the company as production line operators. During the internship period, for every 70 students who attended the internship, the company agreed to assign an on-site administrator to supervise their work. The company was required to provide meal subsidies and a certain amount of internship subsidies to our students. For students with outstanding performance during the internship period, the company also agreed to provide employment opportunities to them.

PLANNED ADDITIONAL SCHOOLS

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 degree-granting higher education institution in the State of Florida, the U.S. We have engaged an agent who has experience in post-secondary education to assist us in establishing Xinhua US in the State of Florida, and filing applications with the CIE regarding the establishment of the American College, a higher education institution, in Florida, the U.S. On August 22, 2017, Xinhua US was established in the State of Florida by the agent, and it became our subsidiary on October 24, 2017 to operate and manage the American College. On August 29, 2017, we filed an application for a provisional license for the American College with the CIE. On December 27, 2017, we received the approval and the provisional license granted by the CIE to the American College for a period of one year. Under the provisional licensure, the American College may advertise, recruit students, accept fees and tuition from or on behalf of students and hold classes, but may not actually award a degree or a credential requiring one year or more to earn. The American College must attain an annual license before awarding degrees or other credentials or seeking the CIE's approval to add or substantially modify programs or to add locations. Accordingly, our American College has started operation and recruiting students for the 2018-2019 school year, primarily for three undergraduate majors, namely automotive dealership management, marketing and software engineering. The American College is expected to receive the first batch of student enrollment in September 2018.

In addition, in connection with our application submitted to the CIE for the approval to establish our new school in Florida, on September 14, 2017, we and Keiser University in the U.S. entered into an articulation agreement which contains detailed terms of our collaboration with Keiser University for offering bachelor's degree programs at the campus provided by Keiser University where students can obtain a degree awarded by the American College after completing such programs. Xinhua US, our wholly-owned subsidiary which was incorporated in the State of Florida of the U.S., will be responsible for the daily operation and management of our American College, while Keiser University shall provide campus and personnel to teach in our American College. The American College is responsible for collecting tuition fees, boarding fees and educational material fees. The American College is entitled to 50% of total tuition fees and other fees collected and shall transfer 50% of the total tuition fees and other fees collected to Keiser University within 45 days after the commencement of each school year. The agreement is for a period of ten years and maybe renewed upon mutual agreement by both parties in writing.

For the establishment of the American College, we expect to incur approximately US$416,800 as the total investment, among which, approximately US$16,800 has been expended as of the Latest Practicable Date, approximately US$2,000 to be paid in 2018 for registration fees in connection with our establishment of American College, approximately US$100,000, US$200,000 and US$98,000 to be paid in 2019, 2020 and 2021, respectively, which will primarily be used to pay for properties, including land and buildings we occupy, and compensation for teachers. Our expected payback period, which refers to the period of time required to recover our expected total investment for our American College, is approximately five years. The expected breakeven period, which refers to the period of time required for our American College to generate revenue equal to its cost of sales and other operating expenses for the first time, is approximately two years. Our expected investment return for American College is approximately

30.0%, representing the internal rate of return after discounting (i) the school's future net cash flow from operating activities; and (ii) the Group's total investment in American College, to their present values.

School of Clinical Medicine

The School of Clinical Medicine, which was established in 2003, was an independent college of Anhui Medical University approved by the MOE. In June 2017, Anhui Medical University made a public announcement that it was seeking a cooperative partner to jointly operate its affiliated School of Clinical Medicine with the eventual goal of converting the School of Clinical Medicine into a school owned and operated solely by the cooperative partner. In June 2017, we submitted an application to be Anhui Medical University's cooperative partner to jointly operate the School of Clinical Medicine. On October 24, 2017, Anhui Medical University announced that our Group was selected as its first choice of cooperative partner.

On November 20, 2017, we entered into a formal agreement with Anhui Medical University for a term of three years to jointly operate the School of Clinical Medicine. As required under this agreement, we have paid approximately RMB196.0 million in cash as a prepayment to Anhui Medical University. Under this agreement, we are responsible for providing, among others, the school's venue, including dormitories, canteens, laboratories, teachers and management personnel and satisfying the conditions for operating such school by September 1, 2020 as stipulated in the *Temporary Regulations on the Establishment of Ordinary Undergraduate Colleges*. According to the agreement, for the pre-existing students enrolled at the School of Clinical Medicine prior to this agreement, Anhui Medical University is responsible for their education and awarding them bachelor's degrees and graduation certificates upon their graduation. In addition, Anhui Medical University is also responsible for (i) assisting the School of Clinical Medicine to obtain relevant approvals from MOE to complete the conversion from an independent college to a higher education institution independently owned and operated by us; and (ii) assisting the School of Clinical Medicine in its daily operation during the cooperation period and assisting the School of Clinical Medicine to conduct teaching activities for undergraduate students enrolled in September 2018. In addition, we have agreed to provide requisite education and accommodation facilities for 800 to 1,000 students at the School of Clinical Medicine by April 2018. According to the agreement, we are entitled to the tuition fees relating to those students admitted in the 2018-2019 school year and thereafter and we are responsible for the operations of the new campus. Anhui Medical University is entitled to a fixed management fee each year in the amount of 20% of the tuition fees generated from students who are recruited in the name of the School of Clinical Medicine in the 2018-2019, 2019-2020 and 2020-2021 school years until all these three batches of students have graduated. The management fee shall be paid to Anhui Medical University within one month after the commencement of each school year. If we fail to pay the management fee on time as stipulated in this agreement, we are required to pay a penalty to Anhui Medical University at a rate of 0.5‰ per day based on the annual management fees that Anhui Medical University is entitled to.

We have also agreed that, during the cooperation period, the Board of the School of Clinical Medicine shall consist of seven members and the chairman of the Board shall be appointed by us. The principal of the School of Clinical Medicine shall be recommended by Anhui Medical University to the Board and be appointed upon the Board's approval. The Board of the School of Clinical Medicine will be dismissed after the School of Clinical Medicine has successfully converted to a higher education institution independently owned and operated by us.

Anhui Medical University may terminate the agreement by giving us a three-month notice in writing if we fail to fulfill the request for overdue payment over three months or violate other terms of the agreement during the performance of this agreement. If the agreement is terminated due to our breach, the management fees and the consideration we have paid to Anhui Medical University in the cooperation period will not be refunded. See "Risk Factors – We do not have any prior experience with operating a school in cooperation with a third-party partner. We may encounter difficulties that may cause the new campus to be not as successful as we expect. In addition, if government approvals for the proposed conversion of the School of Clinical Medicine are not granted, we may not be able to implement our growth strategies or recover our investments relating to the establishment of a new campus of this school".

The total number of students that the School of Clinical Medicine is able to admit for enrollment is subject to the admission quota which is granted and adjusted by relevant provincial education authorities for each school year.

We are in the process of applying for the land use right to establish the new campus under the School of Clinical Medicine and expect to obtain the approval in 2018. We will construct the new campus in phases and expect the capacity of the new campus will eventually be approximately 10,000 students. Before phase one of the new campus is put into use, which is expected to take place in September 2019, as a temporary measure, we plan to accommodate the students recruited in the name of the School of Clinical Medicine for school year 2018-2019 at our campus of Xinhua University, which we believe is able to accommodate 800-1,000 students as required under the agreement by April 2018. After phase one of the new campus is completed, we expect the capacity of the new campus will be approximately 3,500 students, which we believe is able to accommodate students recruited in the name of the School of Clinical Medicine for the relevant school year without using our campus of Xinhua University.

For the establishment of the new campus under the School of Clinical Medicine, we expect to incur approximately RMB746.0 million as total investment, among which, approximately RMB196.0 million in cash as a prepayment has been paid as required under the agreement we entered into with Anhui Medical University, approximately RMB120.0 million relating to land costs is expected to be paid in 2018 and approximately RMB100.0 million, RMB100.0 million, RMB130.0 million and RMB100.0 million are expected to be paid each year from 2018 to 2021, respectively, for establishing the new campus, including the construction of classroom buildings, dormitories, canteens and other requisite school facilities under the School of Clinical Medicine. We expect to fund the establishment of the new campus by utilizing cash flow generated from our operations. Our expected payback period, which refers to the period of time required to recover our expected total investment for the School of Clinical Medicine, is approximately eight years. The expected breakeven period, which refers to the period of time required for the School of Clinical Medicine to generate revenue equal to its cost of sales and other operating expenses for the first time, is approximately two years. Our expected investment return for the School of Clinical Medicine is approximately 15.0%, representing the total internal rate of return after discounting (i) the school's future net cash flow from operating activities; and (ii) the Group's total investment in the School of Clinical Medicine, to their present values.

We expect that our planned establishment of schools will help to increase our total revenue. As a result of the economies of scale, we expect that these additional schools will help to improve our gross profit margin. In the short term immediately following the establishment, our profitability may be negatively influenced as a result of the costs we incur in connection with the establishment of additional schools. In the long run, however, we believe that both our revenue and gross profit margin will increase as a result of our expanded business and the resulting economies of scale. We may encounter certain risks relating to our establishment of additional schools. See "Risk Factors – 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" for discussion of the material risks involved.

OUR EDUCATIONAL APPROACH

We have formulated a distinctive talent cultivation approach by taking into account the integration of industry demand and education. In order to meet market needs, we have developed the "industry-academics-research" (IAR) cooperative education concept (產學研合作教育) as our key approach in cultivating talents with applicable technical skills. We have established an IAR cooperative education working committee at our schools which collaborate with other departments such as the office of education administration, the office of employment and each secondary college to implement the IAR cooperative education plans.

In particular, we have established four platforms, including the development advisory committee (發展諮詢委員會), IAR strategic alliance (產學研戰略聯盟), IAR cooperative education working committee (產學研教育工作委員會) and the multi-participant teaching evaluation system (多方參與的教學評價系統) to optimize our schools' major offering, curriculum provision, resources sharing, team building and talent cultivation. We have developed cooperation relationships with third-party enterprises in various aspects, including, but not limited to, joint-development of applied sciences-related courses, joint-built of teaching group with both teaching and industry experience, joint-built of laboratories, internship bases and academic research platforms.

- ***Joint-formulation of talent cultivation plans***: For majors such as animation, pharmaceutical engineering, communication engineering and computer science and technology, we generally cooperate with enterprises to formulate the "excellent engineer cultivation plans" (卓越工程師教育培養計劃) and set up relevant engineer training standards.

- ***Joint-development of applied sciences-related courses***: We have set up laboratories and develop applied sciences-related curricula and text books with our enterprises partners. For instance, our college of electronic communication engineering has collaborated with a communication company from Shanghai to develop 3G/4G network optimization module courses (3G/4G網絡優化模塊課程) and jointly-design textbooks in relation to fiber optical communications.

- ***Joint-built of teaching group with "dual-capabilities" ("雙能型"教師團隊)***: We recruit teachers from relevant enterprises by taking into account both their teaching abilities as well as their industry experience and research capabilities. For example, our teachers from the college of pharmacy have cooperated with two pharmaceutical companies in researching and developing new products such as health care wine and tea oil shampoo; and our teachers from the college of civil and environmental engineering have undertaken more than 10 projects in respect of landscape design.

- ***Joint-cultivation of students with applicable technical skills***: We entered into cooperation agreements with more than 40 third-party enterprises to jointly establish workplace stimulation training studios, internship bases, training platforms and other school-enterprise cooperative classes.

In particular, our educational approach primarily comprises the following:

Employment-focused Majors and Career Planning Initiatives

We have dedicated our resources to developing comprehensive and diversified curriculums encompassing a broad range of practical major offerings. 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. We believe these majors and curriculums will be instrumental in equipping our students with readily applicable and practical skills that enable them to meet the demand of a rapidly evolving labor market.

In addition, we have been focusing on improving our career planning and guidance to our students. We have established an advisory team to provide career guidance to our students based on their respective fields of interest. To effectively expand our employment channels, we currently use an employment recommendation platform, through which enterprises are able to post their recruitment information on the website of the platform and our students are able to submit resumes or contact the enterprises to apply for the positions. After the parties have signed the employment agreements, counselors from each college of our schools will input the record to the system and generate the student employment information base and the enterprise database. Anhui Vocational Education Employment Guidance Center (安徽省大中專就業指導中心) recommended and encouraged us to use this platform. In our Xinhua School, we carry out various phased standard training and skill competitions to enhance our students' professional skills and prepare them for employment opportunities after they graduate.

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 the teachers of the relevant major.

Workplace Simulation Training Programs at Xinhua University

Xinhua University currently has 186 simulation training studios, including six provincial exemplary simulation training studios, two provincial virtual reality experimental teaching centers and one provincial talent cultivation innovation experiment zone. It is equipped with over 4,800 computers, 154 multi-media classrooms and 15 voice studios. We set forth below some examples of Xinhua University's simulation training programs:

- *Simulation training for students majoring in electronic communication engineering:* We have established a simulation training studio for electronic design automation (EDA) at Xinhua University, providing our students with opportunities to understand the application of EDA technologies through completing a series of practical training and tasks under the guidance of teachers. The practical tasks include, among others, electronic circuit design, electronic code lock design and digital stopwatch design.

- *Simulation training for students majoring in computer science and technology-related subjects:* Our Xinhua University has established a simulation training studio for computer science and technology on campus and equipped this studio with computers and professional software which are essential for conducting practical training regarding computer application technology. In order to familiarize students with the composition of computers and help them master the basic concepts of network generic cabling, we generally require each student from the college of information engineering to take one-week of simulation training in the first school year. The simulation training generally includes, among others, computer assembly, standard network cabinet assembly, network wiring and virtual machines' building and implementation.

- *Simulation training regarding civil engineering surveying:* For students majoring in civil engineering and engineering management, we generally provide them with simulation training regarding civil engineering surveying. Such simulation training provides students with opportunities to do mapping and surveying by using professional measuring and surveying instruments. We believe such training will lay a good foundation for students in solving measurement problems in actual construction work.

Workplace Simulation Training Programs at Xinhua School

Xinhua School currently has 46 simulation training studios covering various majors including automobile repair, digital control, computer, apparel, digital commerce and accounting. It is equipped with over 1,000 computers. We set forth below some examples of the Xinhua School simulation training programs:

- *Simulation training for automobile-related major*: We established a vehicle chassis inspection training studio at the campus of Xinhua School, providing students with opportunities to fully understand the structure of an automobile chassis and conduct various chassis-related practical training tasks ranging from balance calibration and four-wheel positioning to automotive suspension and transmission disassembly. We have also constructed an engine inspection training studio at Xinhua School, which is equipped with a number of models of gasoline engines and diesel engines, providing students with opportunities to understand the structure of various engines and practice engine disassembly.

- *Simulation training for e-commerce major*: We also established a well-equipped simulation training studio at Xinhua School for students majoring in e-commerce. Through our e-commerce training system, our students are able to understand and experience the electronic trading process such as opening an online store, procurement, production, supply and sales by playing different roles during the simulation training. They can simulate and act as manufacturers, customers, logistics companies and banks to experience the e-commerce process, understand the parties involved and learn the strategies for conducting online transactions, customer management, website promotion and other e-commerce services.

- *Simulation training for computer technology-related major*: We set up a computer simulation training studio at Xinhua School and equipped this studio with approximately 1,000 computers and various professional software used for picture processing and computer animation. The simulation training is designed with an aim of reinforcing the integration of theoretical knowledge with practical skills. Through the simulation training, students are able to learn and practice their skills in programming, database application, website creation, website design and computer assembly, to improve their strengths and competitiveness for future employment.

Students and Student Recruitment

We believe the reputation of our schools, the high average initial employment rate of our graduates, the quality of our curriculums, the diversity of our major offerings and the qualification of our teachers are key elements that attract our prospective students. In order to be enrolled at our Xinhua University, generally students are required to take the PRC National Higher Education Entrance Exam, achieve the required total score for Xinhua University, and follow the national and local admission standards and procedures. The number of full time students our Xinhua University is able to admit for each school year is set and approved by the Anhui Education Department. In order to be enrolled at our Xinhua University, students are required to accomplish high school education and have no criminal record.

Our Xinhua School generally recruits graduates from junior high schools. In order to enroll in the five-year junior college oriented secondary vocational education program at our Xinhua School, students are required to take the high school entrance examinations, achieve certain required scores and file an application for our five year junior college oriented secondary vocational education program through the secondary vocational school student online enrollment platform of Anhui Province (安徽省中等職業學校網上招生錄取平台). For our general secondary vocational education program and vocational undergraduate oriented secondary vocational education program, we generally recruit students independently. Students who have completed junior high school education are able to file their application to these programs through the secondary vocational school student online enrollment platform of Anhui Province.

We utilize a variety of marketing and recruitment tools, which include, but are not limited to, publishing student recruitment advertisements or promotion materials in newspapers and further studies catalogs, as well as on online platforms.

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 RMB1,500 to RMB8,000 per student per school year offered by Xinhua University. In addition, in order to help students having economic difficulties to finish their studies, we also provide our students enrolled at Xinhua University with subsidies ranging from RMB2,000 to RMB4,000 per student per school year.

Examinations and Grade Assessment

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

Our Teachers, Teacher Recruitment, Training and Evaluation

We believe the quality of the education we provide is largely dependent on the quality of our teachers. We primarily seek to recruit teachers with integrated abilities of teaching, researching and practicing. In particular, we prefer to recruit (i) experienced teachers who are knowledgeable in both theory and practice; (ii) teachers who demonstrate willingness to acquire new knowledge and constantly improve their teaching and researching capabilities; (iii) teachers with practical skills and practical training and coaching abilities; and (iv) teachers who have working experience in the relevant industry. We recruit teachers by (i) collaborating with information technology companies to post hiring advertisements on relevant recruiting websites; (ii) attending on-campus job fairs or posting recruitment information at certain universities and utilising online platforms, such as our website and WeChat to post recruitment information. As of September 30, 2017, approximately 78.2% of our full time teachers had obtained a master's degree or above. 66.1% of our teachers are full time teachers. We also value the recognition bestowed upon our teachers who have achieved teaching excellence. As of September 30, 2017, approximately 53.4% of our full time teachers held the intermediate professional title (中級職稱) and approximately 16.2% of our full time teachers held the senior professional title (高級職稱).

The following table sets forth the number of our teachers for our schools as of the dates indicated:

	Number of Teachers			
	As of December 31,			As of September 30,
Teachers	**2014**	**2015**	**2016**	**2017**
Full time teachers	638	623	613	625
Part time teachers	319	277	286	320
Total	957	900	899	945

The total number of teachers for our schools decreased from 957 as of December 31, 2014 to 900 as of December 31, 2015 and further decreased to 899 as of December 31, 2016. The number of our part time teachers decreased from 2014 to 2015 mainly because we hired fewer part time teachers for the purposes of reviewing and directing graduation theses as (i) some of our own full time teachers obtained qualifications to serve as graduation thesis directors and (ii) many part time teachers we hired were assigned more graduation theses to work on, both of which resulted in fewer part time teachers being required. We determine the number of part time teachers we need for each school term based on the specific education plans and activities we have for that term, thus this number is subject to fluctuations from time to time. The number of our full time teachers decreased because (i) we strengthened our teacher performance evaluation system and only retained competent teachers that meet our high standards in order to improve the overall teaching quality of our schools; and (ii) we expanded our administration team and, as a result of which, a number of teachers were promoted or internally moved into teaching administrative positions at our schools. Due to the above reasons, the number of teachers did not increase with the number of our student enrollments during these years.

To keep up with the increase in our student enrollments, our schools have been actively recruiting qualified new teachers. In addition, we regularly seek highly qualified education and research professionals and industry experts to supplement our teacher resources and teach at our schools on a part time basis. As of September 30, 2017, the total number of our teachers increased to 945 as compared with 899 as of December 31, 2016.

The following table sets forth a breakdown of our full time teachers in terms of education qualification as of the dates indicated:

	Number of Teachers			
	As of December 31,			As of September 30,
Education Qualification	**2014**	**2015**	**2016**	**2017**
Doctor's degree	18	16	20	33
Master's degree	416	440	447	455
Bachelor's degree	185	156	131	123
Junior college diploma	19	11	15	14
Total	638	623	613	625

The following table sets forth a breakdown of our full time teachers in terms of their years of working with our schools as of September 30, 2017:

	Xinhua University		Xinhua School		Group	
Years of Working with Our Schools	Number of teachers	Percentage (%)	Number of teachers	Percentage (%)	Number of teachers	Percentage (%)
More than ten years	111	21.0	14	14.4	125	20.0
Five to ten years	209	39.6	10	10.3	219	35.0
Less than five years	208	39.4	73	75.3	281	45.0
Total	528	100.0	97	100.0	625	100.0

The following table sets forth the teacher-to-full time student ratio for our schools as of the dates indicated:

	Xinhua University			Xinhua School		
As of	Number of teachers[(1)]	Full time student enrollment	Teacher-to-full time student ratio	Number of teachers[(1)]	Full time student enrollment	Teacher-to-full time student ratio
December 31, 2014	787	20,016	1:25.4	170	6,482	1:38.1
December 31, 2015	724	20,775	1:28.7	176	6,548	1:37.2
December 31, 2016	714	21,564	1:30.2	185	6,272	1:33.9
September 30, 2017	790	22,670	1:28.7	155	5,360	1:34.6

Note:

(1) The number of teachers in the table above includes both full time and part time teachers.

We actively manage and seek to improve our teacher-to-full time student ratio based on the needs of our increasing student enrollments, and our schools' education plans and activities. Going forward, we intend to continue to devote our efforts to recruiting, training and retaining teachers and build a highly qualified and stable full time teaching staff. In addition, we plan to expand our hiring of well-qualified part time teachers from other higher education institutions, corporations and research institutes to supplement our teacher resources. We intend to continue to enhance our teacher-to-full time student ratio in the future.

As we focus on providing applied science education and are 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. As a higher education provider, we also offer 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, through our collaboration with enterprise partners, we have invited industry experts working in our enterprise partners to give lectures to our students in our schools.

Teacher Recruitment

Our Group's human resources department and the human resources office at each of our schools work together to recruit qualified teachers and strive to maintain a reasonable student-to-teacher ratio. In our recruitment efforts, we primarily target candidates such as retired professors and other high-profile talents with advanced degrees or teaching experience as our school's academic leaders or special professors and enter into an engagement agreement with them generally for a term of three to five years. In addition, we also aim to recruit experts or professionals with extensive working experience in relevant industries as our teachers or training instructors. Before hiring a teacher, we generally consider the candidates' education background, industry expertise and relevant work experience by going through the resumes we have received. Then, we require candidates to teach a live class, conduct in-person interviews and/or complete written assessments as part of his or her application process. Once our teaching candidates have completed their live teach-in classes and successfully passed the interviews, the human resources managers at our schools will make job offers to such candidates.

Teacher Training Program

We have established an integrated training system for different types of teachers. In particular, (i) for teachers, professionals and technical personnel recruited from enterprises, we provide training to strengthen their basic teaching skills and prepare them with essential teaching abilities; (ii) for our young teachers, we effectively established a guidance program in which experienced and outstanding teachers are assigned as mentors to provide guidance and training in respect of teaching techniques, subject content and knowledge to the young teachers; and (iii) for other high-profile talents we recruited with advanced degrees, we actively encouraged them to engage in research activities concerning local economic services and technologies development and promote their transition from pure academic-oriented teachers to academic, research and service-oriented teachers.

In addition, in order to optimize our teacher's structure in terms of their education background and teaching qualifications, we encourage and support our teachers to pursue further studies, such as pursuing doctor's degrees and studying abroad as visiting scholars. Teachers under 45 years old who meet the relevant national doctoral application requirements and have been employed by us for two years or above, obtaining passing grade or above in our annual assessment, are eligible to participate in our doctoral study support program. The doctoral program they study for should generally be consistent with the disciplines they teach at our schools and in line with our demand for talent. For instance, for (i) teachers who decide to study for doctorate degrees on a part time basis, our schools will issue special education funds to them each month with the amount of their fixed monthly salaries; and (ii) teachers who decide to study for doctorate degrees on a full time basis, our schools generally issue special education funds to them each month with the amount of half of their fixed monthly salaries. If those teachers obtain the doctorate degrees within four years and resume teaching at our schools after graduation for a consecutive period of not less than five years, we will provide 100% reimbursement of their tuition fees and offer them a one-off start-up fund. In addition, for teachers under 45 years old who hold master's degrees or above or have certain professional and technical titles, we generally encourage them to apply for visiting scholars programs themselves and support their short-term visiting programs or studying-abroad plans (typically lasting for six months or one year). We also agree to reimburse a certain amount of the tuition fees, boarding fees and travel expenses incurred during their visit periods.

As part of our teacher training program, we also encourage our teachers to get involved in external industrial projects through which they are able to accumulate relevant industrial experience and enhance their professional skills in turn.

Teacher Performance Review

To ensure that we continuously provide high quality education to our students, we conduct teacher performance reviews and evaluations periodically. We typically conduct periodic teacher performance reviews during each school year. These assessments are generally conducted by school principals and administrators, which include routine teaching work inspection, special inspections and open classes. We also evaluate the performance of our teachers based on feedback from students and other teachers. The performance review is primarily focused on the evaluation of their abilities of teaching, abilities of designing applied sciences-related curriculum, their research capabilities and practical skills as well as their moral qualities for being a teacher. As an incentive scheme, we generally give priority to teachers with excellent performance in the process of title assessment and granting opportunities of studying abroad.

We believe we offer relatively competitive compensation to our teachers so we can retain and attract talented teachers. Our teachers' compensation package typically includes a base salary, annual bonus, compensation based on teaching performance and professional qualifications, lecture fees and other subsidies. We also provide free transportation services and meal subsidies to our teachers. In addition, we provide free annual medical check-ups to our teachers.

Selection and Design of Teaching Materials and Textbooks

We adhere to strict procedures for selecting teaching materials and textbooks in order to maintain the quality of our education. We have established a teaching and research group to design the curriculum and select the teaching materials for each of our schools. We generally require our schools to adopt and use teaching materials published recently, which must comply with the basic course requirements and course syllabus for each major offered by the schools. For example, our Xinhua School generally sets up its courses according to the secondary vocational school syllabus and adopts unified secondary vocational school planned materials for each major offered by the school. As a school focusing on applied sciences, our Xinhua School schedules a certain percentage of practical classes to supplement its theoretical classes.

In addition, we permit Xinhua University to use teaching materials and textbooks designed and published by our teachers, who generally create appropriate teaching materials based on the conditions of the majors they offer, subject to approval by the dean's office. For example, as part of our collaboration with enterprise partners, Xinhua University co-develops certain curriculum and co-designs relevant teaching materials with our enterprise partners who are industry experts. Up to the Latest Practicable Date, we have co-designed 78 courses and 26 textbooks with these enterprise partners.

CAMPUS SERVICES

The campus service arrangements at our schools typically include meal catering services, campus stores, medical care services and school bus services. These services are primarily provided by Independent Third Parties with a good reputation in the market. We select the third-party service providers through a bidding process, which generally begins with the preparation of the bidding documents, formulating bidding criteria and establishing the bidding evaluation group. We post bidding announcement on the websites of our schools or other media. After collecting relevant bidding documents from bidders and conducting a series of evaluations, we will notify the bid winner in writing and enter into a service agreement with them.

Meal Catering Services

We outsource meal catering services at our schools to third-party catering service providers, all of whom are Independent Third Parties. As of the Latest Practicable Date, we had six canteens at our campus. We typically enter into outsourcing agreements with terms of one to three years, which set forth the key terms of the catering arrangements. We require all third-party catering service providers to obtain relevant licenses and permits required by laws and regulations, such as the permit for food operators (食品經營許可證) or catering service license (餐飲服務許可證). As advised by our PRC legal advisors, for the meal catering services provided by the third-party catering service providers, all the permits for food operators or catering service license required by applicable laws and regulations have been obtained. The catering providers are obliged to provide catering services to our students and faculty for three meals each day, and must ensure food quality and safety. It is also required that during the canteen's opening hours, low-priced dishes are not out of stock and no less than seven dishes should be available for students. To ensure the food quality and safety, we have established a tiered management system, which is led by the principals of Xinhua University and Xinhua School to supervise the food quality and safety. The food safety management personnel at our schools regularly conduct inspections of the daily operation of the canteens at each school.

Campus Stores

We typically enter into one-year agreements with store operators, all of which are Independent Third Parties, granting them the right to use our premises to operate stores on the campus of our schools. Under such agreements, we agree to grant the use right of our premises to store operators for a specified amount of usage fees. The store operator is obliged to obtain permits and licenses as required by relevant laws and regulations. We have certain internal policies in place to manage and supervise the daily operation of these on-campus stores. We generally hold meetings with such store operators annually and remind them of our on-campus store management policies. In addition, we provide training to these store operators and conduct regular inspections of their operations to ensure that their operation is in compliance with our policies and relevant regulations and laws.

Medical Care Services

We provide routine medical services for our students and faculty by outsourcing such services to independent third-party medical providers. All of the medical staff and health care personnel engaged by such medical care providers are required to hold medical licenses, such as doctor licenses and nurse licenses. In addition, the Independent Third Party medical care providers are also required to obtain practice licenses of medical institutions (醫療機構執業許可證). In August 2017, an Independent Third Party medical care provider entered into cooperation agreements with Xinhua University and Xinhua School and we are currently in the process of obtaining the practice license of medical institution. In certain serious and emergency medical situations, we promptly send our students to local hospitals for treatment.

School Bus Services

We only offer transportation services for our teaching staff in both our Xinhua School and Xinhua University. Such services are provided free of charge. We outsource part of the transportation services to qualified Independent Third Parties and operate the rest ourselves. As of September 30, 2017, we operated six school buses, including five school buses for Xinhua University and one school bus for Xinhua School.

POTENTIAL IMPLICATION OF THE 2016 DECISION AND RELATED IMPLEMENTING RULES ON OUR PRC OPERATING SCHOOLS

Pursuant to the 2016 Decision, private schools will no longer be classified as either a school that its school sponsors require reasonable returns or a school that its school sponsors do not require reasonable returns. Instead, 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. For details of the 2016 Decision, including the key differences between a for-profit private school and a non-profit private school under the 2016 Decision, see "Regulatory Overview – Regulations on Private Education in the PRC – The Decision on Amending the Law for Promoting Private Education of the PRC" of this prospectus.

Classification of our PRC Operating Schools as for-profit schools or non-profit schools

Pursuant to the 2016 Decision, our Xinhua University and Xinhua School may choose to become for-profit schools or non-profit schools. Private higher education institutions, including our Xinhua University, are required to complete their registration under the new classification before 2022. The registration timeline for private education institutions for other education levels, including our Xinhua School, will be determined by each city and each county under the direct administration of Anhui Province. As of the Latest Practicable Date, no registration timeline for our Xinhua School has been promulgated by the local authorities. The registration methods for all private schools, including both of our PRC Operating Schools, will be promulgated separately. See "Regulatory Overview – Implementation Opinion on Encouraging Social Groups to Engage in Education and Promote the Healthy Development of Private Education, or the Anhui Opinion" in this prospectus for details.

With a view to understanding the impact of the 2016 Decision and the Anhui Opinion on our PRC Operating Schools, particularly the timing of our decision for our PRC Operating Schools to be for-profit or non-profit schools, in December 2017, we have obtained confirmations from the department of private education of Anhui Education Department and Hefei City Education Bureau, the competent and responsible authorities for supervising Xinhua University and Xinhua School as advised by our PRC legal advisers, respectively, which affirmatively confirmed:

(1) application for renewal of the private school operating licenses of our PRC Operating Schools are recommended to be made two months prior to their expiry dates;

(2) based on the spirit of the Anhui Opinion, our PRC Operating Schools can freely make their choices to register as for-profit or non-profit schools and complete the registration by the end of 2022;

(3) our PRC Operating Schools may follow the same renewal process of the private school operation license in the past without foreseeable legal impediment;

(4) before registration of our choices, our PRC Operating Schools will not be deemed as for-profit schools and may continue to operate in accordance with their existing articles of association. Existing schools' operations will not be affected; and

(5) regardless of our decision to register our PRC Operating Schools as for-profit or non-profit schools, the service fee paid in accordance with the Structured Contracts is not and will not be deemed to be distribution of reasonable return or operating profit from school operations to the School Sponsor.

For our Xinhua University, it renewed its private school operating license in December 2017, and after renewal, the license is valid from 2017 to 2021. We were not required to choose to register as for-profit or non-profit schools during our renewal process.

For our Xinhua School, Hefei City Education Bureau also confirmed that, based on the Anhui Opinion, Xinhua School is not required to choose to register as for-profit or non-profit schools when it renews its private school operating license in 2019.

Based on the Anhui Opinion and the foregoing confirmations from the competent education authorities, we are advised by our PRC legal advisors that our PRC Operating Schools can freely make their choices as for-profit private schools or non-profit private schools and complete the registration by the end of 2022 and are not required by the relevant PRC government authorities to choose to register our PRC Operating Schools as for-profit private schools or non-profit private schools (a) before the promulgation of the detailed measures implementing the 2016 Decision; and (b) when Xinhua School renew its private school operating license in 2019. Accordingly, as of the Latest Practicable Date, we have not elected nor decided as to whether our PRC Operating Schools will be registered as for-profit schools or non-profit schools.

In addition to the 2016 Decision and the Anhui Opinion, 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 Social Groups to Engage in Education and Promote the Healthy Development of Private Education* (《關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見》) were issued on January 18, 2017, specifying policies to be followed to promote private education. The Notice of the State Administration for Industry and Commerce and the Ministry of Education on the Registration and Administration of the Name of For-Profit Private Schools (工商總局、教育部關於營利性民辦學校名稱登記管理有關工作的通知), were issued on August 31, 2017, specifying policies to be followed on name of for-profit private schools. 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" in this prospectus for details. As advised by our PRC legal advisors, 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.

Based on the foregoing, our Directors believe at the current stage that whether our PRC Operating Schools choose to become for-profit schools or non-profit schools will not materially impact our operating profits as after the execution of the Structured Contracts, we are entitled to service fees payable by our PRC Operating Schools and our school sponsor under the existing PRC laws. However, according to the 2016 Decision, 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. Other than the Anhui Opinion, such detailed rules and regulations have not been promulgated by the local governmental authorities in Anhui Province, and therefore there are uncertainties involved in interpreting and implementing the 2016 Decision with respect to various aspects of the operations of a private school, such as (i) specific procedures to be completed for a school to become a for-profit school or non-profit school; and (ii) respective preferential tax treatment which may be enjoyed by a for-profit school and a non-profit school. Accordingly, we may not be able to accurately assess the potential impact on our business operations. 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 Decision. The special committee comprises three members and is led by Mr. Lu Zhen. 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.

Tax implication of the 2016 Decision on our PRC Operating Schools

Pursuant to the 2016 Decision, 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 Decision 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. With a view to understanding the tax implication of the 2016 Decision and the Anhui Opinion on our PRC Operating Schools, in December 2017, we have obtained confirmations from State Administration of Taxation Anhui Province, Hefei High-Tech Industrial Development Zone Branch* (安徽省合肥高新技術產業開發區國家稅務局) and Hefei Local Taxation Bureau, High-Tech Industrial Development Zone Branch* (安徽省合肥市地方稅務局高新技術產業開發區分局), being the local tax bureaus in the areas where we operate our PRC Operating Schools and the competent authorities as advised by our PRC legal advisors to confirm the taxation matters relevant to us, which affirmatively confirmed, among other things, that:

(i) the service fees payable by the PRC Operating Schools in accordance with the Structured Contracts will not be regarded as reasonable returns or operating profit from school operation distributable to the School Sponsor;

(ii) the Structured Contracts are not in violation of the relevant tax rules and regulations;

(iii) the execution and performance of the Structured Contracts have no adverse impact on the current tax treatment that the PRC Operating Schools are subject to; and/or

(iv) given the State Administration of Taxation of the PRC has not promulgated any new policies after the promulgation of the Anhui Opinion, the preferential tax treatment policies applicable to our PRC Operating Schools will remain unchanged until the State Administration of Taxation of the PRC promulgates any new policies.

Given that the entitlement to reasonable returns and profit from school operation are rights as a school investor under the relevant PRC laws and regulations, whereas the receipt of service fees is a right of a service provider under a contract, and based on the foregoing consultation with competent education authorities and confirmations from the competent tax authorities, we are advised by our PRC legal advisors that the service fees payable by the PRC Operating Schools in accordance with the Structured Contracts will not be regarded as reasonable returns or operating profit from school operation distributable to the School Sponsor and therefore are not prohibited under the relevant PRC laws and regulations.

However, there is no assurance that the relevant government authorities will not promulgate rules and regulations that will reduce or eliminate the preferential tax treatments currently enjoyed by our schools, or the local tax bureaus will not change their policy in the future. Please see "Risk Factors – Risks Relating to Our Business and Our Industry – The discontinuation of any preferential tax treatments currently available to us, particularly the tax exempt status of our PRC Operating Schools, could materially and adversely affect our results of operations." in this prospectus for details.

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

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 and the nine months ended September 30, 2017.

Our suppliers primarily consist of construction companies, textbook suppliers and utility suppliers. For the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017, purchases from our five largest suppliers amounted to RMB28.8 million, RMB39.9 million, RMB36.3 million and RMB32.1 million, respectively, accounting for 34.0%, 40.1%, 37.1% and 45.2% of our total purchases for the relevant periods. For the same periods, purchases from our largest supplier amounted to RMB9.1 million, RMB12.1 million, RMB15.5 million and RMB10.5 million accounting for 10.7%, 12.2%, 15.9% and 14.7%, respectively, of our total purchases for the relevant periods. 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 had registered four domain names. See "– 2. Intellectual property rights of our Group" in Appendix VI "– Statutory and General Information – C. Further Information about Our Business" in 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 numerous awards and recognitions since our establishment in recognition of the quality of the education we provide, the graduate employment rates we achieved 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
2017	National Model Unit for the Year 2016 for Information Technology Training (2016年度國家信息化人才培養示範培訓單位)	Information Training Certification Management Office of Computer Education, Authorization and Certification (CEAC 信息化培訓認證管理辦公室)	Xinhua School

Year	Award/Accreditation	Awarding Organization	Awarded Entity
2016	Exemplary University for Innovation and Entrepreneurship of Anhui Province (安徽省創新創業示範校)	China Association for Non-Government Education (中國民辦教育協會) and Higher Education Committee of the Chinese Association for Non-Government Education (中國民辦教育協會高等教育專業委員會)	Xinhua University
2016	Excellent Member Unit (優秀會員單位)	Hefei Private Education Association (合肥市民辦教育協會)	Xinhua School
2016	Private University with Brand Strength (品牌實力民辦大學)	Tencent (騰訊網)	Xinhua University
2015	The Vice President Unit of Primary and Secondary Education Vocational Education Committee (中小學教育職業教育專委會副理事長單位)	Hefei Education Association (合肥市教育協會)	Xinhua School
2015	Exemplary Unit for Cultivation of National Informatization Talents and Identification of Vocational Skills in 2014 (2014 年度國家信息化人才培養與職業技能鑒定示範單位)	Information Training Certification Management Office of Computer Education, Authorization and Certification (CEAC 信息化培訓認證管理辦公室)	Xinhua School
2014	4 A-Level Social Organization (AAAA級社會組織)	Hefei Civil Affairs Bureau	Xinhua School
2011	Anhui Exemplary Higher Education Institution for Graduates Employment (安徽省普通高校畢業生就業工作標兵單位)	Anhui Provincial Employment Committee (安徽省就業委員會)	Xinhua University

Year	Award/Accreditation	Awarding Organization	Awarded Entity
2009	National Exemplary Graduate Employment Higher Educational Institution 全國就業工作典型經驗高校	MOE	Xinhua University
2006	National Advanced Private Non-Enterprise Unit in Self-Discipline and Integrity (全國民辦非企業單位自律與誠信建設先進單位)	Ministry of Civil Affairs of the PRC (中華人民共和國民政部)	Xinhua University

EMPLOYEES

As of December 31, 2014, 2015 and 2016 and September 30, 2017, we had approximately 1,522, 1,436, 1,424 and 1,567 employees, respectively. The following table sets forth the total number of employees by function as of September 30, 2017:

Function	Number of Employees	% of Total
Executive directors and senior management	13	1%
Teachers[(1)]	945	60%
Student accommodation staff	81	5%
Logistics personnel	79	5%
Administrative staff	241	15%
Accounting and finance staff	19	1%
Other staff	189	12%
Total	1,567	100.0%

Note:

(1) Teachers with administrative responsibilities were included in "teachers".

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 provident fund, pension, medical insurance, maternity insurance work-related injury insurance and unemployment insurance. We believe we maintain a good working relationship with our employees, and we have not experienced any material labor disputes during the Track Record Period. During the Track Record Period, we did not make full contributions to the social insurance plans and housing provident fund for certain of our employees. See "– Legal Proceedings and Compliance" for details.

Furthermore, our Xinhua University has established a labor union and our employees may join the labor union voluntarily. During the Track Record Period, we have not experienced any material labor union disputes.

We believe the quality of our education is strongly tied to the quality of our teachers. We have implemented training and recruitment policies in order to uphold the quality of our teachers. See "– Our Teachers, Teacher Recruitment, Training and Evaluation" for details of our recruitment and training policies for our teachers.

PROPERTIES

As of December 31, 2017, we owned four parcels of land in the PRC with a total gross site area of approximately 820,777.29 sq.m., and we occupied 59 buildings with a total gross floor area of approximately 360,159.77 sq.m. and nine buildings under construction with a total planned gross floor area of approximately 105,763 sq.m. in the High-tech Industrial Development Zone, Hefei City, Anhui Province, the PRC where Xinhua University and Xinhua School are located. 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 December 31, 2017 was RMB1,800 million, according to the property valuation report prepared by Cushman & Wakefield Limited. As of the Latest Practicable Date, we did not have any leased properties.

Owned Properties

Land

As of December 31, 2017, we owned land use rights for four parcels of land with a gross site area of approximately 820,777.29 sq.m. in the High-tech Industrial Development Zone, Hefei City, Anhui Province, the PRC where Xinhua University and Xinhua School are located. The following table sets forth a summary of the land use rights we owned:

No.	Land Use Right Owner	Description/ Location	Gross Site Area *(sq.m.)*	Existing Use	Expiry Date
1	Xinhua Group	High-tech Industrial Development Zone, Hefei City, Anhui Province	128,836.00	Composite	July 2050
2	Xinhua Group	High-tech Industrial Development Zone, Hefei City, Anhui Province	233,413.80	Education	June 15, 2053
3	Xinhua Group	Southeast intersection of Yulan Avenue and Wangjiang West Road, High-tech Industrial Development Zone, Hefei City, Anhui Province	204,289.07	Education	June 19, 2053
4	Xinhua Group	Southeast intersection of Yulan Avenue and Wangjiang West Road, High-tech Industrial Development Zone, Hefei City, Anhui Province	254,238.42	Education	June 19, 2053

Buildings

As of December 31, 2017, we had building ownership certificates for 50 buildings with an aggregate gross floor area of approximately 343,273.02 sq.m. for teaching buildings, canteens, library, dormitories and power room.

1. *Inconsistent land use rights certificates and building ownership certificates*

Among the 50 buildings that we had building ownership certificates, 12 buildings with a total gross floor area of approximately 62,827.59 sq.m. which have been used as teaching buildings were registered under the name of Xinhua University. Our Directors confirm that Xinhua Group owned the title of these buildings because Xinhua Group obtained the land use right certificate of the land on which these buildings were built. As such, these 12 buildings should have been registered under the name of Xinhua Group rather than Xinhua University. Our PRC Legal Advisors confirm that under PRC property laws, Xinhua Group is the owner of these 12 buildings and the aforesaid inconsistency would not have an adverse effect on Xinhua Group.

2. *Lack of building ownership certificates*

We have not obtained the building ownership certificates for seven buildings with an aggregate gross floor area of approximately 14,298.75 sq.m., which are used as school gates, stadium bleachers, dormitories, clinic and power room. We were unable to obtain these building ownership certificates because the construction contracts necessary for the re-application of relevant permits and approvals requisite to applying for the building ownership certificates were lost due to frequent employee turnover at the beginning of the campus construction, and such construction contracts cannot be re-signed as the construction company has been dissolved.

As a rectification step, we have obtained written confirmations for these seven buildings from Public Security Fire Brigade of High-tech Industrial Development Zone in Hefei City* (合肥高新技術產業開發區公安消防大隊), Construction Development Bureau of High-tech Industrial Development Zone in Hefei City* (合肥高新技術產業開發區建設發展局) and High-tech Industrial Development Zone Branch of the Environment Protection Bureau of Hefei City* (合肥市環境保護局高新技術產業開發區分局) on October 27, 2017, October 27, 2017 and September 19, 2017, respectively. Pursuant to these confirmations, our Group has completed the fire control design approval and fire protection completion inspection procedures, and has obtained construction planning permits, construction commencement permits, construction completion inspection procedures, approval of environmental assessments and environmental acceptance check of these buildings, and there is no violation of the relevant laws, regulations, and regulatory documents that is subject to or should be imposed any penalty. Accordingly, the Directors are of the view that these buildings are safe for use.

We are advised by our PRC legal advisors that the government authorities that issued the confirmations are the competent authorities of relevant areas in Hefei City, have adequate authority and ranking to issue a confirmation in respect of the relevant buildings.

Our Directors are of the view that, the lack of the building ownership certificates for these seven 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 permits for these seven buildings; (ii) we have not been subject to penalties due to the lack of the building ownership certificates as of the Latest Practicable Date; (iii) the buildings are safe for use; and (iv) we have obtained the confirmations from competent governmental authorities.

3. Lack of building ownership certificates and related certificates and permits

We have not obtained the building ownership certificates and related approvals and permits for a temporary canteen and a temporary office with an aggregate gross floor area of approximately 2,588 sq.m., because the buildings were constructed for temporary use. As rectification steps, we have ceased to use these buildings as of the Latest Practicable Date and will demolish these buildings before Listing. Accordingly, there is no need for us to apply for the certificates and permits.

Legal consequences and potential maximum penalties for property defects

Our PRC Legal Advisors have advised that, for our use of the temporary canteen and the temporary office without (i) the construction planning permit, we may be subject to a fine ranging from 5% to 10% of the construction cost, and may be subject to an order to rectify the impact on the planning caused by such construction if such impact can be eradicated; or we may be ordered to demolish the buildings if such impact cannot be eradicated (or subject to confiscation if the buildings or structures or any income illegally earned from such project of the construction cannot be demolished) and/or subject to a fine of not more than 10% of the construction cost; (ii) the construction commencement permit, we may be subject to a rectification order and/or a fine ranging from 1% to 2% of the contract price of constructing the buildings; (iii) the registration of construction completion inspection, we may be subject to a rectification order and/or a fine ranging from 2% to 4% of the contract price of constructing the buildings; (iv) the fire control design approval, we may be subject to a fine ranging from RMB30,000 to RMB300,000; (v) the fire control assessment approval, we may be subject to a fine ranging from RMB30,000 to RMB300,000 and/or suspension from using the buildings; (vi) passing the approval of the environment assessment, we may be subject to a fine ranging from 1% to 5% of the the total amount of investment in the construction project, according to the circumstances of the violation and the consequences of the harm, and/or a rectification order; and (vii) passing the environmental acceptance check, (a) we may be subject to a rectification order and a fine ranging from RMB200,000 to RMB1,000,000, (b) if we fail to rectify the failure within the time limit, we may be subject to a fine ranging from RMB1,000,000 to RMB2,000,000, (c) we may be ordered to stop the production or use of the premises when causing the major environmental pollution or ecological damage, or be ordered to close with the prior approval of the people's government.

Potential impact on our operations and financial condition

As of the Latest Practicable Date, our Group had neither received any demand for demolition of the temporary canteen and the temporary office nor been fined in relation to such buildings. Our Directors consider that, in the event that the local government authorities require us to demolish the temporary canteen and the temporary office, the impact thereof on our Group's operation should not be material as (i) the temporary canteen and the temporary office are not for teaching purpose and just for temporary use, and are not critical to our business operation; and (ii) we have ceased to use these two buildings.

Remedial Actions

We had reviewed our internal control policy and our Company will engage legal counsels to provide legal opinion for properties to be constructed or acquired in future.

Also, the Controlling Shareholders have agreed to indemnify all losses and liabilities that the Group may suffer due to the failure to obtain the relevant certificates, permits and approvals, pursuant to the Deed of Indemnity, including, where required, to procure appropriate alternative suitable premises for our use.

Our Group will undertake stringent supervisory measures with the assistance of PRC legal counsels to ensure future compliance with relevant PRC legal and regulatory requirements in the event there is new construction project or other building maintenance work if there is any issue on building safety.

Buildings under construction

As of December 31, 2017, we held nine buildings under construction with a total planned gross floor area of approximately 105,763 sq.m..

Among these nine buildings, we have completed the construction of six buildings with a total planned gross floor areas of approximately 69,498.98 sq.m. and have been using these six buildings as library extension, canteen, laboratories and dormitories. We have completed the fire control design and fire protection completion procedures, and obtained the requisite construction planning permits, construction work commencement permits, construction completion inspection, approval of environmental assessments and environmental acceptance check for these buildings.

We have obtained the requisite construction planning permits and construction work commencement permits for the remaining three buildings under construction with a total planned gross floor areas of approximately 36,264.02 sq.m. which are intended to be used as office building and dormitories.

Regulatory Requirements Relating to the Ratio between School Site Area/Building Area and Number of Students

As advised by our PRC legal advisors, during the Track Record Period and up to the Latest Practicable Date, our Xinhua University is subject to certain regulatory requirements in relation to the prescribed ratio between our school's site area/building area and the number of students enrolled.

According to the *Basic Conditions for Operating Higher Education Institutions (Trial) (普通高等學校基本辦學條件指標(試行))* promulgated by the MOE in 2004, except for sports and art schools, the ratio between a higher education institution's teaching and administrative building area and the number of students should be nine to 16 sq.m. per student. As of December 31, 2014, 2015 and 2016 and September 30, 2017, the ratio between the teaching and administrative building area and full time student enrollments of our Xinhua University was approximately 19.1 sq.m./student, 18.4 sq.m./student, 17.8 sq.m./student and 16.9 sq.m./student, which had complied with the aforesaid regulatory requirements.

In addition, under the above regulations, except for sports and art schools, the ratio between a higher education institution's site area and its number of students should be 54 to 59 sq.m. per student. As of December 31, 2014, 2015 and 2016 and September 30, 2017, the ratio between the site area and full time student enrollments of our Xinhua University was approximately 41.0 sq.m./student, 39.5 sq.m./student, 38.1

sq.m./student and 36.2 sq.m./student, respectively, which were lower than the aforesaid regulatory requirements. As of the same dates, Xinhua University was approximately 75.9%, 73.2%, 70.5% and 67.1%, respectively, in compliance in respect of the ratio between the site area and its full time student enrollments. Our PRC legal advisors interviewed relevant official at Anhui Education Department, being the competent and responsible authorities for supervising Xinhua University. The official confirmed that failure to comply with such requirement will not subject Xinhua University to any fines or penalties and its student enrollment will not be adversely affected.

Our PRC legal advisors have advised us that the official we interviewed is the Deputy Director of the Development and Planning Division of the Anhui Education Department, which is responsible for, among others, supervising the establishment of higher education institutions and determining student admission quotas for higher education institutions in Anhui Province. This official is familiar with the regulations governing a higher education institution's site area and its number of enrolled students and the implementation requirements of such regulations. Based on the foregoing, our PRC legal advisors are of the view that this official has the authority to comment on whether Xinhua University is in compliance with the relevant regulations and the relevant legal consequences for any non-compliance.

In addition, Xinhua University passed each of the annual inspections conducted by the relevant education authorities during the Track Record Period. It also obtained a confirmation from the Anhui Education Department on February 27, 2018, which confirmed that from its inception to the date of the confirmation, Xinhua University has obtained the required qualifications and certificates to engage in educational activities and its school conditions satisfy the needs for teaching and other educational activities. The Anhui Education Department also confirms that Xinhua University has obtained all required approvals under the PRC laws and regulations and Xinhua University has complied with relevant state and provincial regulations with regard to private education.

Furthermore, according to relevant regulations, the ratio between a higher education institution's site area and its number of students belongs to the monitoring index, which is the supplement to the basic index and primarily reflects the improvement of the operation conditions of a higher education institution. It has significant guiding effects on improving the teaching quality and the information technology of a higher education institution. As advised by our PRC legal advisors, as of the Latest Practicable Date, the relevant legislations do not state any legal consequences for a breach of the monitoring index. Based on the confirmations of the responsible officer at the Anhui Education Department and the provisions of the relevant legislations, our PRC legal advisors are of the view that there is no legal consequence for failing to satisfy the monitoring index under relevant PRC laws and regulations.

Based on the foregoing, our PRC legal advisors are of the view that failing to comply with the ratio between the site area and the number of students does not constitute material non-compliance.

In addition, the admission quota for our Xinhua University is granted by the relevant PRC authorities every year. From the 2014-2015 school year to the 2017-2018 school year, the admission quotas granted by the relevant PRC authorities for the undergraduate program of our Xinhua University increased each school year from 4,700 to 5,150. The Directors believe that the relevant PRC authorities would not have granted the admission quotas to our Xinhua University in these years if they had deemed the failure to comply with the prescribed ratio between site area and the number of enrolled students to be a material non-compliance.

In respect of our Xinhua School, our PRC legal advisors interviewed relevant official at Hefei City Education Bureau, being the competent and responsible authorities for supervising Xinhua School. The official confirmed that (i) Xinhua School, which has been legally approved to establish since 2002, is subject to the *Standards of Establishing Secondary Vocational Schools (Trial)* (中等職業學校設置標準(試行)) promulgated by the MOE in 2001; and (ii) as there is no explicit requirement on the ratio between a school's site area/building area and the number of students under such regulations, Xinhua School is not in breach of any regulatory requirements in this regard.

INSURANCE

We maintain various insurance policies to safeguard against risks and unexpected events, such as school liability insurance and student safety insurance. We do not maintain business interruption insurance, product liability insurance or key-man life insurance. We believe our insurance coverage is generally consistent with industry practice in the PRC and provides adequate protection for our assets and operations. Nevertheless, we may be exposed to other claims or liabilities not covered by our insurance. See "Risk Factors – Risks Relating to Our Business and Industry – We maintain limited insurance coverage" for more information.

LICENCES AND PERMITS

Our PRC legal advisors, Jingtian & Gongcheng, have advised that during the Track Record Period and up to the Latest Practicable Date, except for those disclosed in this prospectus, 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, and no circumstances existed that would render the revocation or cancellation of such licenses, permits, approvals and certificates. Our PRC legal advisors also advised that there was no legal impediment to renew such licenses, permits, approvals and certificates if all the legal requirements for renewal are satisfied. The table below sets forth details of our material licenses and permits:

License/Permit[1]	Holder	Granting authority	Valid period
Private school operating license	Xinhua University	Ministry of Education of the PRC	2017 to 2021
Registration certificate of private non-enterprise entities	Xinhua University	Department of Civil Affairs of Anhui Province	June 5, 2017 to December 31, 2018
Private school operating license	Xinhua School	Hefei Education Bureau	May 11, 2016 to May 10, 2019
Registration certificate of private non-enterprise entities	Xinhua School	Hefei Civil Affairs Bureau	June 16, 2016 to May 10, 2019

Note:

(1) To maintain each of our private school operating licenses, the respective school is required to pass an annual inspection regardless of whether such license bears an expiry date or not. As of the Latest Practicable Date, each of our schools had passed the latest annual inspection.

HEALTH AND SAFETY MATTERS

We are dedicated to protecting the health and safety of our students. Each of our schools has adopted and implemented student health and safety measures and procedures to protect its students from bodily harm and other health and safety risks. We provide routine medical services for our students and faculty by outsourcing such services to third party medical care providers. In the event of any serious and emergency medical situations, we will promptly send our students to local hospitals for treatment. See "– Campus Services – Medical Care Services" in this prospectus for details of the routine medical care services we provide. With respect to school safety, we promote the security of our schools by employing our own security personnel.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any serious accident, medical situation or safety issue involving our students.

LEGAL PROCEEDINGS AND COMPLIANCE

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.

Set forth below is a summary of our systemic non-compliance matters during the Track Record Period and up to the Latest Practicable Date, as well as rectification actions and preventive measures that we have taken in respect of such matters:

Non-compliance Incident

During the Track Record Period, we did not to pay social insurance and housing provident fund for certain of our employees, mainly for employees whose social insurance had been paid by other employers and employees who voluntarily waived the contribution of social insurance.

During the Track Record Period, we did not pay social insurance and housing provident fund in full for certain of our employees as the payment basis of social security of such employees were not determined with reference to the actual salary level of such employees as prescribed by relevant PRC laws and regulations.

We estimate that the aggregate amount of social insurance payments and housing provident fund contributions that we did not pay in full for the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017 was approximately RMB12.5 million, RMB15.0 million, RMB15.6 million and RMB12.0 million, respectively.

Reasons for the Non-Compliance

Failure to pay the social insurance and housing provident fund occurred mainly because (i) some of our part time teachers were employed by other third-party employers and we are unable to pay their social insurance and housing provident fund as their employer of record; (ii) certain staff had enrolled in other social insurance plans at the place of their registered permanent residence and they voluntarily waived such contributions by our school; and (iii) certain employees were unable to meet pension conditions due to their age and they voluntarily waived the contributions by our school.

Failure to pay the social insurance and housing provident fund in full occurred mainly due to administrative oversight by the handling person of the human resources department of our schools.

Legal Consequences and Potential Maximum Penalties

If the 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 such failure of payment. If we fail to do so within the prescribed period, we may be subject to an additional fine ranging between one to three times of the total outstanding balance.

If the competent PRC 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. 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, fine or penalty had been imposed by the relevant PRC government authorities with respect to this non-compliance incident, nor has any order been received by our Company to settle the outstanding amount of social insurance payments and housing provident fund contributions.

We had reviewed our internal control policy and our Company has designated a deputy principal at the relevant school, 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.

The relevant social insurance administrative authority of Our PRC Operating Schools and School Sponsor and housing provident funds administration authority of Our PRC Operating Schools and School Sponsor have issued confirmations to us that (i) they accepted the basis on which our schools had made contributions to the social insurance plan; (ii) there is no late, unpaid, or underpaid contribution by us; and (iii) we did not have any record of administrative penalties or disputes due to violation of relevant national or provincial laws and regulations relating to social insurance contribution and housing provident fund contribution.

As advised by our PRC legal advisors, these administrative authorities are competent to issue such confirmations and the risk is relatively low that we will be subject to administrative penalty by the relevant government authorities of our PRC Operating Schools and School Sponsor as a result of our failure to determine the payment basis of the social insurance contribution and housing provident fund contribution in accordance with applicable laws and therefore fail to fully make such contributions for our employees.

Based on the foregoing confirmations and views from our PRC legal advisers, our Directors believe that the risk of us being ordered to make up the underpayments, pay any late fees or be subject to fines for the social insurance and housing fund-related non-compliance by the relevant government authorities is relatively low. Accordingly, we have not made provision for the balance of social insurance payments and housing provident fund contributions. We intend to make social insurance and housing provident fund contributions in accordance with the applicable laws and regulations going forward.

Our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses incurred by us arising from such non-compliance incidents.

Considering the nature, scale, reasons and potential impact of the non-compliance incidents disclosed in the section headed "Business – 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 business consulting and internal audit firm (the "**Internal Control Consultant**") to conduct an evaluation of our internal control system in connection with the Listing. As part of the engagement, we have consulted with our Internal Control Consultant to identify the factors relevant to enhancing our internal control system and the steps to be taken and the Internal Control Consultant made a number of recommendations. The Internal Control Consultant conducted its work in August 2017 and provided a number of findings and recommendations in its report. We have subsequently taken remedial actions in response to such findings and recommendations. The Internal Control Consultant performed follow-up procedures on our Company's system of internal control with regard to those actions taken by our Company and reported further commentary in October 2017. In its follow-up reviews, the Internal Control Consultant noted that we had followed all of its major recommendations and accordingly taken corrective actions to address its internal control deficiencies and weaknesses.

We have established an internal control department and each of our schools has designated the relevant personnel who will be responsible for monitoring our on-going compliance with the relevant PRC laws and regulations that govern our business operations and overseeing the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management (including the principals and deputy principals of our schools) and employees involved with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to potential non-compliance.

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.

Risk Management

We are exposed to various risks in the operations of our business and we believe that risk management is important to our success. Key operational risks faced by us include, among others, changes in general market conditions and perceptions of private education, changes in the regulatory environment in the PRC 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. Please refer to the section headed "Risk Factors" in this prospectus for disclosures on various risks we face. In addition, we also face numerous market risks, such as interest rate, credit and liquidity risks that arise in the normal course of our business. For a discussion on these market risks, please see the section headed "Financial Information – Qualitative and Quantitative Disclosure about Market Risks" 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.

CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalization Issue and the Global Offering, the Controlling Shareholders will together control the exercise of voting rights of more than 30% of the Shares eligible to vote in the general meeting of our Company (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of options 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 and private formal secondary vocational education. Other than Mr. Wu's interest in our Group, Mr. Wu and his spouse also hold direct or indirect interests in companies outside of our Group, which are engaged in non-education businesses.

Further, Mr. Wu directly or indirectly through Xinhua Investment and Xinhua Education Group, held interests in companies outside of our Group which are engaged in the provision of private formal middle school education and informal education in the PRC. Such informal education includes the provision of tutoring services to existing primary and secondary school students of formal education through 11 tutorial institutions and the provision of computer, culinary courses and automotive education through over 100 non-degree vocational training institutions.

These businesses are not included in our Group primarily because (i) being an education group providing private formal higher and secondary education, we were not engaged in, and had no intention to engage in, the operation of formal middle school and informal education; and (ii) the operation of formal middle school and informal education involves resources and personnel that are substantially different from operation of the schools operated by our Group. Our Directors are of the view that the business activities of formal middle school and informal education are clearly delineated from those of our Group and there is no potential competition between formal middle school and informal education with our Group, on the basis that:

(i) the students in the middle school and informal education business in which Xinhua Investment or Xinhua Education Group is interested and the schools operated by our Group are for students in different age groups;

(ii) the targeted students of our Group and that of informal education in which Xinhua Investment or Xinhua Education Group is interested in are different. Our Group recruits students who are seeking formal higher education and formal secondary vocational education to earn official certificates from the PRC government, while the informal education merely provides tutoring services to existing primary and secondary school students of formal education or enables students to obtain completion certificates for the training and learning courses they take, which may not be officially recognized in China;

(iii) the regulatory requirement for our PRC Operating Schools is different from that for informal education business, for example, the operation of our PRC Operating Schools are subject to approval by the relevant education department while informal education business is not;

(iv) the course structure in our PRC Operating Schools is different from that in the informal education business for example, students of our PRC Operating Schools are required to attend compulsory general education courses which are not required for students in the informal education business conducted by the Xinhua Education Group;

(v) the management team of our Group is different from that of the middle school and information education in which Mr. Wu is indirectly interested. Mr. Wu is not involved in the daily operations of the middle school and informal education business; and

(vi) our Controlling Shareholders, including Mr. Wu, have executed the Deed of Non-competition in favour of our Company, details of which are set out in the paragraph headed "Non-Competition Undertaking of the Controlling Shareholders" below.

NON-COMPETITION UNDERTAKING OF THE CONTROLLING SHAREHOLDERS

Although our Controlling Shareholders have control of formal middle school and informal education businesses that are not included in our Group, our Controlling Shareholders believe that their interests in such businesses will not, directly or indirectly, compete with our Group's business because there is a clear delineation of businesses of our Group and our Controlling Shareholders. See also the paragraph headed "Information on Other Companies Owned by Our Controlling Shareholders" above in this section and "History and Corporate Structure – Demerger" in this prospectus.

Our Controlling Shareholders have entered into the Deed of Non-competition on March 8, 2018 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, company (enterprise or corporate entity), partnership or associate (whether of an economic nature), 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. Wu 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 I – (1) Business Cooperation Agreements" for details of the non-competition undertaking provided by Mr. Wu, 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 three executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Wu, a Controlling Shareholder, is the chairman and a non-executive Director of our Company.

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 believe that we are capable of carrying on our business independently of our Controlling Shareholders and their close associates upon Listing for the following reasons:

(i) we hold or enjoy the benefit of all relevant licenses necessary to operate our business;

(ii) we have independent student bases and an independent management team to engage in our business;

(iii) we can make decisions and carry out our own business operations independently;

(iv) we have our own organizational structure and departments independent from our Controlling Shareholders;

(v) we have established a set of internal control procedures to facilitate the effective operation of our business;

(vi) we own or have the right to use all the operational facilities relating to our business; and

(vii) we have sufficient capital, facilities and employees to operate our business independently.

Upon Listing, Anhui New East Cuisine Education Institute and Anhui Xinhua Computer Institute, which Mr. Wu is indirectly interested in through Xinhua Education Group, will assist us in promoting our adult higher education program to students of the Anhui New East Cuisine Education Institute and Anhui Xinhua Computer Institute. Please refer to the section headed "Connected Transactions – Non-exempted Continuing Connected Transaction – (1) Service Agreements" of this prospectus for further details. For the years ended December 31, 2014, 2015, 2016 and 2017, the aggregate service fees charged by Anhui New East Cuisine Education Institute and Anhui Xinhua Computer Institute to us were immaterial, being approximately nil, RMB1.0 million, RMB2.7 million and RMB2.8 million, representing only approximately nil, 0.4%, 0.9% and 0.8% of our total revenue, respectively. Accordingly, we do not in any way rely on our use of these services for our operations and our use of these services will not have any material impact on the Group's ability to operate independently from the Controlling Shareholders.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs.

During the Track Record Period, our Group had certain non-trade related amounts due to/from our Controlling Shareholders or their respective close associates. See note 26 of the "Accountants' Report of our Group" in Appendix I and the section headed "Financial Information – Material Related Parties Transactions" in this prospectus for more information. Such amounts have been fully settled as of the Latest Practicable Date.

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 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 Directors

Each Director, including Mr. Wu, 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 Directors 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'000) for the year ending December 31,		
				2018	2019	2020
1	Service Agreements	14A.34, 14A.52, 14A.53 and 14A.76	Requirements as to announcement	2,500	2,700	2,900
2	Structured Contracts II	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

Non-exempt Continuing Connected Transactions

(1) Service Agreements

Pursuant to the service agreements (the "**Service Agreements**") dated March 8, 2018 entered into by Xinhua University with each of Anhui New East Cuisine Education Institute (安徽新東方烹飪專修學院) and Anhui Xinhua Computer Institute (安徽新華電腦專修學院) (the "**Relevant Institutes**"), each of the Relevant Institutes have agreed to assist Xinhua University in promoting its adult higher education program to students of the Relevant Institutes. In connection with such promotional effort, for those students who enrolled in our adult higher education program (the "**Relevant Students**"), each of the Relevant Institutes have also agreed to provide convenient teaching locations for the Relevant Students to attend some of the classes for such program. In consideration of the foregoing services, Xinhua University shall pay to the Relevant Institutes a service fee equivalent to 50% of the tuition fees of the Relevant Students. The Service Agreements are for a term with effect from the Listing Date to December 31, 2020, 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 Service Agreements (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 Service Agreements are on normal commercial terms or terms more favorable to our Group.

Listing Rules implications

Each of the Relevant Institutes is wholly owned by Xinhua Education Group, which is in turn owned as to 38.4% by Mr. Wu, 51.6% by relatives of Mr. Wu and 10% by two companies held by Mr. Wu and his relatives. Mr. Wu is a non-executive Director and a Controlling Shareholder of our Group, therefore, each of the Relevant Institutes is an associate of Mr. Wu and a connected person of our Company according to Rule 14A.12(1)(c). Accordingly, we consider it appropriate to aggregate the service fees under the Service Agreements to calculate the applicable percentage ratios under Chapter 14 of the Listing Rules for the Service Agreements.

Based on the current service fees payable by Xinhua University as aggregated, we expect that each of the applicable percentage ratios (other than the profit ratio) for the Service Agreements calculated in accordance with Rule 14A.77 of the Listing Rules will be more than 0.1% but less than 5% and thus the transactions contemplated under the Service Agreements as aggregated constitute continuing connected transactions of our Company which are exempt from the circular (including independent financial advice) and shareholders' approval requirements and are subject to the annual review, reporting and announcement requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

Historical amount

Historically, the service fees charged by the Relevant Institutes to Xinhua University for the years ended December 31, 2014, 2015, 2016 and 2017 was equivalent to 70% of the tuition fees of the Relevant Students and amounted to nil, RMB1.0 million, RMB2.7 million and RMB2.8 million, respectively.

The annual caps and basis of the annual cap

The annual caps are estimated based on the service fees payable as determined with reference to (i) agreed percentage of 50% of the tuition fees of the Relevant Students, (ii) number of the Relevant Students enrolled in our adult higher education program in 2016 and 2017, who are generally expected to continue to study in our adult higher education program in 2018 and/or 2019 (as the case may be) until they graduate and we expect the number of the Relevant Students who will enroll in our adult higher education program in 2018 to 2020 will overall have a slight increase as compared to 2015 to 2017 based on the historical trend, and (iii) tuition fees as filed with the relevant authority, and the annual cap for the Service Agreements for each of the years ending December 31, 2018, 2019 and 2020 is expected to be RMB2.5 million, RMB2.7 million and RMB2.9 million, respectively.

Application for waiver

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under the Listing Rules in respect of the transactions contemplated under the Service Agreements, provided that the total value of transactions under the Service Agreements for each of the three years ending December 31, 2018, 2019 and 2020 will not exceed the relevant proposed annual caps set forth above.

In addition, our Company has confirmed that we will comply with the applicable requirements set out in Chapter 14A of the Listing Rules in relation to such non-exempt continuing connected transaction, and will re-comply with relevant Listing Rules if the annual caps set out able are exceeded, or when the relevant Services Agreement is renewed or when there is a material change to the terms of the relevant Service Agreement.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on this non-exempt continuing connected transaction, our Company will take immediate steps to ensure the compliance with such new requirements within a reasonable time. Such transaction will continue to be subject to the annual reporting requirement under the Listing Rules.

Views of the Sole Sponsor and Directors

The Sole Sponsor and our Directors (including the independent non-executive Directors) consider that (i) the transactions contemplated under the Service Agreements have been and will be entered into in the ordinary and usual course of business, on normal terms or better that are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) the proposed annual caps for the transactions contemplated under the Service Agreements are fair and reasonable and in the interests of the Shareholders as a whole.

(2) Structured Contracts II

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 and formal secondary vocational 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 and a formal secondary vocational school in the PRC by way of Sino-foreign ownership was granted. As a result, our Group, through our wholly-owned subsidiary, Xinhua Xinjiang, our PRC Consolidated Affiliated Entities and the Registered Shareholders have entered into the Structured Contracts II such that we can conduct our business operations indirectly in the PRC through our PRC Operating Schools and our School Sponsor while complying with applicable PRC law and regulations. The Structured Contracts II, 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 Sponsor, 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 Sponsor after the Listing through Xinhua Xinjiang. As we operate our education business through our PRC Operating Schools, which are controlled by our School Sponsor and we do not hold any direct equity interest in our PRC Operating Schools or our School Sponsor, the Structured Contracts II were entered into on February 6, 2018 pursuant to which all material business activities of our PRC Operating Schools and our School Sponsor are instructed and supervised by our Group, through Xinhua Xinjiang, and all economic benefits arising from such business of the our PRC Operating Schools and our School Sponsor are transferred to our Group.

The Structured Contracts II 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 sponsor's and directors' rights entrustment agreement, the shareholders' rights entrustment agreement, the school sponsor's power 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 II. 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 II and the nature of their connection with our Group. The transactions contemplated under the Structured Contracts II, as a whole, constitute continuing connected transactions of our Company under the Listing Rules upon the Listing.

Name	Connected Relationships
Mr. Wu	Mr. Wu is a non-executive Director and a Controlling Shareholder of our Company, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.

Our Directors (including the independent non-executive Directors) are of the view that the Structured Contracts II 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 II 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 Sponsor 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 II, 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 II, 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 II pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Structured Contracts II under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Structured Contracts II 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 II 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 II 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 II 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 II shall continue to enable our Group to receive the economic benefits derived by our PRC Operating Schools and/or our School Sponsor through (i) our Group's option, to the extent permitted under PRC laws and regulations, to acquire all or part of our School Sponsor's interest held by our School Sponsor 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 Xinhua Xinjiang by our PRC Operating Schools and/or our School Sponsor 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 Sponsor in our PRC Operating Schools.

(d) Renewal and reproduction

On the basis that the Structured Contracts II 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 Sponsor, 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 II. 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 II, 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 II 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 II on an ongoing basis as follows:

- The Structured Contracts II 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 II 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 II, have been operated so that the profit generated by our PRC Operating Schools and our School Sponsor 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 Sponsor 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 II 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 II 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 II and that no dividends or other distributions have been made by our PRC Operating Schools and/or our School Sponsor 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 Sponsor 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 Sponsor 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 II, will be subject to the requirements under Chapter 14A of the Listing Rules.

- Each of our PRC Operating Schools and our School Sponsor will undertake that, for so long as our Shares are listed on the Stock Exchange, each of our PRC Operating Schools and our School Sponsor 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 Sponsor and Our Company

Given that the financial results of our PRC Operating Schools and School Sponsor will be consolidated into our financial results and the relationship between our PRC Operating Schools and/or our School Sponsor and our Company under the Structured Contracts II, all agreements other than the Structured Contracts II that may be entered into between each of our PRC Operating Schools and/or our School Sponsor 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 II 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 II 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 Xinhua Xinjiang or its designee, (ii) Xinhua Xinjiang 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 of the Latest Practicable Date, it consists of seven Directors. Three of them are executive Directors, one of them is a non-executive Director and three of them are independent non-executive Directors. The table below sets forth certain information regarding the members of our Board:

Name	Age	Date of joining our Group	Date of appointment as Director	Position(s)	Roles and responsibilities	Relationship with other Director(s) and the senior management
Mr. Wu Junbao (吳俊保)	52	September 1999	October 27, 2017	Chairman and non-executive Director	Providing opinion and judgment to our Board	None
Mr. Lu Zhen (陸真)	42	October 2014	October 27, 2017	Executive Director, director and executive vice president of Xinhua Group	Day-to-day management as well as operation and management of education related matters	None
Mr. Wang Yongkai (王永凱)	60	March 2003	October 27, 2017	Executive Director and executive president of Xinhua Group	In charge of business management as well as investment and financing management	None
Ms. Wang Li (王麗)	40	July 2000	October 27, 2017	Executive Director, deputy principal of Xinhua University	In charge of administrative and human resources matters	None
Ms. Zhang Kejun (張可君)	68	December 2005	October 27, 2017	Independent non-executive Director	Providing independent opinion and judgment to our Board	None
Mr. Yang Zhanjun	48	October 2017	October 27, 2017	Independent non-executive Director	Providing independent opinion and judgment to our Board	None
Mr. Chau Kwok Keung (鄒國強)	41	October 2017	October 27, 2017	Independent non-executive Director	Providing independent opinion and judgment 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	Date of appointment as senior management	Position(s)	Roles and responsibilities	Relationship with other Director(s) and the senior management
Mr. Huang Yuan (黃源)	54	January 2015	January 2015	Vice president of Xinhua Group	In charge of internal audit	None
Mr. Ni Zheng (倪徵)	41	December 2012	December 2012	Chief officer of international operations	In charge of overall management of international operations	None
Ms. Wang Jihong (王繼紅) (also known as Wang Ke (王可))	59	August 2002	December 2003	Chief strategy officer, deputy principal of Xinhua University	In charge of strategic planning	None

BOARD OF DIRECTORS

Chairman and non-executive Director

Mr. Wu Junbao (吳俊保), aged 52, the founder of our Group, was appointed as the chairman and a non-executive Director of our Company on October 27, 2017.

Mr. Wu has more than 18 years of experience in education. The following table shows the key working experience of Mr. Wu:

Period	Company	Position	Roles and responsibilities
September 1999 to September 2017	Xinhua Group	General manager	In charge of strategic planning, supervision of the overall management operation, improvement and implementation of the corporate governance and formulation of business objectives

Period	Company	Position	Roles and responsibilities
September 1999 to present	Xinhua Group	Chairman and director	In charge of strategic planning, supervision of the overall management operation and improvement and implementation of the corporate governance
June 2000 to present	Xinhua University	Chairman and director	In charge of strategic planning, supervision of the overall management operation and improvement and implementation of the corporate governance

Mr. Wu obtained the qualification as a senior economist granted by the Personnel Bureau of Hefei City (合肥市人事局) in July 2004. He graduated from Anhui Institute of Business Administration (安徽工商管理學院) in Hefei City, Anhui Province, the PRC with a degree of master of business administration in December 2003.

Mr. Wu did not hold any directorship in any listed companies during the last three years.

Executive Directors

Mr. Lu Zhen (陸真), aged 42, joined our Group in October 2014 and was appointed as an executive Director of our Company on October 27, 2017. Mr. Lu has also been a director of Xinhua Group since October 2015 and the executive vice president of Xinhua Group since May 2017. He is responsible for the day-to-day management as well as operation and management of education related matters of our Group.

Mr. Lu has more than 8 years of experience in education. The following table shows the key working experience of Mr. Lu:

Period	Company	Position	Roles and responsibilities
July 1999 to February 2005	Hefei Meiling Co., Ltd.* (合肥美菱股份有限公司)	Business manager	In charge of business and operation management including overseeing the sales of products, staff training, logistic and warehouse management, and distributor and customer relationship management

Period	Company	Position	Roles and responsibilities
February 2005 to February 2009	Hefei Meiling Home Appliances Industrial and Trading Company Limited* (合肥美菱家電工貿有限公司)	General manager for Anhui division	In charge of business management including overseeing the planning and performance of the sales targets and marketing strategies, sale team training and management, and account receivables and finance management
August 2009 to November 2011 and December 2013 to October 2014	Xinhua Education Group	Deputy head/ marketing operation manager/general manager of computer business department	In charge of daily operation and management of the department as well as marketing management
November 2011 to November 2013	Shandong Xinhua Computer College* (山東新華電腦學院)	Deputy principal/principal	In charge of the management, financial and supervision matters
October 2014 to present	Xinhua University	Deputy principal/executive director/executive deputy principal	In charge of the university office, departments of personnel, finance and asset management
March 2015 to present	Xinhua Group	Assistant to the president/ director/vice president/ executive vice president	In charge of the management of Xinhua University and Xinhua School and the management of the Group's finance and human resources departments

Mr. Lu graduated from Zhengzhou Institute of Textile Industry* (鄭州紡織工學院, currently known as Zhongyuan University of Technology (中原工學院)) in Zhengzhou City, Henan Province, the PRC with a bachelor degree majoring in mechanical engineering in July 1999 and graduated from Nanjing University (南京大學) in Nanjing City, Jiangsu Province, the PRC with a degree of master of business administration in March 2009.

Mr. Lu did not hold any directorship in any listed companies during the last three years.

Mr. Wang Yongkai (王永凱), aged 60, joined our Group in March 2003 and was appointed as an executive Director of our Company on October 27, 2017. Mr. Wang has also been a director of Xinhua University since December 2004 and the executive president of Xinhua Group since June 2011. He is responsible for the business management as well as investment and financing management of our Group.

Mr. Wang has more than 14 years of experience in education and financial matters. The following table shows the key working experience of Mr. Wang:

Period	Company	Position	Roles and responsibilities
March 2003 to present	Xinhua Group	Chief financial officer/deputy general manager/director/ executive president	In charge of the financial management of the Group
December 2004 to present	Xinhua University	Director	In charge of general administration and business management

Mr. Wang obtained the qualification as a senior economist granted by the Personnel Bureau of Hefei City in December 2008. He graduated from Hefei Rural Economic Management Cadre College* (合肥農村經濟管理幹部學院, currently known as Anhui Economic Management Cadre College* (安徽經濟管理幹部學院)) in Hefei City, Anhui Province, the PRC majoring in financial accounting and statistics in July 1989 and graduated from China Europe International Business School (中歐國際工商學院) in Shanghai, the PRC with a degree of master of business administration in October 2011.

Mr. Wang did not hold any directorship in any listed companies during the last three years.

Ms. Wang Li (王麗), aged 40, joined the Group in July 2000 and was appointed as an executive Director of our Company on October 27, 2017. Ms. Wang has also been the deputy principal of Xinhua University since January 2016. She is responsible for the administrative and human resources matters of our Group.

Ms. Wang has more than 17 years of experience in education. The following table shows the key working experience of Ms. Wang:

Period	Company	Position	Roles and responsibilities
July 2000 to August 2008 and June 2012 to March 2015	Xinhua Group	Office clerk/office manager/deputy manager of the human resource development center of the human resources department/ vice general manager of the administrative center	In charge of the daily management in the office, administrative and human resources management

Period	Company	Position	Roles and responsibilities
August 2008 to January 2011 and May 2014 to present	Xinhua University	Head of the department of personnel/ assistant to principal/ deputy principal	In charge of the personnel management, salary and welfare and other human resources matters, asset management and material procurement as well as student management, security and information technology development matters

Ms. Wang obtained the certificate of accounting professional granted by Hefei Municipal Finance Bureau (合肥市財政局) in December 2005 and the qualification of enterprise human resources administrator (class II) granted by Ministry of Labour and Social Security Employment and Training Division* (勞動和社會保障部就業培訓司) in July 2008. She graduated from Anhui University (安徽大學) in Hefei City, Anhui Province, the PRC with a bachelor degree majoring in data management in July 2000.

Ms. Wang did not hold any directorship in any listed companies during the last three years.

Independent non-executive Directors

Ms. Zhang Kejun (張可君), aged 68, was appointed as an independent non-executive Director of our Company on October 27, 2017.

The following table shows the key working experience of Ms. Zhang:

Period	Company	Position
August 1976 to January 1980	Shanxi Yuanping Agriculture College* (山西原平農學院)	Teacher
January 1980 to December 1984	Heifei Supply and Marketing School* (合肥供銷學校)	Successively served as teacher, deputy principal, member of the Party Committee
December 1984 to August 1988	Education Department of Supply and Marketing Cooperative of Anhui Province* (安徽省供銷社教育處)	Department head

Period	Company	Position
August 1988 to December 2002	Anhui Trade School* (安徽省貿易學校)	Principal; deputy secretary of Party Committee
December 2002 to June 2003	Anhui Finance and Trade School Heifei Vocational Technical Institute* (安徽財貿學院合肥職業技術學院)	Secretary of Party Committee
June 2003 to July 2005	Party Committee/Retire Department of Supply and Marketing Cooperative of Anhui Province* (安徽省供銷社機關黨委、離退休處)	Deputy secretary in charge* (專職副書記)/Department head
December 2005 to October 2014	Xinhua University	Deputy secretary of Party Committee/deputy principal/director

Ms. Zhang graduated in April 1980 from Shanxi University (山西大學), the PRC, majoring in political science and graduated in June 1992 from the Party School of the Central Committee of Communist Party of China (中共中央黨校函授學院), the PRC, majoring in party and government administration (黨政管理) (a long distance learning course). Ms. Zhang obtained the qualification as a senior lecturer (secondary vocational school) (高級講師(中專教師系列)) from the committee for appraisal of senior lecturers for secondary vocational school of Anhui Province* (安徽省中等專業學校高級講師職務評審委員會), the PRC, in December 1994, and the qualification as associate professor (higher education) (思想政治副教授(高教系列)) from the committee for appraisal of teachers for higher education of Anhui Province* (安徽省高等學校教師職務評審委員會), the PRC, in November 2009.

Ms. Zhang did not hold any directorship in any listed companies during the last three years.

Mr. Yang Zhanjun, aged 48, was appointed as an independent non-executive Director of our Company on October 27, 2017.

The following table shows the key working experience of Mr. Yang:

Period	Company	Position
March 2008 to December 2017	Keiser University	Associate dean of business/vice chancellor of international affairs
February 2018 to present	American Higher Education Alliance	Senior executive

Mr. Yang was awarded a degree of master of business administration from Florida International University in Miami, the U.S., in December 2002.

Mr. Yang did not hold any directorship in any listed companies during the last three years.

Mr. Chau Kwok Keung (鄒國強), aged 41, was appointed as an independent non-executive Director of our Company on October 27, 2017.

The following table shows the key working experience of Mr. Chau:

Period	Company	Position
January 2001 to June 2002	Andersen & Co.	Experienced staff accountant/ senior consultant
June 2002 to August 2003	Shanghai Hawei New Material and Technology Co., Ltd.	Financial controller
August 2003 to April 2005	China South City Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 1668)	Deputy group financial controller
October 2005 to October 2007	China. com Inc., a company whose shares are listed on the Stock Exchange (stock code: 8006)	Qualified accountant/ chief financial officer/ company secretary/ authorised representative
May 2010 to June 2013	RIB Software AG, a German software company whose shares are listed in Frankfurt Stock Exchange (stock code: RSTAG)	a member of supervisory board
May 2014 to present	Qingdao Port International Co., Ltd., a company whose shares are listed on the Stock Exchange (stock code: 6198)	Independent non-executive director, chairman of the audit committee
October 2015 to present	The9 Limited, whose shares are listed by way of American Depositary Shares on the NASDAQ (stock code: NCTY)	Independent director
November 2007 to present	Comtec Solar Systems Group Limited ("**Comtec**"), a company whose shares are listed on the Stock Exchange (stock code: 712)	Executive director, chief financial officer, company secretary, and directors of certain subsidiaries of Comtec

Mr. Chau was awarded a bachelor's degree in business administration from the Chinese University of Hong Kong in May 1998. Mr. Chau has been a member of the Association of Chartered Certified Accountants since June 2002, a member of Hong Kong Institute of Certified Public Accountants since July 2005 and a chartered financial analyst of CFA Institute since September 2003.

Save as disclosed above, Mr. Chau did not hold any directorship in any listed companies during the last three years.

SENIOR MANAGEMENT

Mr. Huang Yuan (黃源), aged 54, joined the Group in January 2015. Mr. Huang has been the vice president of the Xinhua Group since January 2015, and the chairman of the board of supervisors of Xinhua University since March 2015. Mr. Huang is responsible for the Group's internal audit.

Mr. Huang has more than 15 years of experience in education. The following table shows the key working experience of Mr. Huang:

Period	Company	Position
September 2002 to March 2004	Anhui Xinhua Real Estate Co., Ltd.* (安徽新華房地產有限公司)	Vice general manager and manager of procurement department
March 2004 to April 2008	Anhui New East Cuisine Education Institute	Principal
April 2008 to January 2015	Xinhua Education Group	Vice general manager
January 2015 to present	Xinhua Group	Vice president
March 2015 to present	Xinhua University	Chairman of the board of supervisors

Mr. Huang graduated from Renmin University of China (中國人民大學) in Beijing, the PRC with a degree of master of business administration in November 2008.

Mr. Huang did not hold any directorship in any listed companies during the last three years.

Mr. Ni Zheng (倪徵), aged 41, joined our Group in December 2012 and was appointed as the chief officer of international operations on October 31, 2017. Mr. Ni has also been the deputy principal of Xinhua University since July 2017. He is responsible for the overall management of international operations.

Mr. Ni has more than 4 years of experience in education. The following table shows the key working experience of Mr. Ni:

Period	Company	Position
December 2012 to April 2016 and July 2017 to present	Xinhua University	Deputy principal
April 2016 to July 2017	Hefei Xinhua Experimental Middle School * (合肥新華實驗中學)	Chairman
August 2016 to January 2017	Anhui Youbangxue Education and Technology Company Limited* (安徽優邦學教育科技有限公司)	General manager
January 2017 to July 2017	Anhui Youbangxue Education and Technology Company Limited* (安徽優邦學教育科技有限公司)	Vice general manager, general manager of the business department No. 1 and the head of the branding operation department
July 2017 to present	Xinhua Group	General manager of the investment department and the head of the education development department

Mr. Ni graduated from Huainan Normal College* (淮南師範專科學校, currently known as Huainan Normal University (淮南師範學院)) in Huainan City, Anhui Province, the PRC majoring in Chinese language and literature in July 2000 and graduated from Guizhou University (貴州大學) in Guiyang City, Guizhou Province, the PRC with a degree of master of business administration in June 2017.

Mr. Ni did not hold any directorship in any listed companies during the last three years.

Ms. Wang Jihong (王繼紅) (also known as **Wang Ke (王可)**), aged 59, joined our Group in February 1998 and was appointed as the chief strategic officer of our Company on October 31, 2017. Ms. Wang has also been a council member of Xinhua School since June 2009 and deputy principal of Xinhua University since April 2016. She is responsible for the strategic planning of our Group.

Ms. Wang has more than 15 years of experience in education. The following table shows the key working experience of Ms. Wang:

Period	Company	Position
August 2002 to June 2004 and March 2005 to present	Xinhua School	Assistant to principal/ deputy principal/ principal/council member
July 2004 to March 2005	Xinhua Group	Vice manager of human resource department
June 2014 to April 2016	Hefei Xinhua Experimental Middle School* (合肥新華實驗中學)	Principal/chairman
April 2016 to present	Xinhua University	Deputy principal

Ms. Wang obtained the qualification as a geological surveying engineer in June 2004 and was awarded the Outstanding Principal of Private Education in Anhui Province* (安徽省民辦教育優秀校長) jointly issued by the Private Education Professional Committee of Chinese Society for Taoxingzhi Studies* (中陶會民辦教育專業委員會) and the Education Society of Anhui Province* (安徽省教育學會) in October 2010. She was appointed as the vice president of Anhui Institute of Vocational and Adult Education, Vocational Branch* (安徽省職業與成人教育學會中職分會) in 2007 and as the vice president of Hefei Private Education Association* (合肥市民辦教育協會) in December 2013. She graduated from Anhui Open University (安徽廣播電視大學) in Hefei City, Anhui Province, the PRC majoring in basic management of Party and government cadres in July 1986.

Ms. Wang did not hold any directorship in any listed companies during the last three years.

COMPANY SECRETARY

Mr. Young Ho Kee Bernard (楊浩基), aged 36, was appointed as a company secretary on October 31, 2017. Mr. Young is an assistant vice president of SW Corporate Services Group Limited and is responsible for assisting listed companies in professional company secretarial work. Mr. Young is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom and holds a Bachelor's degree in Accountancy from the Hong Kong Polytechnic University. He has over 10 years of experience in company secretarial management and compliance.

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. Chau Kwok Keung, Mr. Wu Junbao and Ms. Zhang Kejun. The chairman of the audit committee is Mr. Chau Kwok Keung.

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 Ms. Zhang Kejun, Mr. Wu Junbao and Mr. Yang Zhanjun. The chairman of the remuneration committee is Ms. Zhang Kejun.

Nomination Committee

We established a nomination committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of members of the Board. The nomination committee consists of three members, namely, Mr. Wu Junbao, Ms. Zhang Kejun and Mr. Yang Zhanjun. The chairman of the nomination committee is Mr. Wu Junbao.

REMUNERATION POLICY

For the three years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was approximately RMB192,000, RMB569,000, RMB587,000 and RMB437,000, respectively.

For the three years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017, 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 approximately RMB1,100,000 RMB1,223,000, RMB1,335,000 and RMB1,028,000, 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, the aggregate remuneration paid to, and benefits in kind received by, our Directors (excluding discretionary bonus) for the year ended December 31, 2017 was approximately RMB648,000.

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, 2018 will be approximately RMB1,100,000.

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 8, 2018. For further details, see "Appendix VI – Statutory and General Information – F. Share Option Scheme" to this prospectus.

Save as disclosed above, no other payments had been made, or are payable, by any member of the Group to the Directors as directors' emoluments 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 Guotai Junan 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 Guotai Junan 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 the publication 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**
WJB Company	Beneficial owner[2]	1,148,491,879	71.78%
Mr. Wu	Interest in a controlled corporation[2]	1,148,491,879	71.78%

Notes:

(1) Assuming the Over-allotment Option is not exercised.

(2) Mr. Wu is the sole shareholder of WJB Company and he is therefore deemed to be interested in the Shares held by WJB Company 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:

		(HK$)
2,000,000,000	Shares	20,000,000

Assuming the Over-allotment Option is not exercised at all, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering will be as follows:

Issued Share Capital:

			Approximate percentage of issued share capital
		HK$	*(%)*
5,172	Shares in issue as of the date of this prospectus	51.72	0.0003
1,199,994,828	Shares to be issued under the Capitalization Issue	11,999,948.28	74.9997
400,000,000	Shares to be issued under the Global Offering	4,000,000	25.00
1,600,000,000	Shares in total	16,000,000	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:

		HK$	Approximate percentage of issued share capital (%)
5,172	Shares in issue as of the date of this prospectus	51.72	0.0003
1,199,994,828	Shares to be issued under the Capitalization Issue	11,999,948.28	72.2888
460,000,000	Shares to be issued under the Global Offering	4,600,000	27.7108
1,660,000,000	Shares in total	16,600,000	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 60,000,000 Shares will be issued upon exercise of the Over-allotment Option in full.

RANKING

The Offer Shares are ordinary Shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this prospectus.

ALTERATIONS OF SHARE CAPITAL

Our Company may from time to time by ordinary resolution or special resolution (as the case may be) of shareholders alter the share capital of our Company. For a summary of the provisions in the Article of Association regarding alterations of share capital, see paragraph "Appendix V – 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 8, 2018. The principal terms of the Share Option Scheme are summarized in the section headed "Appendix VI – 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 VI – Statutory and General Information – A. Further information about our Company – 4. Written resolutions of the then shareholders of our Company passed on March 8, 2018" 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 VI – 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 VI – Statutory and General Information – A. Further Information about Our Company – 4. Written resolutions of the then shareholders of our Company passed on March 8, 2018" in this prospectus.

You should read the following discussion in conjunction with the combined financial statements and the notes thereto included in "Appendix I – Accountants' Report of the Group" and "Appendix II – Unaudited Pro Forma Financial Information of the Group" to this prospectus and the selected historical financial information and operating data included elsewhere in this prospectus.

Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in "Forward-looking Statements" and "Risk Factors". In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are the largest private higher education provider in the Yangtze River Delta, as measured by the full time student enrollment of our higher education programs as of December 31, 2016, according to Frost & Sullivan. During the Track Record Period and as of the Latest Practicable Date, we operated two schools, Xinhua University, which is a private formal university, and Xinhua School, which is a private secondary vocational school. We control both schools through the Structured Contracts. Our Xinhua University is the largest private formal higher education institution in the Yangtze River Delta, as measured by its full time student enrollment as of December 31, 2016, according to Frost & Sullivan. In addition, our Xinhua School is the largest private specialized secondary school in Anhui Province in terms of student enrollment as of December 31, 2016, according to Frost & Sullivan. As of September 30, 2017, our two schools had a total of approximately 28,030 full time students and 5,605 students enrolled in continuing education program of our Xinhua University. As of September 30, 2017, we had a total of approximately 945 teachers.

We derive revenue from tuition fees and boarding fees paid by students of our schools. We generally require full time students at Xinhua University to pay tuition fees and boarding fees for the entire school year at the beginning of the school year and students at Xinhua School to pay tuition fees and boarding fees for the entire school semester at the beginning of each of the two school semesters, which begin in March and September of each year. We recognize tuition fees and boarding fees proportionately over a nine-month and 12-month period, respectively.

We experienced steady growth in our revenue, gross profit and student enrollment during the Track Record Period. Our revenue increased from RMB250.1 million for the year ended December 31, 2014 to RMB281.6 million for the year ended December 31, 2015, and further to RMB303.3 million for the year ended December 31, 2016. For the nine months ended September 30, 2017, our revenue amounted to RMB220.8 million compared to revenue of RMB200.4 million for the nine months ended September 30, 2016. Our profit for the year increased from RMB133.2 million for the year ended December 31, 2014 to RMB150.0 million for the year ended December 31, 2015, and further to RMB172.5 million for the year ended December 31, 2016. For the nine months ended September 30, 2017, our profit for the period was RMB106.2 million compared to a profit of RMB109.2 million for the nine months ended September 30, 2016. Our full time student enrollments also grew from approximately 26,498 as of December 31, 2014 to approximately 28,030 as of September 30, 2017.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial condition and 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 and Private Vocational Education in China

We believe that our results of operations have been and will continue to be affected by the demand for private education in China, in particular, private education focused on applied sciences. Demand for private higher education and private vocational education 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 expenditure on private education, growth of the school-age population and favorable government policies and regulations on private education. Our business has benefited from the growth of China's economy and the increasing expenditure of urban households on education. According to Frost & Sullivan, China's per capita nominal GDP has increased at a fast pace from RMB39,544 for 2012 to RMB53,980 for 2016, representing a CAGR of approximately 8.1%, and is expected to reach RMB78,529 in 2021. The overall economic growth and the increase in per capita nominal GDP in China have increased the level of Chinese per capita annual expenditure of urban households on education, which increased at a CAGR of 6.9% from 2012 to 2016, according to Frost & Sullivan. Furthermore, according to Frost & Sullivan, Chinese parents have historically placed a high value on their children's education, and they are willing to incur significant expenditures 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.

In addition, the growth in the urban population in China will likely affect the demand for private higher education primarily because the PRC government relaxed the "one-child policy" in 2013 and subsequently replaced it with the universal "two-child policy" in 2015. According to Frost & Sullivan, the relaxation and termination of the "one-child policy" and the adoption of the universal "two-child policy" are expected to cause the PRC urban population to grow. Therefore, we anticipate that the demand for private education, including private higher education focused on applied sciences in China, will continue to increase. On the other hand, the PRC government has promulgated a number of policies and regulations to encourage and promote the development of private education, such as encouraging private capital to flow into the education business. Other favorable policies are likely to be introduced to further stimulate the development of the private education in China, according to Frost & Sullivan.

Student Enrollment Levels

Our revenue 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 full time students enrolled at our schools increased from approximately 26,498 as of December 31, 2014 to approximately 28,030 as of September 30, 2017. In addition, the number of students enrolled in the continuing education program of our Xinhua University increased from approximately 4,006 as of December 31, 2014 to approximately 5,605 as of September 30, 2017. According to Frost & Sullivan, the total number of students enrolled in private higher education institutions in China is expected to reach approximately 8.0 million in 2021 compared to approximately 6.3 million in 2016, representing a CAGR of approximately 4.8%. In addition, the total number of students enrolled in private secondary vocational schools in China is expected to witness a slight growth to approximately 1.9 million in 2021 with a CAGR of 0.5% from 2016, according to Frost & Sullivan.

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) in the case of our full time students, 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 of our full time students 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 have adopted stringent teacher selection criteria and maintain training programs for our newly hired and experienced teachers, as well as regular teacher evaluations to assess and improve their performance.

Tuition Fees and Boarding Fees

Our results of operations are also affected by the level of tuition fees and boarding fees we are able to charge. We usually require students to pay tuition fees and boarding fees at the beginning of each new school year or semester. 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 in Anhui Province where our schools are located. Prior to September 2017, our requests to raise tuition fees and boarding fees for our full time students required the approval of the Education Department and Price Bureau of Anhui Province. Since September 2017, Xinhua University became one of the only six private higher education institutions in Anhui Province for which tuition fee increases are not subject to prior approval except for a filing with the Education Department and Price Bureau of Anhui Province. Requests to raise tuition fees and boarding fees in Xinhua School are still subject to approval of the Price Bureau of Hefei City. 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 2017-2018 school year, we charged tuition fees ranging between RMB8,000 and RMB25,000 per full time student per year at our schools. Tuition fees for students in the continuing education program at Xinhua University range from RMB1,200 to RMB8,900 per student per year. According to Frost & Sullivan, the average tuition rates of private education institutions are generally higher than those of the public schools in China. 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, our Xinhua University raised its tuition fee rate for full time students from RMB12,100 - RMB20,000 per year to RMB15,100 - RMB25,000 per year for certain majors of the undergraduate program at the beginning of the 2017-2018 school year and from RMB7,700 - RMB18,000 per year to RMB10,700 - RMB21,000 per year for the junior college program at the beginning of the 2017-2018 school year. In addition, our Xinhua School also raised its tuition fee rate from RMB3,600-RMB4,000 per student per year to RMB5,200-RMB7,600 per student per year for certain majors at the beginning of the 2016-2017 school year. Otherwise our tuition fee rates for full time students 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 and the nine months ended September 30, 2016 and 2017, our cost of sales represented approximately 44.5%, 44.0%, 40.9%, 43.9% and 47.9% of our total revenue, respectively. Our cost of sales primarily consists of salaries and benefits, depreciation and amortization, teaching activity costs and other costs. Our school personnel salaries and benefits constitute approximately 25.5%, 23.9%, 22.7%, 25.7% and 24.5% of our total revenue for the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2016 and 2017, respectively.

Our operating expenses primarily consist of selling and distribution costs and administrative expenses. For the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2016 and 2017, the total amount of selling and distribution costs and administrative expenses from our operations as a percentage of our total revenue was approximately 15.5%, 16.5%, 16.0%, 17.9% and 20.4%, 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.

BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated in the Cayman Islands on August 30, 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Our Company and its subsidiaries (together, "**our Group**") are principally engaged in the formal higher and secondary vocational education business in the PRC.

The combined statements of financial position of our Group as at December 31, 2014, 2015 and 2016 and September 30, 2017 have been prepared to present the financial position of our Company and its subsidiaries as if the entities now comprising our Group had been combined as at those dates (or where the companies were incorporated/established/acquired at a date later than January 1, 2014, as if the combination had occurred from the date when the companies first came under the control of the Controlling Shareholders).

The financial information contained herein is presented in Renminbi, which is the functional currency of our Company and its subsidiaries.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our combined financial statements. Some of our significant accounting policies involve subjective assumptions and estimates, as well as complex judgments by our management relating to accounting items. Our significant accounting policies are set forth in detail the Accountant's Report included in Appendix I to this prospectus.

The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Revenue Recognition

We recognize revenue at the fair value of the consideration received or receivable, provided that it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably. We recognize revenue as follows:

- ***Revenue from tuition and boarding fees***

  Tuition and boarding fees received by Xinhua University and Xinhua School are generally paid in advance prior to the beginning of each academic year or semester, and initially recorded as deferred revenue. Tuition and boarding fees are recognized proportionately over the Track Record 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 our Group expects to earn within one year. The academic year of our Group's Xinhua University and Xinhua School is generally from September to June of the following year.

- ***Service income***

  Service income is recognized on the percentage of completion basis, in the period in which the services are rendered.

- ***Interest income***

  Interest income is recognized as it accrues using the effective interest method.

- ***Government grants***

  Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that our Group will comply with the conditions attaching to them. Grants that compensate our Group for expenses incurred are recognized as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate our Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Property, Plant and Equipment

Property, plant and equipment, other than construction in progress, are stated in the combined statements of financial position at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings	20 years
Motor vehicles	10 years
Furniture and fixtures	3-5 years
Electronic devices	3-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses. Capitalization of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

Income Tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

All deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if our Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, our Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    - the same taxable entity; or

    - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

RESULTS OF OPERATIONS

Combined Statements of Profit or Loss

The table below sets forth our combined statements of profit or loss with line items in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2014		2015		2016		2016		2017	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Revenue	250,114	100.0	281,646	100.0	303,262	100.0	200,391	100.0	220,846	100.0
Cost of sales	(111,423)	(44.5)	(123,851)	(44.0)	(124,032)	(40.9)	(87,951)	(43.9)	(105,751)	(47.9)
Gross profit	138,691	55.5	157,795	56.0	179,230	59.1	112,440	56.1	115,095	52.1
Other income	40,699	16.3	39,687	14.1	44,371	14.6	34,099	17.0	36,696	16.6
Selling and distribution costs	(3,736)	(1.5)	(4,729)	(1.7)	(5,677)	(1.9)	(4,407)	(2.2)	(4,184)	(1.9)
Administrative expenses	(35,112)	(14.0)	(41,734)	(14.8)	(42,942)	(14.2)	(31,442)	(15.7)	(40,804)	(18.5)
Profit from operation	140,542	56.2	151,019	53.6	174,982	57.7	110,690	55.2	106,803	48.4
Net finance costs	–	–	–	–	–	–	–	–	–	–
Profit before taxation	140,542	56.2	151,019	53.6	174,982	57.7	110,690	55.2	106,803	48.4
Income tax	(7,365)	(2.9)	(1,048)	(0.4)	(2,434)	(0.8)	(1,473)	(0.7)	(635)	(0.3)
Profit for the year/period	133,177	53.2	149,971	53.2	172,548	56.9	109,217	54.5	106,168	48.1

DESCRIPTION OF MAJOR COMPONENTS OF OUR COMBINED STATEMENTS OF PROFIT OR LOSS

Revenue

We generate revenue primarily from tuition fees and boarding fees our schools collect from our students. For the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2016 and 2017, our total revenue was RMB250.1 million, RMB281.6 million, RMB303.3 million, RMB200.4 million and RMB220.8 million, respectively. The following table summarizes the amount of revenue we generated from tuition fees and boarding fees for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2014		2015		2016		2016		2017	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Tuition fees										
Xinhua University	202,912	90.6	227,712	90.4	243,775	90.2	159,229	90.4	175,423	90.2
Xinhua School	20,950	9.4	24,064	9.6	26,619	9.8	16,889	9.6	19,069	9.8
Total tuition fees	223,862	89.5	251,776	89.4	270,394	89.2	176,118	87.9	194,492	88.1
Boarding fees	26,252	10.5	29,870	10.6	32,868	10.8	24,273	12.1	26,354	11.9
Total	250,114	100.0	281,646	100.0	303,262	100.0	200,391	100.0	220,846	100.0

Tuition Fees

We generate a substantial majority of our revenue from tuition fees collected from our Xinhua University and Xinhua School. For the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2016 and 2017, we derived RMB223.9 million, RMB251.8 million, RMB270.4 million, RMB176.1 million and RMB194.5 million, respectively, of our revenue from tuition fees, representing 89.5%, 89.4%, 89.2%, 87.9% and 88.1% of our total revenue, respectively.

During the Track Record Period, we raised tuition fees for both of our schools. These tuition 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

During the Track Record Period, we also generated revenue from boarding fees collected from our Xinhua University and Xinhua School. For the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2016 and 2017, we derived RMB26.3 million, RMB29.9 million, RMB32.9 million, RMB24.3 million and RMB26.4 million, respectively, of our revenue from boarding fees, representing 10.5%, 10.6%, 10.8%, 12.1% and 11.9%, of our revenue, respectively.

We generally require full time students at Xinhua University to pay tuition fees and boarding fees for the entire school year at the beginning of the school year and students at Xinhua School to pay tuition fees and boarding fees for the entire school semester at the beginning of each of the two school semesters, which begin in March and September of each year. We recognize tuition fees and boarding fees proportionately over a nine-month and 12-month period, respectively.

Cost of Sales

Our cost of sales consists of (i) salaries and benefits paid to our school personnel; (ii) depreciation and amortization; (iii) teaching activity costs; (iv) cost of repair; (v) student-related cost; (vi) utilities; and (vii) others. Depreciation and amortization expenses relate to the depreciation and amortization of property, plant and equipment and leasehold land at our schools 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. Cost of repair primarily relate to expenses incurred to repair and maintain the property, plant and equipment used for providing educational services, such as classroom buildings, student dormitories and dining halls. Student-related cost primarily consists of costs for student training, scholarships and financial aid for students. Others include various miscellaneous costs such as counseling fees. Our cost of sales was RMB111.4 million, RMB123.9 million, RMB124.0 million, RMB88.0 million and RMB105.8 million for the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2016 and 2017, respectively. The following table sets forth a breakdown of the components of our cost of sales for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2014		2015		2016		2016		2017	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Salaries and benefits	63,901	57.3	67,304	54.3	68,702	55.4	51,552	58.6	54,032	51.1
Depreciation and amortization	22,811	20.5	26,731	21.6	30,862	24.9	22,877	26.0	26,456	25.0

	Year ended December 31,						Nine months ended September 30,			
	2014		2015		2016		2016		2017	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Teaching activity costs	11,171	10.0	12,367	10.0	10,027	8.1	3,586	4.1	7,138	6.7
Cost of repair	3,584	3.2	8,827	7.1	5,228	4.2	3,146	3.6	5,258	5.0
Student-related cost	5,849	5.2	4,268	3.4	4,310	3.5	2,845	3.2	7,845	7.4
Utilities	3,329	3.0	3,461	2.8	3,892	3.1	3,211	3.7	4,281	4.0
Others	778	0.7	893	0.7	1,011	0.8	734	0.8	741	0.7
Total	111,423	100.0	123,851	100.0	124,032	100.0	87,951	100.0	105,751	100.0

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 other components of cost of sales. 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 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.

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Changes in tuition fees					
-10%	(22,386)	(25,178)	(27,039)	(17,612)	(19,449)
-5%	(11,193)	(12,589)	(13,520)	(8,806)	(9,725)
+5%	11,193	12,589	13,520	8,806	9,725
+10%	22,386	25,178	27,039	17,612	19,449
Changes in salaries and benefits paid to our school personnel					
-10%	8,332	9,011	9,210	6,841	7,342
-5%	4,166	4,505	4,605	3,421	3,671
+5%	(4,166)	(4,505)	(4,605)	(3,421)	(3,671)
+10%	(8,332)	(9,011)	(9,210)	(6,841)	(7,342)

Gross Profit and Gross Profit Margin

Gross profit represents our revenue less cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue. For the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2016 and 2017, our gross profit was RMB138.7 million, RMB157.8 million, RMB179.2 million, RMB112.4 million and RMB115.1 million, respectively, representing gross profit margins of 55.5%, 56.0%, 59.1%, 56.1% and 52.1%, respectively. Our gross profit margin decreased from 56.1% for the nine months ended September 30, 2016 to 52.1% for the nine months ended September 30, 2017, primarily as a result of (i) an increase of RMB5.0 million in student related costs mainly due to the increased financial aid provided to students at Xinhua University in the first nine months of 2017; (ii) an increase of RMB3.6 million in teaching activity costs as a result of an increase in the expenses incurred in relation to our school's information technology projects, an increase in our school's landscaping expenses and the increased funding for research and teaching activities at our schools; (iii) an increase of RMB3.6 million in depreciation and amortization due to the increase of property, plant and equipment; and (iv) an increase of RMB2.5 million in salaries and benefits of our school personnel primarily due to our increase in the average salary level. Our gross profit margin for the above interim period may not be indicative of our financial performance for the year because there is a mismatch between our recognition of revenue and cost of sales as well as a mismatch between our recognition of revenue and cash flow in terms of timing as described in "Business – Our Schools – Overview", contributing to fluctuations in our gross profit and gross profit margin.

Other Income

Other income primarily consists of (i) rental income; (ii) service income; (iii) government grants; (iv) income from available-for-sale financial assets; (v) other interest income; and (vi) others. The following table sets forth a breakdown of the components of our other income for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Rental income[(1)]	19,206	16,252	20,850	14,123	12,583
Service income[(2)]	10,348	12,048	14,863	14,493	12,908
Government grants[(3)]	11,029	6,759	1,657	976	5,917
Available-for-sale financial assets reclassification from equity on disposal[(4)]	(556)	3,491	5,368	3,648	4,246
Other interest income[(5)]	475	604	696	513	460
Others[(6)]	197	533	937	346	582
Total	40,699	39,687	44,371	34,099	36,696

Notes:

(1) Primarily includes rental income from our leased premises to Independent Third Parties in connection with the operation of canteens and stores on the campuses of our schools.

(2) Primarily includes income from services we provide for our students, which mainly include purchasing on their behalf text books, dormitory bedding and exam materials.

(3) Primarily includes the grants from the local government for the purpose of compensating the operating expenses arising from our schools' teaching activities, scientific research and expenditure on facilities. There are no unfulfilled conditions or contingencies relating to such government grants income recognized.

(4) Primarily consists of gains or losses we recognized upon disposal of wealth management products.

(5) Primarily consists of interest income from our current deposits.

(6) Primarily includes fines we collect from the campus stores resulting from their violations of terms of contracts with us and forfeits of non-refundable tuition fees for withdrawn students.

Selling and Distribution Costs

Selling and distribution costs primarily consist of (i) salaries and benefits for our staff who are in charge of student recruitment and advertising; (ii) student admission expenses; (iii) advertising expenses; and (iv) depreciation and amortization. The table below sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and benefits	1,736	1,562	1,357	1,018	844
Student admission expenses[1]	1,022	2,102	3,417	2,675	2,746
Advertising expenses[2]	351	437	289	266	181
Depreciation and amortization	627	628	614	448	413
	3,736	4,729	5,677	4,407	4,184

Notes:

(1) Primarily includes service fees we pay to our cooperative partners who are our related parties and admission fees we pay to education bureau in connection with student recruitment for Xinhua University.

(2) Primarily includes costs of our school brochures and other promotional materials.

Administrative Expenses

Administrative expenses primarily consist of (i) salaries and benefits for our administrative staff; (ii) business and travel expenses; (iii) tax expenses; (iv) depreciation and amortization expenses; (v) general expenses and (vi) listing expenses. Business and travel expenses primarily relate to expenses we incurred for business travel and social events for business purposes. Tax expenses primarily consist of property tax associated with our leased properties, which we rent out to Independent Third Parties such as operators of canteens and stores on our school campuses. Depreciation and amortization expenses primarily relate to office equipment in our corporate headquarters that we use for administration purposes. General expenses primarily relate to audit fees, insurance premium, various administration expenses, and miscellaneous administrative expenses such as telephone expenses. We incurred listing expenses for the nine months ended September 30, 2017 in connection with the proposed Listing. The following table sets forth a breakdown of the components of our administrative expenses for the periods indicated:

	Year ended December 31,			**Nine months ended September 30,**	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and benefits	17,679	21,243	22,044	15,841	18,541
Business and travel expenses	7,841	8,304	6,546	6,021	2,167
Tax expenses	2,278	2,515	3,186	1,951	1,608
Rental expenses	300	244	243	171	168
Depreciation and amortization	6,378	8,532	9,977	6,974	9,078
General expenses	525	681	844	404	580
Listing expenses(1)	–	–	–	–	8,449
Others	111	215	102	80	213
	35,112	41,734	42,942	31,442	40,804

Notes:

(1) We incurred listing expenses in connection with the Listing for the nine months ended September 30, 2017 after preparation work commenced. We did not incur any listing expenses during previous periods.

Net Finance Costs

Our net finance costs reflect the net sum after netting off interest expenses we paid on bank loans against the interest income we received from our loans to our related party, Xinhua Investment, as further described in "Financial Information – Material Related Party Transactions" in this prospectus. Under such financing arrangements, our net finance costs remained nil during the Track Record Period. These financing arrangements had ceased since December 31, 2016. The following table sets forth a breakdown of the components of our net finance costs for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest expenses on bank loans	24,097	9,284	830	827	–
Interest income from loan lent to a related party	(24,097)	(9,284)	(830)	(827)	–
Total	–	–	–	–	–

Income Tax Expenses

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Island and accordingly is not subject to income tax. No provision for Hong Kong profits tax has been made as our Group had no assessable profits derived from or earned in Hong Kong during the Track Record Period. Pursuant to the PRC Income Tax Law and the respective regulations, the companies of our Group which operate in the PRC are subject to Enterprise Income Tax ("**EIT**") at a rate of 25% on their taxable income.

According to the Implementation Rules for the Law for Promoting Private Education (the "**Implementation Rules**"), private schools, whether their school sponsors require reasonable returns or not, may enjoy preferential tax treatment. Private schools that their school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The Implementation Rules provide that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools that their school sponsors require reasonable returns. During the Track Record Period and up to the Latest Practicable Date, 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, as the School Sponsor of our PRC Operating Schools does not require reasonable returns, we did not pay enterprise income tax for the income from provision of formal educational services and had enjoyed the preferential corporate income tax exemption treatment since inception. As a result, no income tax expense for the income from provision of formal educational services was recognized for our Group's schools for the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017. See "Risk Factors – Risks Relating to Our Business and Our Industry – The discontinuation of any preferential tax treatments currently available to us, particularly the tax exempt status of our PRC Operating Schools, could materially and adversely affect our results of operations." in this prospectus for a description of risks relating to our tax incentives. We are subject to EIT on our income other than formal educational services, which primarily includes rental income, service income and gains from disposal of available-for-sale finance assets.

In addition, according to the *Notice on Preferential Enterprise Income Tax Policies for Two Special Economic Development Zones of Kashgar and Khorgos in Xinjiang Uygur Autonomous Region (關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知)* promulgated by MOF and SAT on November 29, 2011 and the *Measures for the Administration of Preferential Enterprise Income Tax Treatment in the Khorgos Economic Development Zone (霍爾果斯經濟開發區企業所得稅稅收優惠管理辦法)* promulgated by the government of Khorgos, Xinjiang in 2013, an enterprise established in Khorgos between January 1, 2010 to December 31, 2020 and falling within the scope of the *Catalog of Enterprise Income Tax Incentives for Industries Particularly Encouraged by Poverty Areas of Xinjiang for Development (新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄)* shall be exempted from the enterprise income tax entirely for five years beginning from the first year in which manufacturing or business operational revenue is earned and, after this initial enterprise income tax exemption period, such enterprise is entitled to another exemption on the local portion of its enterprise income tax. In light of this preferential tax policy, on January 17, 2018, Xinhua Xinjiang was established in Khorgos and was wholly owned by Xinhua HK. Xinhua Xinjiang is engaged in the provision of technical and management consultancy services to our PRC Operating Schools and School Sponsor and therefore falls within the scope of the aforesaid catalog. On February 7, 2018, Xinhua Xinjiang made a filing with the relevant local tax authorities in Khorgos for the preferential tax treatments, pursuant to which Xinhua Xinjiang is fully exempted from enterprise income tax from January 1, 2018 to December 31, 2020.

The following table shows the income tax expense in the PRC appearing in our combined statements of profit or loss.

	Year ended December 31,			**Nine months ended September 30,**	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax:					
Provision for PRC income tax for the year/period	7,365	1,048	2,434	1,473	635
Total	7,365	1,048	2,434	1,473	635

As of December 31, 2014, 2015 and 2016 and September 30, 2017, we have not recognized deferred tax assets in respect of deductible temporary differences of approximately RMB24.3 million, RMB6.6 million, RMB3.4 million and RMB9.3 million, respectively, as it is not probable that future taxable profits against which the deductible temporary differences can be utilized will be available in the relevant tax jurisdiction and entity.

As of December 31, 2014, 2015 and 2016 and September 30, 2017, we have not recognized deferred tax liabilities in respect of undistributed earnings generated by the PRC entities, with approximate total amount of RMB236.1 million, RMB351.4 million, RMB482.3 million and RMB588.4 million, respectively. In the opinion of our Directors, our Group's undistributed earnings will be retained in the PRC for the expansion of our Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months ended September 30, 2017 Compared to Nine Months ended September 30, 2016

Revenue

Our revenue increased by 10.2% from RMB200.4 million for the nine months ended September 30, 2016 to RMB220.8 million for the nine months ended September 30, 2017. This increase was primarily due to (i) a 10.4% increase in tuition fees from RMB176.1 million for the nine months ended September 30, 2016 to RMB194.5 million for the nine months ended September 30, 2017; and (ii) a 8.6% increase in boarding fees from RMB24.3 million for the nine months ended September 30, 2016 to RMB26.4 million for the nine months ended September 30, 2017. The tuition fees we received increased because (i) the mix of undergraduate students and junior college students at Xinhua University had changed during this period with the percentage of undergraduate students increasing each year, and the tuition fees that we charged undergraduate students were higher than what we charged junior college students; (ii) we increased tuition fees for the 2017/2018 school year for certain majors of our undergraduate program and junior college program at Xinhua University, and for certain majors offered at Xinhua School; and (iii) our full time student enrollment increased from approximately 27,836 as of December 31, 2016 to approximately 28,030 as of September 30, 2017. The boarding fees we received increased because our student enrollment increased as of September 30, 2017.

Cost of Sales

Our cost of sales increased by 20.2% from RMB88.0 million for the nine months ended September 30, 2016 to RMB105.8 million for the nine months ended September 30, 2017. This increase was primarily due to (i) an increase of RMB5.0 million in student-related costs mainly due to the increased financial aid provided to students at Xinhua University in the first nine months of 2017; (ii) an increase of RMB3.6 million in teaching activity costs as a result of the increased funding for research and teaching activities; (iii) an increase of RMB3.6 million in depreciation and amortization due to the increase of property, plant and equipment; (iv) an increase of RMB2.5 million in salaries and benefits of our school personnel primarily due to an increase in the average salary level; and (v) an increase of RMB2.1 million in cost of repair, mainly because we undertook maintenance projects at certain canteens at both of our schools during the first nine months of 2017.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 2.4% from RMB112.4 million for the nine months ended September 30, 2016 to RMB115.1 million for the nine months ended September 30, 2017, which was in line with the growth of our business. Our gross profit margin decreased from 56.1% for the nine months ended September 30, 2016 to 52.1% for the nine months ended September 30, 2017. This decrease was mainly attributable to a larger increase in our cost of sales compared to the increase in our revenue.

Other Income

Our other income increased by 7.6% from RMB34.1 million for the nine months ended September 30, 2016 to RMB36.7 million for the nine months ended September 30, 2017. This increase was primarily due to an increase of RMB4.9 million in government grants which were granted to our Xinhua School in 2017 to compensate our operating expenses arising from teaching activities and scientific research, partially offset by a decrease of RMB1.5 million in rental income and a decrease of RMB1.6 million in service income.

Selling and Distribution Costs

Our selling and distribution costs decreased by 4.5% from RMB4.4 million for the nine months ended September 30, 2016 to RMB4.2 million for the nine months ended September 30, 2017. This decrease was primarily due to a decrease in the salaries and benefits of our school personnel relating to student recruitment primarily because Xinhua University downsized its student recruitment department due to an improvement in its student recruitment efficiency, as partially offset by an increase in student admission expenses.

Administrative Expenses

Our administrative expenses increased by 29.9% from RMB31.4 million for the nine months ended September 30, 2016 to RMB40.8 million for the nine months ended September 30, 2017. This increase was primarily due to (i) the incurrence of RMB8.5 million of listing expenses in connection with our proposed Listing and (ii) an increase of RMB2.7 million in salaries and benefits of our administrative staff primarily due to an increase in the average salary level, partially offset by a decrease of RMB3.9 million in business and travel expenses mainly due to a decrease in business expenses incurred by Xinhua University.

Profit before Taxation

As a result of the foregoing, we recognized a profit of RMB106.8 million before income tax for the nine months ended September 30, 2017, compared to a profit of RMB110.7 million before income tax for the nine months ended September 30, 2016. Our profit before tax as a percentage of revenue was 48.4% for the nine months ended September 30, 2017, while our profit before tax as a percentage of revenue was 55.2% for the nine months ended September 30, 2016.

Income Tax Expense

Our income tax expense decreased by 60.0% from RMB1.5 million for the nine months ended September 30, 2016 to RMB0.6 million for the nine months ended September 30, 2017. This decrease was primarily due to a decrease in our taxable revenue for the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016, which was mainly a result of a decrease in our rental income and an incurrence of listing expenses in connection with our proposed Listing during the first nine months of 2017. Our effective tax rate decreased from 1.3% for the nine months ended September 30, 2016 to 0.6% for the nine months ended September 30, 2017.

Profit for the Period

As a result of the foregoing, our profit for the period decreased by 2.7% from RMB109.2 million for the nine months ended September 30, 2016 to RMB106.2 million for the nine months ended September 30, 2017.

Year ended December 31, 2016 Compared to Year ended December 31, 2015

Revenue

Our revenue increased by 7.7% from RMB281.6 million for the year ended December 31, 2015 to RMB303.3 million for the year ended December 31, 2016. This increase was primarily due to (i) a 7.4% increase in tuition fees from RMB251.8 million for the year ended December 31, 2015 to RMB270.4 million for the year ended December 31, 2016; and (ii) a 10.0% increase in boarding fees from RMB29.9 million for the year ended December 31, 2015 to RMB32.9 million for the year ended December 31, 2016. The tuition fees we received increased because (i) the mix of undergraduate students and junior college students at Xinhua University had changed during this period with the percentage of undergraduate students increasing each year, and the tuition fees that we charged undergraduate students were higher than what we charged junior college students; (ii) we increased tuition fees for the 2016/2017 school year for certain majors of our undergraduate program and junior college program at Xinhua University, and for certain majors at Xinhua School; and (iii) our full time student enrollments increased from approximately 27,323 as of December 31, 2015 to approximately 27,836 as of December 31, 2016. The boarding fees we received increased because our student enrollment increased as of December 31, 2016.

Cost of Sales

Our cost of sales remained relatively stable, increasing from RMB123.9 million for the year ended December 31, 2015 to RMB124.0 million for the year ended December 31, 2016.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 13.6% from RMB157.8 million for the year ended December 31, 2015 to RMB179.2 million for the year ended December 31, 2016, primarily as a result of an increase in our revenue. Our gross profit margin increased from 56.0% for the year ended December 31, 2015 to 59.1% for the year ended December 31, 2016. This increase was mainly attributable to a larger increase in our revenue compared to the increase in our cost of sales.

Other Income

Our other income increased by 11.8% from RMB39.7 million for the year ended December 31, 2015 to RMB44.4 million for the year ended December 31, 2016. This increase was primarily due to (i) an increase of RMB4.6 million in rental income we received in 2016, which was a result of an increase in the rent rates we charge as we renewed certain leases for properties we rented out to Independent Third Parties to operate our on-campus canteens and stores; and (ii) an increase of RMB2.8 million in service income because we increased the fees for services we provided to our students in 2016, which primarily included purchasing on their behalf text books, dormitory bedding and exam materials, as well as computer use fees related to teaching activities. This is partially offset by a decrease of RMB5.1 million in discretionary government grants granted to us in 2016.

Selling and Distribution Costs

Our selling and distribution costs increased by 21.3% from RMB4.7 million for the year ended December 31, 2015 to RMB5.7 million for the year ended December 31, 2016. This increase was primarily due to an increase in student admission expenses due to an increase in the service fees we paid to our cooperative partners who are our related parties as a result of an increased number of students we recruited for Xinhua University through their recommendation in 2016.

Administrative Expenses

Our administrative expenses increased by 2.9% from RMB41.7 million for the year ended December 31, 2015 to RMB42.9 million for the year ended December 31, 2016. This increase mainly included an increase of RMB1.4 million in depreciation and amortization, which was in line with the increase in property, plant and equipment to meet the demand of increased student enrollment.

Profit before Taxation

As a result of the foregoing, we recognized a profit of RMB175.0 million before income tax for the year ended December 31, 2016, compared to a profit of RMB151.0 million before income tax for the year ended December 31, 2015. Our profit before tax as a percentage of revenue was 57.7% for the year ended December 31, 2016, while our profit before tax as a percentage of revenue was 53.6% for the year ended December 31, 2015.

Income Tax Expense

Our income tax expense increased by 140.0% from RMB1.0 million for the year ended December 31, 2015 to RMB2.4 million for the year ended December 31, 2016. This increase was primarily due to an increase of our taxable revenue for the year ended December 31, 2016 compared to the year ended December 31, 2015. Our effective tax rate increased from 0.7% in 2015 to 1.4% in 2016.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 15.0% from RMB150.0 million for the year ended December 31, 2015 to RMB172.5 million for the year ended December 31, 2016.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenue

Our revenue increased by 12.6% from RMB250.1 million for the year ended December 31, 2014 to RMB281.6 million for the year ended December 31, 2015. This increase was primarily due to (i) a 12.5% increase in tuition fees from RMB223.9 million for the year ended December 31, 2014 to RMB251.8 million for the year ended December 31, 2015; and (ii) a 13.7% increase in boarding fees from RMB26.3 million for the year ended December 31, 2014 to RMB29.9 million for the year ended December 31, 2015. The tuition fees we received increased because (i) the mix of undergraduate students and junior college students at Xinhua University had changed during this period with the percentage of undergraduate students increasing each year, and the tuition fees that we charged undergraduate students were higher than what we charged junior college students; (ii) we increased tuition fees for the 2015/2016 school year for certain majors of our undergraduate program at Xinhua University, and for certain majors offered at Xinhua School; and (iii) our full time student enrollment increased from approximately 26,498 as of December 31, 2014 to approximately 27,323 as of December 31, 2015. The boarding fees we received increased because our full time student enrollment increased as of December 31, 2015.

Cost of Sales

Our cost of sales increased by 11.2% from RMB111.4 million for the year ended December 31, 2014 to RMB123.9 million for the year ended December 31, 2015. This increase was primarily due to (i) an increase of RMB5.2 million in cost of repair, mainly because we undertook maintenance projects at one of our canteens in 2015; (ii) an increase of RMB3.9 million in depreciation and amortization due to the increase of property, plant and equipment; and (iii) an increase of RMB3.4 million in salaries and benefits of our school personnel due to an increase in the average salary level.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 13.8% from RMB138.7 million for the year ended December 31, 2014 to RMB157.8 million for the year ended December 31, 2015, which was in line with the growth of our business. Our gross profit margin increased from 55.5% for the year ended December 31, 2014 to 56.0% for the year ended December 31, 2015. This increase was mainly attributable to a larger increase in our revenue compared to the increase in our cost of sales.

Other Income

Our other income decreased by 2.5% from RMB40.7 million for the year ended December 31, 2014 to RMB39.7 million for the year ended December 31, 2015. This decrease was primarily due to (i) a decrease of RMB4.3 million in government grants which was a result of the government's discretionary decision; and (ii) a decrease of RMB3.0 million in rental income, mainly because certain leases for properties rented by an Independent Third Party which we charge a much higher rent rate expired and new leases have not been entered into. This was partially offset by an increase of RMB4.0 million in available-for-sale financial assets reclassification from equity on disposal due to the purchase of wealth management products in 2015.

Selling and Distribution Costs

Our selling and distribution costs increased by 27.0% from RMB3.7 million for the year ended December 31, 2014 to RMB4.7 million for the year ended December 31, 2015. This increase was primarily due to an increase in student admission expenses as a result of an increase in the service fees we paid to our cooperative partners who are our related parties as a result of an increased number of students we recruited for Xinhua University through their recommendation in 2015.

Administrative Expenses

Our administrative expenses increased by 18.8% from RMB35.1 million for the year ended December 31, 2014 to RMB41.7 million for the year ended December 31, 2015. This increase was primarily due to (i) an increase of RMB3.6 million in salaries and benefits paid to our administrative staff primarily due to an increase in the average salary level; and (ii) an increase of RMB2.2 million in depreciation and amortization, which was in line with the increase in property, plant and equipment to meet the demand of increased student enrollment.

Profit before Taxation

As a result of the foregoing, we recognized a profit of RMB151.0 million before income tax for the year ended December 31, 2015, compared to a profit of RMB140.5 million before income tax for the year ended December 31, 2014. Our profit before tax as a percentage of revenue was 53.6% for the year ended December 31, 2015, while our profit before tax as a percentage of revenue was 56.2% for year ended December 31, 2014.

Income Tax Expense

Our income tax expense decreased by 86.5% from RMB7.4 million for the year ended December 31, 2014 to RMB1.0 million for the year ended December 31, 2015. This decrease was primarily due to a decrease of our taxable revenue for the year ended December 31, 2015 compared to the year ended December 31, 2014 because we started to receive our boarding fees through Xinhua University and Xinhua School, respectively, in 2015, which enjoyed more preferential tax treatment. Our effective tax rate decreased from 5.2% in 2014 to 0.7% in 2015.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 12.6% from RMB133.2 million for the year ended December 31, 2014 to RMB150.0 million for the year ended December 31, 2015.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows Analysis

We have financed our operations primarily through cash generated from our operating activities and bank borrowings. Our primary uses of cash have been to fund working capital and other recurring expenses. Going forward, we believe that our liquidity requirements will be satisfied with a combination of cash flow generated from our operating activities, bank borrowings, other funds raised from the capital markets from time to time and the net proceeds from this Global Offering.

The following table sets forth our cash flows for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Net cash flows generated from operating activities	179,780	198,775	210,033	232,914	292,934
Net cash flows generated from/(used in) investing activities	12,417	26,205	(207,135)	(202,783)	(72,391)
Net cash flows (used in)/ generated from financing activities	(134,296)	(219,143)	(1,330)	(827)	60,900
Cash and cash equivalents at beginning of the year/period	40,568	98,469	104,306	104,306	105,874
Cash and cash equivalents at the end of the year/period	98,469	104,306	105,874	133,610	387,317

Net Cash Flows from Operating Activities

During the Track Record Period, our cash inflows from operating activities were generated primarily from tuition fees and boarding fees. We collect tuition fees and boarding fees upfront at the beginning of a school year in September for Xinhua University and at the beginning of each school semester in March and September for Xinhua School, and we typically have cash outflows for operating activities for the first half year. Our cash outflows from operating activities primarily reflect (i) profit before taxation adjusted for non-cash and non-operating items, such as depreciation of items of property, plant and equipment, amortization of lease prepayments and intangible assets, investment income, recognition of prepaid land lease payments and available-for-sale financial assets; (ii) movements in working capital, such as increase or decrease in trade and other receivables and increase or decrease in trade and other payables; and (iii) income tax paid.

For the nine months ended September 30, 2017, our net cash flows generated from operating activities was RMB292.9 million, primarily reflecting (i) profit before taxation of RMB106.8 million; (ii) positive total adjustments before movements in working capital of RMB34.0 million as a result of RMB36.3 million of positive adjustments for depreciation and amortization, RMB1.9 million of positive adjustments for amortization of lease prepayments, and RMB4.2 million of negative adjustments for the reclassification from equity on disposal of available-for-sale financial assets; and (iii) positive movements in working capital of RMB152.1 million as a result of RMB158.1 million of increase in trade and other payables due to our settlement of outstanding balances with related parties, as offset in part by RMB6.0 million of increase in trade and other receivables.

For the year ended December 31, 2016, our net cash flows generated from operating activities was RMB210.0 million, primarily reflecting (i) profit before taxation of RMB175.0 million; (ii) positive total adjustments before movements in working capital of RMB39.3 million as a result of RMB42.1 million of positive adjustments for depreciation and amortization, RMB2.6 million of positive adjustments for amortization of lease prepayments, and RMB5.4 million of negative adjustments for the reclassification from equity on disposal of available-for-sale financial assets; and (iii) negative movements in working capital of RMB4.3 million as a result of RMB5.8 million of decrease in trade and other payables, as offset in part by RMB1.5 million of decrease in trade and other receivables.

For the year ended December 31, 2015, our net cash flows generated from operating activities was RMB198.8 million, primarily reflecting (i) profit before taxation of RMB151.0 million; (ii) positive total adjustments before movements in working capital of RMB34.2 million as a result of RMB35.1 million of positive adjustments for depreciation and amortization, RMB2.6 million of positive adjustments for amortization of lease prepayments, and RMB3.5 million of negative adjustments for the reclassification from equity on disposal of available-for-sale financial assets; and (iii) positive movements in working capital of RMB19.5 million as a result of RMB15.0 million of increase in trade and other payables and RMB4.5 million of decrease in trade and other receivables.

For the year ended December 31, 2014, our net cash flows generated from operating activities was RMB179.8 million, primarily reflecting (i) profit before taxation of RMB140.5 million; (ii) positive total adjustments before movements in working capital of RMB32.2 million as a result of RMB29.0 million of positive adjustments for depreciation and amortization, RMB2.6 million of positive adjustments for amortization of lease prepayments, and RMB0.6 million of positive adjustments for the reclassification from equity on disposal of available-for-sale financial assets; and (iii) positive movements in working capital of RMB7.1 million as a result of RMB14.8 million of increase in trade and other payables, as offset in part by RMB7.7 million of increase in trade and other receivables.

Net Cash Flows from/(Used in) Investing Activities

During the Track Record Period, our investing activities consist primarily of (i) purchases of property, plant and equipment; (ii) purchases and sale of available-for-sale financial assets; (iii) loans to and repayment from our related parties; and (iv) advances to and repayments from our related parties.

For the nine months ended September 30, 2017, our net cash flows used in investing activities was RMB72.4 million, primarily reflecting (i) RMB1,104.0 million used to purchase available-for-sale financial assets; (ii) RMB45.9 million used to purchase property, plant and equipment; and (iii) RMB1.7 million used to purchase intangible assets, which were partially offset by (i) proceeds of RMB838.2 million from sale of available-for-sale financial assets; (ii) RMB240.9 million of repayment from our related party, Xinhua Investment, for the purpose of making financial investments, including investing in equity and funds as well as making loans.

For the year ended December 31, 2016, our net cash flows used in investing activities amounted to RMB207.1 million, primarily reflecting (i) RMB1,031.0 million used to purchase available-for-sale financial assets; (ii) RMB277.5 million of advances mainly to our related party, Xinhua Investment, for the purpose of making financial investments; and (iii) RMB264.5 million of loans lent to our related party, Xinhua Investment, for the purpose of making financial investments, partially offset by proceeds of RMB1,162.4 million from sale of available-for-sale financial assets.

For the year ended December 31, 2015, our net cash flows generated from investing activities was RMB26.2 million, primarily reflecting (i) proceeds of RMB656.5 million from the sale of available-for-sale financial assets; (ii) RMB454.5 million of loan repayment from our related party, Xinhua Investment, to us; and (iii) RMB104.2 million of net repayment mainly from our related party, Xinhua Investment, to us for advances, which were partially offset by (i) RMB899.0 million used to purchase available-for-sale financial assets; (ii) RMB245.0 million of loans lent to our related party, Xinhua Investment, for the purpose of making financial investments; and (iii) RMB51.8 million used to purchase property, plant and equipment.

For the year ended December 31, 2014, our net cash flows generated from investing activities was RMB12.4 million, primarily reflecting (i) RMB350.0 million of loan repayment from our related party, Xinhua Investment, to us; (ii) proceeds of RMB67.7 million from the sale of available-for-sale financial assets; and (iii) RMB24.3 million of interest income from loan lent to our related party, Xinhua Investment, which were partially offset by (i) RMB240.0 million of loan lent to our related party, Xinhua Investment, for the purpose of making financial investments; (ii) RMB81.7 million advance mainly to our related party, Xinhua Investment, for the purpose of making financial investments; (iii) RMB65.6 million used to purchase available-for-sale financial assets; and (iv) RMB42.1 million used to purchase property, plant and equipment.

Net Cash Flows from/(used in) in Financing Activities

During the Track Record Period, our net cash flows generated from/(used in) financing activities related primarily to borrowing and repayment of bank loans and borrowing cost paid in connection with interest incurred with the loans. See "– Indebtedness" for further details relating to our borrowings.

For the nine months ended September 30, 2017, our net cash flows generated from financing activities was RMB60.9 million, among which RMB1.7 million was contributed by Huayuan Partnership as registered capital and the remaining amount was contributed to the capital reserve of our Group.

For the year ended December 31, 2016, our net cash flows used in financing activities was RMB1.3 million, primarily reflecting (i) RMB265.0 million used for repayment of bank loans; and (ii) RMB0.8 million of borrowing costs paid in connection with the bank loan borrowed, which were offset in part by RMB264.5 million in proceeds from new bank loans.

For the year ended December 31, 2015, our net cash flows used in financing activities was RMB219.1 million, primarily reflecting (i) RMB454.5 million used for repayment of bank loans; and (ii) RMB9.6 million of borrowing costs paid in connection with the bank loan borrowed, which were offset in part by RMB245.0 million in proceeds from new bank loans.

For the year ended December 31, 2014, our net cash flows used in financing activities was RMB134.3 million, primarily reflecting (i) RMB350.0 million used for repayment of bank loans; and (ii) RMB24.3 million of borrowing costs paid in connection with the bank loan borrowed, which were offset in part by RMB240.0 million in proceeds from new bank loans.

Net Current (Liabilities)/Assets

The following table sets forth the breakdown of current assets and current liabilities as of the dates indicated.

	As of December 31,			As of September 30,	As of January 31,
	2014	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Current assets					
Trade receivables	872	151	1,199	4,008	3,981
Prepayment, deposits and other receivables	9,858	6,073	3,532	6,712	9,804
Amounts due from related parties	274,217	46,529	237,477	–	–
Available-for-sale financial assets	–	246,664	120,068	390,909	395,521
Cash and cash equivalents	98,469	104,306	105,874	387,317	107,340
Total current assets	383,416	403,723	468,150	788,946	516,646
Current liabilities					
Bank loans	210,000	500	–	–	–
Deferred revenue	146,935	153,841	166,878	287,895	155,093
Other payables	89,346	99,476	87,009	135,002	120,723
Amounts due to related parties	4,950	90,999	9,182	10,428	511
Deferred income	2,103	1,274	633	881	881
Current taxation	7,365	2,492	4,926	5,561	2,073
Total current liabilities	460,699	348,582	268,628	439,767	279,281
Net current (liabilities)/assets	(77,283)	55,141	199,522	349,179	237,365

As of January 31, 2018, we had net current assets of RMB237.4 million, as compared to net current assets of RMB349.2 million as of September 30, 2017. The decrease in net current assets was primarily due to (i) a decrease of RMB280.0 million in cash and cash equivalents primarily because we paid approximately RMB196.0 million in cash as a prepayment to Anhui Medical University as required under the agreement we entered into with Anhui Medical University in November 2017. See "Business – Planned Additional Schools – School of Clinical Medicine" for details; and (ii) an increase of RMB3.1 million in prepayment, deposit and other receivables, as partially offset by an increase of RMB4.6 million in available-for-sale financial assets.

As of September 30, 2017, we had net current assets of RMB349.2 million, as compared to net current assets of RMB199.5 million as of December 31, 2016. The increase in net current assets was primarily due to an increase of RMB270.8 million in available-for-sale financial assets and the increase of RMB281.4 million in cash and cash equivalents, partially offset by (i) a decrease of RMB237.5 million in amounts due from related parties because the amounts due from related parties had been repaid in full as of September 30, 2017; and (ii) an increase of RMB121.0 million in deferred revenue.

As of December 31, 2016, we had net current assets of RMB199.5 million, as compared to net current assets of RMB55.1 million as of December 31, 2015. The increase in net current assets was primarily due to (i) an increase of RMB190.9 million in amounts due from related parties; and (ii) a decrease of RMB12.5 million in other payables, which was mainly due to a decrease in miscellaneous expenses received from students because of accelerated settlement with our suppliers, which were partially offset by a decrease of RMB126.6 million in available-for-sale of financial assets due to the sale of available-for-sale financial assets.

As of December 31, 2015, we had net current assets of RMB55.1 million, as compared to net current liabilities of RMB77.3 million as of December 31, 2014. The increase in net current assets was primarily due to (i) an increase of RMB246.7 million in available-for-sale financial assets as a result of the financial investments we made in 2015; and (ii) a decrease of RMB209.5 million in bank loans as a result of the repayments we made in 2015, partially offset by a decrease of RMB227.7 million in amounts due from our related parties.

WORKING CAPITAL

We finance our working capital needs primarily through cash flow from operating activities. Taking into account the financial resources available to our Group, including the cash flow from operating activities and the estimated net proceeds from the Global Offering, our Directors are of the view that, after due and careful inquiry, our Group has sufficient available working capital for our present requirements for at least the next 12 months from the date of this prospectus.

Trade Receivables

Our trade receivables represented amounts related to students who have applied to delay payment of tuition fees and boarding fees. There is no fixed term for delayed payments. Our trade receivables as of December 31, 2014, 2015 and 2016 and September 30, 2017 were RMB0.9 million, RMB0.2 million, RMB1.2 million and RMB4.0 million, respectively. The ageing analysis of our trade receivables based on the transaction date, is as follows:

	As of December 31,			As of September 30,
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	872	151	1,182	4,008
More than 1 year but less than 2 years	–	–	17	–
	872	151	1,199	4,008

As of December 31, 2017, we had collected RMB3.8 million, or 94.8%, of the balance of our trade receivables outstanding as of September 30, 2017.

As of the Latest Practicable Date, no allowance for doubtful debts was made.

Prepayment, Deposits and Other Receivables

Prepayments, deposits and other receivables mainly represented (i) the amounts due from third parties; (ii) listing expenses incurred that will be capitalized after the Listing; and (iii) reimbursable advances to employees for business travel, training, procurement, student recruitment campaigns and other expenses to be incurred in the ordinary course of our business. Advances to employees were unsecured, interest-free and repayable on demand. All of the prepayments are expected to be settled or recognized as profit or loss within one year. The following table sets forth our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,			As of September 30,
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments and deposits	1,160	1,820	1,209	1,333
Other receivables	8,698	4,253	2,323	5,379
	9,858	6,073	3,532	6,712

Our prepayments, deposits and other receivables decreased from RMB9.9 million as of December 31, 2014 to RMB6.1 million as of December 31, 2015, primarily as a result of a decrease of RMB4.5 million in other receivables, which in turn was primarily because the advances to our employees in 2014 were mostly repaid in 2015.

Our prepayments, deposits and other receivables decreased from RMB6.1 million as of December 31, 2015 to RMB3.5 million as of December 31, 2016, primarily reflecting a decrease of RMB1.9 million in other receivables as a result of settlement with the Independent Third Parties who rented our properties to operate on-campus canteens and stores.

Our prepayments, deposits and other receivables increased from RMB3.5 million as of December 31, 2016 to RMB6.7 million as of September 30, 2017, primarily reflecting an increase of RMB3.1 million in other receivables, which in turn primarily reflected (i) RMB1.7 million of the listing expenses we have incurred that will be capitalized after the Listing; and (ii) an increase of RMB2.0 million in our advances to employees.

Available-for-sale Financial Assets

During the Track Record Period, we made investments in available-for-sale securities. These securities primarily represent short-term wealth management products with various investment interest issued by licensed commercial banks in the PRC. We made investments in these financial products primarily for the purpose of gaining higher short-term investment returns than the fixed rate returns from cash deposits at commercial banks. The following table sets forth our available-for-sale financial assets as of the dates indicated:

	As of December 31,			As of September 30,
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale securities	–	246,664	120,068	390,909

Our available-for-sale securities mainly consist of low-risk wealth management products that we purchase as part of our cash management strategy in order to obtain higher yields than we can receive on regular bank deposits. As of December 31, 2015, we had RMB246.7 million of available-for-sale securities. Our available-for-sale securities decreased from RMB246.7 million as of December 31, 2015 to RMB120.1 million as of December 31, 2016, primarily because we sold some of the available-for-sale securities in 2016. Our available-for-sale securities increased from RMB120.1 million as of December 31, 2016 to RMB390.9 million as of September 30, 2017, mainly because we made additional financial investments utilizing the increased cash on hand after we received tuition fees and boarding fees from students at the beginning of the 2017-2018 school year. Our available-for-sale securities as of September 30, 2017 primarily consisted of principal-unprotected floating income wealth management products in the aggregate principal investment amount of approximately RMB370.0 million issued by a number of commercial banks in China, including Agriculture Bank of China, Bank of Hangzhou and China CITIC Bank, with expected investment return rates ranging from 3.80% to 4.75% per annum and maturity periods ranging from 34 days to 91 days. As of September 30, 2017, we also had a principal-guaranteed floating income wealth management product in the principal investment amount of RMB20.0 million issued by China Guangfa Bank with an expected investment return rate of 4.35% per annum and a maturity period of 90 days. The underlying risk classifications of our investments are primarily medium-to-low risk (or with respect to certain wealth management products, risk category PR2, which represents "robust", compared with PR1, PR3, PR4 and PR5, which represent "cautious", "balanced", "growing" and "aggressive", respectively, indicating increased levels of risks associated with the products). Such risk classifications are based on the internal risk assessment provided by the relevant banks for internal reference only. The underlying investments of these wealth management products cover a variety of instruments, including, but not limited to, PRC government bonds, enterprise bonds, short-term financing instruments, bank deposits and medium-term notes. See "Risk Factors – Our available-for-sale investments may be subject to certain counterparty risks and market risks" for discussion of the material risks involved in our available-for-sale investments.

Cash and Cash Equivalents

Our Group has maintained a relatively stable cash management strategy. Our cash and cash equivalents increased from RMB98.5 million as of December 31, 2014 to RMB104.3 million as of December 31, 2015 and further to RMB105.9 million as of December 31, 2016. Our cash and cash equivalents increased significantly from RMB105.9 million as of December 31, 2016 to RMB387.3 million as of September 30, 2017, primarily attributable to the various fees we received from students at the beginning of the 2017-2018 school year.

Our Investment Policies

During the Track Record Period, we managed our surplus cash mainly through investing in short-term financial products issued by certain licensed banks that we believe have relatively low risks and offer better returns than cash deposits at licensed commercial banks in the PRC. Accordingly, we generally adopt investment measures that govern our investments in such financial assets. These measures include, among other things, the following:

- Investments in available-for-sale investments shall be made when we have surplus cash that is not required for our short-term working capital purposes;
- We mainly make investments in short-term wealth management products with low risk, high liquidity and reasonable returns;
- We mainly purchase financial products issued by the large state-owned licensed banks or listed licensed banks in China, including Agricultural Bank of China, China Merchants Bank, Hangzhou Bank; and
- We assess the risk associated with the underlying financial instruments based on the risk classification provided by the issuing licensed commercial bank.

To further reduce the risk associated with our available-for-sale investments, we have and will continue to invest in low-risk financial products. We believe that the returns on available-for-sale investments are higher than the fixed rate returns from cash deposits at commercial banks. Therefore, we will update our financial investment policies from time to time in accordance with our Group's development and macroeconomic environment in the PRC.

Risk Management Policies and Internal Control Measures

To better detect and manage the risks we are exposed to in connection with our operations, we have implemented a comprehensive set of risk management policies, which are set forth below:

- We have established a Risk Management Committee consisting of our vice president of our audit supervision department, deputy general manager of our audit supervision department and members of our legal department, investment department and other relevant business units;
- Our risk evaluation and management group is chiefly responsible for identifying the risks of our Group, implementing risk evaluation systems and standards, monitoring, analyzing and controlling the risks in our operations, collecting relevant risk analyses from our various departments and schools, and presenting a summary of these risk analyses to our Board;

- Our finance department is mainly responsible for evaluating our Group's financial and operational risks, including the risks involved in our investment in available-for-sale investments, and for providing the relevant risk analyses to our risk evaluation and management group; and

- Once the risks are properly identified and analyzed, appropriate risk management measures shall be implemented, which include avoiding risks, mitigating risks, transforming risks into opportunities and accepting risks.

In order to strictly adhere to our treasury and investment policies, we also established a set of internal control procedures relating to our investments in available-for-sale financial assets and other financial assets during the Track Record Period. The following sets for the detailed internal control measures:

- We have established an Investment Decision Committee consisting of the assistant president of our Group, senior management personnel and other responsible personnel of our investment department, finance department, audit department and legal department;

- The finance managers of our various business units present investment recommendations to our Chief Financial Officer based on the liquidity and financial needs of their respective business units, including, among other factors, the types of investment products, licensed banks that issue the investment products, estimated earnings, maturity and risk level;

- If we determine that we have surplus cash not required for short-term working capital, our finance department will, according to the investment recommendations provided by our business units, report to the legal department to review investment contracts or agreements to prevent legal risks and (i) review the various standard financial products issued by the licensed commercial banks by strictly adhering to our investment policies and guidelines; (ii) assess the risks and returns of the relevant financial products; and (iii) make the decision whether to invest and the amount of investment;

- The purchase of short-term financial products for less than six months shall be approved by our Chairman and the exact type of investment and the amount of investment will be decided once approved. The purchase of other financial products shall be approved by our Chairman after it is approved by the Investment Decision Committee;

- Each of our business units shall report to the respective responsible financial personnel and responsible unit personnel about the available for sale investment; and

- If the investment expires or we decide we need cash for our operations before the expiry date, with the consent of our Chairman, we may redeem the available-for-sale investments that have not expired or have exceeded the initial prohibition of the redemption period fixed by the relevant investment contract at any time.

Deferred Revenue

Our deferred revenue consists of tuition fees and boarding fees we typically collect from our students prior to the commencement of the upcoming school year or semester. It represents the tuition and boarding payments received from students but not earned. Our students are entitled, however, to the refund of a portion of their tuition and boarding payments pursuant to our refund policy if they withdraw from our school. For more details of our refund policy, please refer to the section headed "Business – Our Schools – Student Withdrawals and Refund" in this prospectus. The following table sets forth the balance of our deferred revenue as of the dates indicated.

	As of December 31,			As of September 30,
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tuition fees	129,402	134,827	146,581	250,013
Boarding fees	17,533	19,014	20,297	37,882
	146,935	153,841	166,878	287,895

The amount of deferred revenue as of December 31 generally represents the substantial majority of tuition fees and boarding fees received from our students for the entire school year, but has yet to be recognized as revenue for the remainder of the school year (generally from January to August). However, compared with the deferred revenue as of December 31, the deferred revenue as of September 30 had three more months (October, November and December) of tuition fees and boarding fees received, which have yet to be recognized as revenue. As a result, the deferred revenue as of September 30 is usually higher than that as of December 31.

Other Payables

Our other payables primarily consist of (i) miscellaneous expenses received from students which will be paid out on behalf of students; (ii) accrued expenses; (iii) payables to suppliers in connection with purchases of property, plant and equipment; (iv) accrued staff costs; (v) interest payable; and (vi) others. Our other payables as of December 31, 2014, 2015 and 2016 and September 30, 2017 were RMB89.3 million, RMB99.5 million, RMB87.0 million and RMB135.0 million, respectively.

The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,			As of September 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Miscellaneous expenses received from students	44,145	50,395	30,199	38,571
Accrued expenses	4,716	7,183	9,565	21,595
Payable to suppliers	12,093	9,638	16,460	25,053
Accrued staff costs	11,672	12,901	12,256	12,206
Interest payable	359	–	–	–
Others	16,361	19,359	18,529	37,577
Total	89,346	99,476	87,009	135,002

From December 31, 2016 to September 30, 2017, our other payables increased by RMB48.0 million, primarily due to (i) an increase of RMB12.0 million in accrued expenses in connection with the unpaid professional service fees relating to the proposed Listing; (ii) an increase of RMB8.6 million in payables to suppliers primarily due to the increase in building construction fees which have not been settled; and (iii) an increase of RMB8.4 million in miscellaneous expenses received from students because the miscellaneous fees that we received from students at the beginning of the 2017-2018 school year had not been settled with our suppliers. From December 31, 2015 to December 31, 2016, our other payables decreased by RMB12.5 million, primarily due to a decrease in miscellaneous expenses received from students because of accelerated settlement with our suppliers. From December 31, 2014 to December 31, 2015, our other payables increased by RMB10.1 million, primarily due to an increase of RMB6.3 million in miscellaneous expenses received from students and an increase of RMB2.5 million in accrued expenses.

All other payables are expected to be settled within one year. Our Directors confirmed that we had no material defaults in our trade and other payables during the Track Record Period.

Deferred Income

Our deferred income primarily consists of government grants in connection with our research and teaching projects. Our deferred income as of December 31, 2014, 2015 and 2016 and September 30, 2017 was RMB3.6 million, RMB1.5 million, RMB1.0 million and RMB1.6 million, respectively.

Current Taxation

Current taxation balance was RMB7.4 million, RMB2.5 million, RMB4.9 million, and RMB5.6 million as of December 31, 2014, 2015 and 2016 and September 30, 2017, respectively. As of October 30, 2017, we had settled RMB5.3 million of our current taxation balance. Our outstanding current taxation balance was RMB0.6 million as of October 30, 2017.

CAPITAL EXPENDITURES

Our capital expenditures have been primarily used for the purchase of property, plant and equipment. For the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017, our capital expenditures were RMB42.5 million, RMB54.7 million, RMB62.3 million and RMB47.5 million, respectively. Our capital expenditures during the Track Record Period primarily related to the maintenance of existing school premises and the purchase of additional equipment for our schools. We have funded these capital expenditures primarily with cash generated from operations.

We expect to incur capital expenditures of RMB709.1 million for the remainder of 2018 and RMB382.9 million for 2019, primarily for investment in additional schools and purchase of property, plant and equipment to improve our schools' facilities. We expect to fund these capital expenditures with cash generated from our operations and the net proceeds from the Global Offering.

CONTRACTUAL COMMITMENTS

Capital Commitments

Our capital commitments primarily relate to the purchase of property, plant and equipment. The following table sets forth our capital commitments outstanding for the periods indicated:

	As of December 31,			As of September 30,
	2014	**2015**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Contracted for	22,361	26,202	39,690	15,682
Authorized, but not contracted for	–	–	–	107,500
Total	22,361	26,202	39,690	123,182

INDEBTEDNESS

Our indebtedness during the Track Record Period mainly consisted of bank loans. The table below sets forth our indebtedness as of the dates indicated:

	As of December 31,			As of September 30,	As of January 31,
	2014	**2015**	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Bank Loan					
Secured	210,000	500	–	–	–
Total	210,000	500	–	–	–

The total amount outstanding of our bank loans decreased during the Track Record Period from RMB210.0 million as of December 31, 2014 to RMB0.5 million as of December 31, 2015 and further to nil as of December 31, 2016, primarily as a result of repayment of bank loans we made in during the Track Record Period.

Our bank loans carried interest at the range of 6.2%-7.8% and 4.9% per annum as of December 31, 2014 and 2015, respectively.

Our secured bank loans of RMB210.0 million and RMB0.5 million as of December 31, 2014 and 2015, respectively, were guaranteed by our Controlling Shareholder.

As of the Latest Practicable Date, the total amount of our unutilized banking facilities was RMB216.0 million.

As of January 31, 2018, being the latest practicable date for the purpose of this indebtedness statement, we had no outstanding borrowings. Our Directors confirm that there has not been any material change in the indebtedness commitments and contingent liabilities of our Group since January 31, 2018 and up to the Latest Practicable Date.

Contingent Liabilities and Guarantees

As of September 30, 2017, being the latest date for liquidity disclosure, we did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.

MATERIAL RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into various transactions with related parties. The following table sets forth information relating to our transactions with our related parties during the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest income from loan lent to a related party	24,097	9,284	830	827	–
Service fee charged by related parties	–	988	2,741	2,056	2,084
Purchase of property, plant, and equipment and merchandise	–	–	5,255	3,602	3,939
Net (advance to)/repayment from related parties	(81,730)	104,237	(277,497)	(356,697)	240,871
Loan lent to a related party	240,000	245,000	264,500	264,500	–
Loan repaid by a related party	350,000	454,500	265,000	264,500	–

The table below sets for outstanding balances with related parties as of the periods indicated:

	As of December 31,			As of September 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from				
Non-trade related:				
Huadong Chuanmei	106	29	52	–
Wu Junbao	46,000	46,000	142,850	–
Xinhua Investment	18,111	–	94,575	–
	64,217	46,029	237,477	–
Amounts due to				
Trade related:				
Anhui New East Cuisine Education Institute	–	–	–	687
Anhui Xinhua Computer Institute	–	–	–	1,397
Hefei Wanzhi	–	–	4,232	–
	–	–	4,232	2,084
Non-trade related:				
Wu Junbao	4,950	4,950	4,950	4,950
Xinhua Investment	–	86,049	–	3,394
	4,950	90,999	4,950	8,344

The amounts due from/to our related parties are unsecured, interest-free and have no fixed terms of repayment.

	As of December 31,			As of September 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans lent to a related party:				
Non-trade related:				
Xinhua Investment	210,000	500	–	–

To obtain better terms from the banks, our PRC Consolidated Affiliated Entities had a unified borrowing and repayment financing arrangement pursuant to which our PRC Operating Schools obtained loans from banks and then lent the same to Xinhua Group in 2014 and 2015. Since the loans from our PRC Operating Schools to Xinhua Group were utilized for non-education business of Xinhua Group, such loans were divided to Xinhua Investment during the demerger process of Xinhua Group in August 2017 and are treated as our loans lent to our related party, Xinhua Investment, in 2014 and 2015 for accounting purposes. For further details of the demerger process of Xinhua Group, please see the section headed "History and Corporate Structure – Demerger" in this prospectus.

Such loans lent to Xinhua Investment were unsecured, due within one year and bearing interest at rates of 6.2%-7.8% and 4.9% per annum as of December 31, 2014 and 2015, respectively. As of December 31, 2016, both loans from the banks and loans to Xinhua Investment had been repaid in full and such financing arrangement had also ceased. Our Directors confirm that we will not continue such financing arrangement after the Listing. We did not receive any proceeds from such financing arrangement after netting off interest expenses we paid on bank loans against the interest income we received from our loans to Xinhua Investment. Our Directors also confirm that during the Track Record Period and up to the Latest Practicable Date, we were not aware of any pending or threatened legal claims, disputes or proceedings brought by the lending bank against us or our PRC Operating School for utilizing the proceeds of the loan for non-education business.

According to our PRC legal advisors, Jingtian & Gongcheng, the Lending General Provisions promulgated by the PBOC in 1996 (中國人民銀行貸款通則) (the "**Lending General Provisions**") prohibit lending between enterprises. Accordingly, the above-mentioned financing arrangement between intra-group companies at the material time did not comply with certain provisions of the Lending General Provisions based on a strictly literal interpretation. According to the Lending General Provisions, in a case where enterprises engage in borrowing and lending without authorization, the PBOC may impose a fine on the lending party in an amount equal to one to five times of the illegal proceeds generated from the lending activity, and concurrently, invalidate such lending activity. Our PRC legal advisors, Jingtian & Gongcheng, are of the view that, since (i) we did not receive any proceeds from the lending activities after netting off interest expenses and interest income as described above; (ii) as of the Latest Practicable Date, both loans from the banks and loans to Xinhua Investment had been repaid in full and such financing arrangement had ceased; and (iii) the above-mentioned financing arrangement between Xinhua Group and our PRC Operating Schools does not violate the applicable provisions of the *Contract Law of the PRC* (中華人民共和國合同法) as well as the *Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases* (最高人民法院關於審理民間借貸案件適用法律若干問題的規定), the risk of the PBOC imposing any penalty on us is low.

We have settled all balances with related parties as of the Latest Practicable Date.

Please refer to Note 26 of the Accountant's Report included in Appendix I to this prospectus and the section titled "Connected Transactions" for further information.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the periods indicated:

	As of/for the year ended December 31,			As of/ for the nine months ended September 30,
	2014	2015	2016	2017
Net profit margin(1)	53.2%	53.2%	56.9%	48.1%
Current ratio(2)	0.8	1.2	1.7	1.8
Return on equity(3)	30.0%	28.9%	25.4%	16.6%
Return on assets(4)	14.7%	16.2%	17.4%	11.7%

Notes:

(1) Net profit margin was calculated based on our profit for the relevant year/period divided by our total revenue for the same year/period.

(2) Current ratio was calculated based on our total current assets divided by our total current liabilities as of the end of the year/period.

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

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

Net Profit Margin

Our net profit margin remained as 53.2% for the year ended December 31, 2014 and for the year ended December 31, 2015. It increased to 56.9% for the year ended December 31, 2016, which was mainly attributable to (i) a larger increase in gross profit as a result of the increased revenue compared to the increase in our selling and distribution costs and administration expenses; and (ii) an increase in other income, which was primarily due to an increase in rental income we received in 2016 which was a result of an increase in the rent rates we charge as we renewed certain leases for properties we rented out to Independent Third Parties to operate our on-campus canteens and stores. Our net profit margin decreased from 54.5% for the nine months ended September 30, 2016 to 48.1% for the nine months ended September 30, 2017, which was mainly attributable to a larger increase in our administrative expenses as a result of an increase in salaries and benefits for our administrative staff and the incurrence of listing expenses in connection with our proposed Listing compared to the increase in our gross profit.

Current Ratio

Our current ratio increased from 0.8 as of December 31, 2014 to 1.2 as of December 31, 2015, which was mainly due to a significant increase in available-for-sale financial assets and a decrease in the total amount outstanding of our bank loans in 2015. Our current ratio further increased to 1.7 as of December 31, 2016 then to 1.8 as of September 30, 2017, mainly due to a significant decrease in prepayment, deposits and other receivables and an increase in deferred revenue.

Return on Equity

Our return on equity decreased from 30.0% as of December 31, 2014 to 28.9% as of December 31, 2015, and further to 25.4% as of December 31, 2016, primarily because the average total equity increased at a faster pace than the increase in its net profit. Our return on equity was 16.6% as of September 30, 2017 on an annualized basis, which was lower than that for as of December 31, 2016, primarily because the average total equity for the nine months ended September 30, 2017 increased at a faster pace than the increase in the annualized net profit.

Return on Assets

Our return on assets increased from 14.7% as of December 31, 2014 to 16.2% as of December 31, 2015, and further to 17.4% for the year ended December 31, 2016, primarily a result of an increase in profit, which increased at a faster pace than the increase in its total average total asset. Our return on assets was 11.7% as of September 30, 2017 on an annualized basis, which was lower than that as of December 31, 2016, mainly due to an increase in average total assets.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

Credit Risk

Our Group's credit risk is primarily attributable to trade and other receivables and financial assets which comprise bank balances and available-for-sale securities. Our management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, the balances represent amounts related to students who have applied for the delayed payment of tuition fees and boarding fees. There is no fixed term for delayed payments. Our Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year or semester, which normally commences in September or February. Our Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by our senior management. In view of the aforementioned and the fact that our Group's trade receivables relate to a large number of diversified students, there is no significant concentration of credit risk. Our Group does not hold any collateral or other credit enhancements over our trade receivable balances.

In respect of other receivables, individual credit evaluations are performed on all counterparty requiring credit over a certain amount. These evaluations focus on our counterparty's past history of making payments when due and current ability to pay, and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. In view of the fact that our Group's other receivables relate to a large number of diversified counterparties, there is no significant concentration of credit risk. Our Group does not hold any collateral or other credit enhancements over its other trade receivable balances. Other receivables are non-interest-bearing.

In respect of available-for-sale securities, our Group transacts mainly with recognized and creditworthy banks, and the maximum exposure equal to the carrying amount of these securities.

Liquidity Risk

Liquidity risk is the risk that our Group will not be able to meet our financial obligations as they fall due.

Our Group's approach to managing liquidity is to ensure, as far as possible, that we will always have sufficient liquidity to meet our liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our Group's reputation.

Our Group's policy is to regularly monitor current and expected liquidity requirements, and to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following are the contractual maturities of our Group's financial liabilities at the end of the respective reporting period, which are based on contractual undiscounted cash flows and the earliest date our Group can be required to pay:

	As of December 31, 2014			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	216,947	–	216,947	210,000
Other payables	89,346	–	89,346	89,346
Amounts due to related parties	4,950	–	4,950	4,950
	311,243	–	311,243	304,296

	As of December 31, 2015			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	520	–	520	500
Other payables	99,476	–	99,476	99,476
Amounts due to related parties	90,999	–	90,999	90,999
	190,995	–	190,995	190,975

	As of December 31, 2016			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	–	–	–	–
Other payables	87,009	–	87,009	87,009
Amounts due to related parties	9,182	–	9,182	9,182
	96,191	–	96,191	96,191

	As of September 30, 2017			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	–	–	–	–
Other payables	135,002	–	135,002	135,002
Amounts due to related parties	10,428	–	10,428	10,428
	145,430	–	145,430	145,430

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

PROPERTY VALUATION

The particulars of our properties are set out in "Business" and in "Appendix IV – Property Valuation Report". Cushman & Wakefield Limited has valued the properties as of December 31, 2017. A full list of properties and a summary of the values issued by Cushman & Wakefield Limited is included in "Appendix IV – Property Valuation Report". The full set valuation report issued by Cushman & Wakefield Limited will be available for inspection at the offices of Luk & Partners in association with Morgan, Lewis & Bockius as described in Appendix VII to this prospectus.

The table below sets forth the reconciliation of aggregate amounts of our property interests from our combined financial statements as of September 30, 2017 to the unaudited net book value of our property interests as of December 31, 2017:

	Amount
	RMB'000
Buildings and construction in progress included in property, plant and equipment	424,400
Lease prepayments	91,075
Add: additions in buildings and construction in progress	7,213
Less: depreciation and amortisation for the three months ended December 31, 2017	(7,882)
Net book value of our property interests as of December 31, 2017	514,806
Valuation surplus as of December 31, 2017	1,285,194
Valuation as of December 31, 2017 per Appendix IV – Property Valuation Report	1,800,000

DIVIDENDS

Our Group currently does not have a pre-determined dividend policy. The payment and the amount of any future dividends will be subject to the sole discretion of our Board of Directors and will also depend on factors including, among others, our results of operations, cash flow, capital requirements, general financial condition, contractual restrictions, future prospects and other factors that our Board of Directors deems relevant. As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and, particularly, our schools, which are established in the PRC. Our schools in the PRC must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and distributing returns to their school sponsors. Any amount of dividend we pay will be at the discretion of our Board of Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant (including all applicable PRC laws and regulations which our schools are required to comply with). During the Track Record Period, we did not declare or pay any dividends to our shareholders.

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 had no reserve available for distribution to the Shareholders as of September 30, 2017.

LISTING EXPENSES

We expect to incur a total of RMB62.0 million of listing expenses (assuming an Offer Price of HK$3.26, being the mid-point of the indicative Offer Price range between HK$2.83 and HK$3.69, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, of which (i) approximately RMB8.4 million has been charged to the combined statements of profits or loss and RMB1.7 million has been capitalized in the nine months ended September 30, 2017; (ii) an additional RMB17.8 million has been charged to our consolidated statements of profits or loss as administrative expenses and an additional RMB4.3 million has been capitalized for the year ended December 31, 2017; and (iii) RMB4.0 million is expected to be charged to our consolidated statements of profits or loss as administrative expenses and RMB25.8 million is expected to be capitalized for the year ending December 31, 2018.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since September 30, 2017, being the date on which our latest audited combined financial statements were prepared, and there is no event since September 30, 2017 which would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

We have prepared unaudited preliminary financial information for our Group as of and for the year ended December 31, 2017, which is set forth in Appendix III to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the global offering by our Company of its shares (the "**Global Offering**") on the combined net tangible assets of our Group attributable to the equity shareholders of our Company as of September 30, 2017 as if the Global Offering had taken place on September 30, 2017.

This unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of September 30, 2017 or any future date.

	Combined net tangible assets attributable to the equity shareholders of the Company as of September 30, 2017	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets attributable to the equity shareholders of the Company	Unaudited pro forma adjusted combined net tangible assets attributable to the equity shareholders of the Company per Share	
	RMB'000[(1)]	*RMB'000*[(2)(5)]	*RMB'000*[(3)(4)]	*RMB*[(4)]	*HK$*[(5)]
Based on an Offer Price of HK$2.83 per Share	930,169	866,231	1,796,400	1.12	1.39
Based on an Offer Price of HK$3.69 per Share	930,169	1,142,066	2,072,235	1.30	1.60

Notes:

(1) The combined net tangible assets attributable to the equity shareholders of the Company as of September 30, 2017 is calculated based on the combined net assets attributable to the equity shareholders of the Company of RMB934.5 million as of September 30, 2017 less the intangible assets of RMB4.4 million as of the date, extracted from the Accountants' Report set out in Appendix I to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on the Offer Prices of HK$2.83 and HK$3.69 per Share, respectively, being the lower end price and higher end price of the stated Offer Price range, after deduction of the underwriting fees and other related expenses payable by the Company of RMB50.6 million and RMB53.4 million, respectively (excluding approximately RMB10.1 million of listing expenses which have been accounted for prior to September 30, 2017), and does not take account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to September 30, 2017.

(4) The unaudited pro forma adjusted combined net tangible assets attributable to the equity shareholders of the Company and the amounts per Share are arrived at after the adjustments referred to in the preceding paragraphs and on the basis of 400,000,000 Shares in issue as of the date of this prospectus and those Shares to be issued pursuant to the Capitalization Issue and the Global Offering assuming that the Capitalization Issue and the Global Offering had been completed on September 30, 2017 but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(5) The estimated net proceeds from the Global Offering are converted into Renminbi at a rate of HK$1 = RMB0.8099, being the exchange rate set by PBOC prevailing on March 5, 2018. No representation is made that the Hong Kong Dollars amounts have been, could have been or may be converted into Renminbi, or vice versa at that rate.

FUTURE PLANS

Please refer to "Business – Our Strategies" in this prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$1,239.8 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the initial public Offer Price of HK$3.26 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$188.8 million, after deducting the underwriting commissions and our estimated expenses, assuming an Offer Price of HK$3.26 per Share, being the mid-point of the proposed Offer Price range.

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

- approximately 53.0%, or HK$657.1 million, is expected to be used primarily to acquire other schools to expand our school network. In particular, we plan to focus on suitable opportunities to acquire undergraduate colleges that can grant bachelor's degrees, including private higher education institutions, independent colleges and secondary vocational schools in provincial capitals. In addition, we will also consider acquiring entities that own educational assets or institutions in provincial capitals, municipalities under the direct administration of the central government and major cities with independent budgets;

- approximately 35.0%, or HK$433.9 million, is expected to be used primarily to improve our school facilities and educational equipment;

- approximately 2.0%, or HK$24.8 million, is expected to be used primarily to strengthen our market position and enhance our brand recognition; and

- approximately 10.0%, or HK$124.0 million, is expected to be used to fund our working capital and general corporate purposes.

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 low-end or high-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$1,069.5 million and HK$1,410.1 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$1,428.6 million, assuming an Offer Price of HK$3.26 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$195.2 million, respectively. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

THE CORNERSTONE PLACING

We and the Sole Sponsor have entered into cornerstone investment agreements with the following investors (the "**Cornerstone Investors**", each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to subscribe for the Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased for an aggregate amount of US$20 million (the "**Cornerstone Placing**") at the Offer Price.

Assuming an Offer Price of HK$2.83 (being the low-end of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investors would be 55,386,000, representing approximately 13.85% of the Offer Shares and 3.46% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and approximately 12.04% of the Offer Shares and 3.34% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is fully exercised. Assuming an Offer Price of HK$3.26 (being the mid-point of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investors would be 48,080,000, representing approximately 12.02% of the Offer Shares and 3.01% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and approximately 10.45% of the Offer Shares and 2.90% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is fully exercised. Assuming an Offer Price of HK$3.69 (being the high-end of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investors would be 42,478,000, representing approximately 10.62% of the Offer Shares and 2.65% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and approximately 9.23% of the Offer Shares and 2.56% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is fully exercised.

The Cornerstone Placing will form a part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue upon completion of the Global Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation".

To the best knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party and is independent from each other. Each of the Cornerstone Investors is independent from our Company, the connected persons of the Company and their associates. The Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering other than pursuant to the relevant cornerstone investment agreements disclosed in this section. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of our Company. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* with the fully paid Shares then in issue and to be listed on the Stock Exchange and will be counted towards the public float of our Shares. No special rights have been granted to the Cornerstone Investors as part of the Cornerstone Placing.

OUR CORNERSTONE INVESTORS

A brief description of the Cornerstone Investors is set out below:

BOCOM International Prosperity Investment Limited ("BOCOM Investment")

Pursuant to the cornerstone investment agreement entered into between our Company, Macquarie Capital Limited and BOCOM Investment dated March 11, 2018, BOCOM Investment has agreed to subscribe for such number of our Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares), which may be purchased for an aggregate amount of US$10 million (approximately HK$78.4 million) at the Offer Price.

Assuming an Offer Price of HK$3.26 (being the mid-point of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed for by BOCOM Investment would be 24,040,000, representing approximately 6.01% of the Offer Shares and 1.50% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and approximately 5.23% of the Offer Shares and 1.45% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is fully exercised.

BOCOM Investment is a direct wholly-owned subsidiary of BOCOM International Asset Management Limited. BOCOM Investment is an investment holding company. BOCOM International Asset Management Limited acts as the investment manager of BOCOM Investment. BOCOM International Asset Management Limited is wholly-owned by BOCOM International Holdings Company Limited, a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 3329).

China New City Commercial Development Limited ("China New City")

Pursuant to the cornerstone investment agreement entered into between our Company, Macquarie Capital Limited, ABCI Capital Limited and China New City dated March 11, 2018, China New City has agreed to subscribe for such number of our Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares), which may be purchased for an aggregate amount of US$10 million (approximately HK$78.4 million) at the Offer Price.

Assuming an Offer Price of HK$3.26 (being the mid-point of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed for China New City would be 24,040,000, representing approximately 6.01% of the Offer Shares and 1.50% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and approximately 5.23% of the Offer Shares and 1.45% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is fully exercised.

China New City, subsidiary of Zhong An Real Estate Limited (Stock Code: 672), is listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1321). China New City is a commercial property developer and operator focusing on developing commercial complexes in the Yangtze River Delta region and other main economic regions with an aggregate gross floor area of more than 2 million square meters in land reserve. With its foundation on traditional business model, China New City further develops its business form, optimizes its operation structure and actively expands into new industries, including educational culture, health care, movie entertainment, leisure tourism and modern agriculture. At the same time, it has launched "Happy Time", a new children-oriented business model with integration of children's health, children's education, children's entertainment and children's sports, focusing to serve children in cities. It seeks excellent partners in the world to jointly create comprehensive, intellectualized and scenario flexible complexes so as to inject new power to the development in children's area.

CONDITIONS PRECEDENT

The subscription by the Cornerstone Investors is subject to, among other things, the satisfaction of the following conditions precedent:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and become effective and unconditional (in accordance with their respective original terms or as subsequently varied by agreement of the relevant parties) by no later than the respective times and dates specified therein;

(b) the Offer Price having been agreed upon between us and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters and the International Underwriters);

(c) neither of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been terminated; and

(d) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering.

RESTRICTION ON DISPOSAL BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed and has undertaken to our Company and Macquarie Capital Limited that unless it has obtained the prior written consent of each of our Company and Macquarie Capital Limited to do otherwise, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "**Lock-up Period**"), dispose of any of the Shares subscribed for by it under the relevant cornerstone investment agreements (the "**Relevant Shares**") or any interest in any company or entity holding (directly or indirectly) any of the Relevant Shares.

After expiration of the Lock-up Period, each of the Cornerstone Investors may dispose of the Shares so subscribed for in certain conditions as set out in the relevant cornerstone investment agreements, such as notifying our Company and Macquarie Capital Limited in writing prior to any disposal and using all reasonable endeavors to ensure that any such disposal is strictly in accordance with all applicable laws and regulations including the Listing Rules and the SFO and does not create a disorderly or false market in the Shares. The Cornerstone Investors shall not knowingly dispose of any Shares to another person who engages directly or indirectly in a business which competes or likely to compete with the business of our Company, or to another entity which is a holding company, fellow subsidiary of such holding company or subsidiary of such person, without the prior written consent of our Company and Macquarie Capital Limited.

HONG KONG UNDERWRITERS

Macquarie Capital Limited
ABCI Securities Company Limited
CMB International Capital Limited
First Capital Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on March 13, 2018. Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and subject to the conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein (including any additional Shares which may be made available pursuant to the exercise of the Over-allotment Option), and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly or jointly and severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Joint Global Coordinators (for themselves and on behalf of the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters) shall be entitled by notice to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

(1) there has come to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

   (i) any breach of, or any matter or event rendering untrue, incorrect, inaccurate or misleading in any respect, any of the warranties under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

   (ii) any breach of any of the obligations or undertakings imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(iii) that any statement contained in any of this prospectus, the Application Forms and/or in any notices, announcements, application proof information pack, post hearing information pack, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering or the Global Offering (including any supplement or amendment thereto) was, when it was issued, or has or may become, untrue, incorrect, inaccurate or misleading in any respect, or that any estimate/forecast, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and/or any notices, announcements, post hearing information pack, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering or the Global Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

(iv) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute a misstatement or omission from any of this prospectus, the Application Forms, application proof information pack, post hearing information pack and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering or the Global Offering (including any supplement or amendment thereto); or

(v) any matter, event, act or omission which gives or is likely to give rise to any liability of the Company or the Controlling Shareholders or the executive Directors out of or in connection with any breach, inaccuracy and/or incorrectness of the warranties under the Hong Kong Underwriting Agreement or the International Underwriting Agreement and/or pursuant to the indemnities given by any of the indemnifying parties pursuant to the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(vi) any adverse change or 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 our Group as a whole, whether or not arising in the ordinary course of business, as determined by the Joint Global Coordinators in their absolute discretion; or

(vii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(ix) KPMG as the reporting accountants, Jingtian & Gongcheng as the legal advisers to the Company on PRC law, Conyers Dill & Pearman as the legal advisers to the Company on Cayman Islands law in relation to the Global Offering, Cushman & Wakefield Limited as the independent property valuer or Frost & Sullivan as the independent industry consultant, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(x) a material portion of the orders in the bookbuilding process or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Joint Global Coordinators, in their absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or

(2) there shall have developed, occurred, happened or come into effect:

(i) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in any change or development involving a prospective change or development, in local, national, regional or international financial, economic, political, military, industrial, fiscal, legal, regulatory, currency, credit or market conditions or exchange control or any monetary or trading settlement system (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or the Renminbi is linked to any foreign currency or currencies), in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Japan, the Cayman Islands or the British Virgin Islands, or any other jurisdiction relevant to any member of our Group (each a "**Relevant Jurisdiction**"); or

(ii) any new law or regulation or any change, development or announcement or publication involving a prospective change in existing law or regulations, or any change, development or announcement or publication involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or

(iii) the imposition or declaration of:

(i) any moratorium, suspension, restriction or limitation (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(ii) any general moratorium on commercial banking activities or foreign exchange trading or securities settlement or clearance services in Hong Kong, New York, London, the PRC, the European Union (or any member thereof), Japan or any other Relevant Jurisdiction, or any disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions; or

(iv) a change or development involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any Relevant Jurisdiction; or

(v) any litigation, or claim, or investigation or actions being announced, threatened or instigated against any Group company or the Controlling Shareholders or the executive Directors; or

(vi) a demand by any tax authority for payment for any tax liability for any member of our Group; or

(vii) any adverse change or development involving a prospective adverse change (whether permanent or not) in the assets, liabilities, conditions, business affairs, prospects (financial or otherwise), earnings, profits, losses or financial or trading position of or our Group taken as a whole; or

(viii) the imposition of economic sanctions or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or

(ix) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(x) the chairman of our Company, the executive president or executive vice president of the School Sponsor vacating his office; or

(xi) the commencement by any administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organization or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign or supranational of any investigation, claim, proceedings or other action, or announcing an intention to investigate or take such action, against any executive Director; or

(xii) a contravention by any Group company of the Listing Rules or applicable laws, rules or regulations; or

(xiii) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or

(xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or

(xv) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Shares) pursuant to the Companies (WUMP) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvi) any event or series of events in the nature of force majeure, including, without limitation, acts of government, declaration of a national or international emergency, calamity, crisis, labour disputes, strikes, lockouts, riots, public disorder, fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), outbreak of diseases or epidemics or pandemics including, but not limited to, Severe Acute Respiratory Syndrome (SARS), H1N1 and H5N1 and such related/mutated forms or accident or interruption or delay in transportation, economic sanction and any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis; or

(xvii) any change or prospective change in, or a materialization of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(xviii) order or petition for the winding up or liquidation of any Group company or any composition, compromise or arrangement made by any Group company with its creditors or a scheme of arrangement entered into by any Group company or any resolution for the winding up or liquidation of any Group company is passed or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

(xix) a demand by any creditor for repayment or payment of any of our Group's indebtednesses prior to its stated maturity;

which, individually or in the aggregate, in the absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters)

(i) has or will or may have or is likely to have a material adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or

(ii) has or will or may have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the Offer Shares in the secondary market; or

(iii) makes or will or may make or is likely to make it inadvisable or inexpedient or impracticable for any material part of Hong Kong Underwriting Agreement, or for any part of the Hong Kong Public Offering or the Global Offering to be performed or implemented or proceed as envisaged or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus; or

(iv) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange pursuant to the Listing Rules

By Our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (the "**First Six-Month Period**") (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), any exercise of the options which may be granted under the Share Option Scheme or any of the circumstances prescribed by Rule 10.08 of the Listing Rules.

By Our Controlling Shareholders

Pursuant to Rule 10.07(1), each of our Controlling Shareholders has undertaken to the Stock Exchange that, except pursuant to (i) the Global Offering, (ii) any sale of Shares by the Controlling Shareholders pursuant to any exercise of the Over-allotment Option (if applicable), or (iii) the Stock Borrowing Agreement, he/it shall not and shall procure that the relevant registered holder(s) of the Shares will not:

(a) in the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the expiration date of the First Six-Month Period, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares or securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner; and

(b) in the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be our controlling shareholder (as defined in the Listing Rules).

Each of our Controlling Shareholders has also undertaken to the Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

(a) when he/it pledges or charges any Shares or other securities of our Company beneficially owned by him/it in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and

(b) when he/it receives any indications, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or securities will be disposed of, immediately inform us in writing of any such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement published in accordance with Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

Undertakings to the Hong Kong Underwriters

Pursuant to the Hong Kong Underwriting Agreement, our Company and our Controlling Shareholders have undertaken as follows.

Undertakings by Our Company

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) or the issue of options or shares under the Share Option Scheme or the issue of Shares pursuant to the Capitalization Issue, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date of the expiry of the First Six-Month Period, we have undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor not to, and to procure each Group company not to, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (on behalf of the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien, or other security interest or any option, restriction, right of first refusal, right of pre-emption, defect, or other third party claim, right, interest or preference or any other encumbrance of any kind ("**Encumbrance**") over, 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 Group company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other Group company, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other Group company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other Group company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such Group company, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a) or (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such Group company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period). In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of the Controlling Shareholders has undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor to procure our Company to comply with the undertakings in this paragraph.

Undertakings by Our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to our Company, each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor that, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (on behalf of the Joint Bookrunners, the Joint Lead Managers and 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) 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

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraph(a)(i) or (ii) above, or

(iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph(a)(i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph(a)(i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or such other securities will be completed within the First Six-Month Period);

(b) he/it will not, during the Second Six-Month Period, enter into any of the transactions specified in paragraph(a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, he/it will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of our Company; and

(c) until the expiry of the Second Six-Month Period, in the event that he/it enters into any of the transactions specified in paragraph(a)(i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of our Company.

Indemnity

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

The International Offering

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would severally but not jointly or jointly and severally agree to procure purchasers for or failing which to purchase, the International Offer Shares. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

Under the International Underwriting Agreement, our Company is expected to grant to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, the Over-allotment Option, exercisable within 30 days from the last day for lodging applications under the Hong Kong Public Offering (the last day for exercise of the Over-allotment Option being Wednesday, April 18, 2018) to require us to allot and issue up to 60,000,000 additional Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to cover over-allocations in the International Offering, if any.

Stabilization and Over-allotment Option

In connection with the Global Offering, the Stabilizing Manager, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate Shares or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Please refer to the section headed "Structure of the Global Offering – Stabilization" in this prospectus for details regarding stabilization and "Structure of the Global Offering – Over-allotment Option" for over-allocation.

Underwriting Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 2.8% on the Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering out of which they will pay any sub-underwriting commission. The International Underwriters will receive an underwriting commission of 2.8% on the Offer Price of the International Offer Shares offered under the International Offering. In addition, we may pay to the Joint Global Coordinators (for their account only) a discretionary bonus of up to 0.5% of the Offer Price multiplied by the total number of Offer Shares (subject to the Over-allotment Option).

The aggregate commissions and fees (excluding any discretionary bonus), together with listing fees, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering are estimated to amount to approximately RMB62.0 million (assuming an Offer Price of HK$3.26, being the mid-point of the indicative offer price range and assuming that the Over-allotment Option is not exercised) in total and are payable by us.

Hong Kong Underwriters' Interests in Our Company

Save for its obligations under the Hong Kong Underwriting Agreement and as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interests in our Company or any other member of our Group or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any other member of our Group.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Buyers of Offer Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the relevant laws and practice of the country of purchase in addition to the Offer Price.

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 dayafter 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, the Joint Global Coordinators may over-allocate up to and not more than an aggregate of 60,000,000 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.

The Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 40,000,000 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"; and

(ii) the International Offering of an aggregate of 360,000,000 International Offer Shares (subject to adjustment and the Over-allotment Option as mentioned below) to persons outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and to persons in the United States who are qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A or another exemption from the registration requirements under the U.S. Securities Act.

Macquarie Capital Limited is the Sole Sponsor of the Global Offering. Macquarie Capital Limited and ABCI Capital Limited are the Joint Global Coordinators of the Global Offering.

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 Offering, 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 40,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth in the paragraph headed "– Conditions of the Hong Kong Public Offering" below.

Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of ballotting, 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 purposes 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 20,000,000 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 Offering 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 120,000,000, 160,000,000 and 200,000,000 Offer Shares, respectively, representing 30% (in the case of (a)), 40% (in the case of (b)) and 50% (in the case of (c)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated to the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate, and such additional Offer Shares will be allocated to pool A and pool B.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. If such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, in accordance with Guidance Letter HKEX-GL91-18, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering will be 80,000,000 Shares, representing double of the initial allocation to the Hong Kong Public Offering, and the final Offer Price shall be fixed at the low-end of the indicative offer price range (that is, HK$2.83 per Offer Share) stated in this prospectus.

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 Offering, 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 Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$3.69 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$3.69 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 OFFERING

Number of Offer Shares initially offered

We are initially offering 360,000,000 Offer Shares under the International Offering, representing 90% of the total number of Offer Shares initially available under the Global Offering. The International Offering is subject to the Hong Kong Public Offering becoming unconditional. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business 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 Offering 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 Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, we are expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Global Coordinators (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 Wednesday, April 18, 2018), to require us to allot and issue up to 60,000,000 additional Offer Shares representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.75% 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 60,000,000 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 April 18, 2018, 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 Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purposes of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Monday, March 19, 2018, and in any event on or before 6:00 p.m. on Thursday, March 22, 2018, 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$3.69 per Offer Share and is expected to be not less than HK$2.83 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative offer price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **http://www.chinaxhedu.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 Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised). The Offer Shares to be offered in the International Offering 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 Friday, March 23, 2018 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$1,239.8 million, assuming an Offer Price of HK$3.26 per Offer Share, being the mid-point of the indicative offer price range (or if the Over-allotment Option is exercised in full, approximately HK$1,428.6 million, assuming an Offer Price of HK$3.26 per Offer Share, being the mid-point of the indicative offer price range).

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue, and the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment) and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme;

(ii) the Offer Price having been duly agreed between us and the Joint Global Coordinators (on behalf of the Underwriters) and the execution and delivery of the Price Determination Agreement on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Friday, April 13, 2018, being the 30th day after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before 6:00 p.m. on Thursday, March 22, 2018, the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. 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 – Dispatch/Collection of Share Certificates and Refund Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination" in this prospectus has not been exercised.

Application for Listing on the Hong Kong Stock Exchange

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

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS established and operated by the HKSCC. If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealing

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, March 26, 2018, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Monday, March 26, 2018.

The Shares will be traded in board lots of 1,000 Shares each and the stock code of the Shares will be 02779.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer 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 legal or natural person of the PRC.

If you apply online through the **White Form eIPO** Service Provider, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the 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 Offer Shares or otherwise participate in the International Offering.

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, March 14, 2018 until 12:00 noon on Monday, March 19, 2018 from:

(i) the following office of the Joint Bookrunners:

Macquarie Capital Limited	Level 18 One International Finance Centre 1 Harbour View Street Central Hong Kong
ABCI Capital Limited	11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
CMB International Capital Limited	45/F, Champion Tower 3 Garden Road Central Hong Kong
First Capital Securities Limited	Unit 4512, 45/F The Center 99 Queen's Road Central Central Hong Kong

(ii) any of the following branches of the following receiving banks:

Bank of China (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island:	Bank of China Tower Branch	3/F, 1 Garden Road
	King's Road Branch	131-133 King's Road, North Point
	Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan
Kowloon:	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong
	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street, Mong Kok
New Territories:	Tai Po Branch	68-70 Po Heung Street, Tai Po Market
	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O
	Sheung Shui Branch Securities Services Centre	136 San Fung Avenue, Sheung Shui
	Tuen Mun San Hui Branch	G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Wednesday, March 14, 2018 until 12:00 noon on Monday, March 19, 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED – CHINA XINHUA 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, March 14, 2018	–	9:00 a.m. to 5:00 p.m.
Thursday, March 15, 2018	–	9:00 a.m. to 5:00 p.m.
Friday, March 16, 2018	–	9:00 a.m. to 5:00 p.m.
Saturday, March 17, 2018	–	9:00 a.m. to 1:00 p.m.
Monday, March 19, 2018	–	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, March 19, 2018, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** Service Provider, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any 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 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 Sole Sponsor, the Joint Global Coordinators, 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 Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Sole Sponsor, the Joint Global Coordinators, 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 Sole Sponsor, the Joint Global Coordinators, 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) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any 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 "Personal Collection" section in this prospectus to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the 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 Provider 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 Provider are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** Service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, March 14, 2018 until 11:30 a.m. on Monday, March 19, 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, March 19, 2018 or such later time under the "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** Service Provider to make an application for 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** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** Service Provider or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 per each "China Xinhua Education Group Limited" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Dongjiang River Source Tree Planting" 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 authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the 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 Offer Shares;

- declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the 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 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 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 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 Companies (WUMP) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 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, March 14, 2018	–	9:00 a.m. to 8:30 p.m.(1)
Thursday, March 15, 2018	–	8:00 a.m. to 8:30 p.m.(1)
Friday, March 16, 2018	–	8:00 a.m. to 8:30 p.m.(1)
Saturday, March 17, 2018	–	8:00 a.m. to 1:00 p.m.(1)
Monday, March 19, 2018	–	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, March 14, 2018 until 12:00 noon on Monday, March 19, 2018 (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, March 19, 2018, 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 Companies (WUMP) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the 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** 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 Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** Service Provider will be allotted any 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, March 19, 2018.

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 Provider, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange. "Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE 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 Provider 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, March 19, 2018.

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, March 19, 2018 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 Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on or before Friday, March 23, 2018 on the Company's website at **http://www.chinaxhedu.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 **http://www.chinaxhedu.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, March 23, 2018;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, March 23, 2018 to 12:00 midnight on Thursday, March 29, 2018;

- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Friday, March 23, 2018 to Monday, March 26, 2018;
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, March 23, 2018, Saturday, March 24, 2018 and Monday, March 26, 2018 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 Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of 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 Offer 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$3.69 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 Friday, March 23, 2018.

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 Friday, March 23, 2018. 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 Monday, March 26, 2018 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 Friday, March 23, 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 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 Friday, March 23, 2018, 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 Friday, March 23, 2018, 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 Friday, March 23, 2018, 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 Friday, March 23, 2018 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 Provider

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 Friday, March 23, 2018, 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 Friday, March 23, 2018 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 Friday, March 23, 2018, 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 Friday, March 23, 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, March 23, 2018, 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 Friday, March 23, 2018. 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 Friday, March 23, 2018.

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 set out on page I-1 to I-44, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA XINHUA EDUCATION GROUP LIMITED AND MACQUARIE CAPITAL LIMITED

Introduction

We report on the historical financial information of China Xinhua Education Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-44, which comprises the combined statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and 30 September 2017, the statement of financial position of the Company as at 30 September 2017, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined cash flow statements, for each of the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-44 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 14 March 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' Responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2014, 2015 and 2016 and 30 September 2017, of the Company's financial position as at 30 September 2017, and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of Stub Period Corresponding Financial Information

We have reviewed the stub period corresponding financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined cash flow statement for the nine months ended 30 September 2016 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 23(c) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its incorporation.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
14 March 2018

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP (畢馬威華振會計師事務所 (特殊普通合伙)) in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 31 December			Nine months ended 30 September	
		2014	2015	2016	2016	2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	*4(a)*	250,114	281,646	303,262	200,391	220,846
Cost of sales		(111,423)	(123,851)	(124,032)	(87,951)	(105,751)
Gross profit		138,691	157,795	179,230	112,440	115,095
Other income	*5*	40,699	39,687	44,371	34,099	36,696
Selling and distribution costs		(3,736)	(4,729)	(5,677)	(4,407)	(4,184)
Administrative expenses		(35,112)	(41,734)	(42,942)	(31,442)	(40,804)
Profit from operations		140,542	151,019	174,982	110,690	106,803
Net finance costs	*6(a)*	–	–	–	–	–
Profit before taxation	*6*	140,542	151,019	174,982	110,690	106,803
Income tax	*7(a)*	(7,365)	(1,048)	(2,434)	(1,473)	(635)
Profit for the year/period		133,177	149,971	172,548	109,217	106,168
Other comprehensive income for the year/period (after tax and reclassification adjustments)						
Items that may be reclassified subsequently to profit or loss						
Available-for-sale financial assets:						
Changes in fair value recognised during the year/period		336	4,155	4,772	3,047	5,087
Reclassification to profit or loss on disposal		556	(3,491)	(5,368)	(3,648)	(4,246)
Other comprehensive income for the year/period		892	664	(596)	(601)	841
Total comprehensive income for the year/period		134,069	150,635	171,952	108,616	107,009
Earnings per share	*10*					
Basic and diluted (RMB)		N/A	N/A	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December			As at 30 September
		2014	2015	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	11	422,367	439,225	470,296	488,537
Lease prepayments	12	98,108	95,551	92,994	91,075
Intangible assets	13	1,016	3,325	3,579	4,354
Other non-current assets		1,271	1,676	601	2,102
		522,762	539,777	567,470	586,068
Current assets					
Trade receivables	14	872	151	1,199	4,008
Prepayments, deposits and other receivables	15	9,858	6,073	3,532	6,712
Amounts due from related parties	26(b)	274,217	46,529	237,477	–
Available-for-sale financial assets	16	–	246,664	120,068	390,909
Cash and cash equivalents	17	98,469	104,306	105,874	387,317
		383,416	403,723	468,150	788,946
Current liabilities					
Bank loans	18	210,000	500	–	–
Deferred revenue	19	146,935	153,841	166,878	287,895
Other payables	20	89,346	99,476	87,009	135,002
Amounts due to related parties	26(b)	4,950	90,999	9,182	10,428
Deferred income	21	2,103	1,274	633	881
Current taxation		7,365	2,492	4,926	5,561
		460,699	348,582	268,628	439,767
Net current (liabilities)/assets		(77,283)	55,141	199,522	349,179
Total assets less current liabilities		445,479	594,918	766,992	935,247
Non-current liabilities					
Deferred income	21	1,452	256	378	724
		1,452	256	378	724
Net assets		444,027	594,662	766,614	934,523
Equity					
Share capital	22	50,000	50,000	50,000	51,720
Reserves	23	394,027	544,662	716,614	882,803
Total equity		444,027	594,662	766,614	934,523

The accompanying notes form part of the Historical Financial Information.

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 30 September 2017
	RMB'000
Non-current assets	
Investments in subsidiaries	–*
	–*
Current assets	
Cash and cash equivalents	–*
	–*
Current liabilities	
Amounts due to related parties	–*
	–*
Net current assets	–*
Total assets less current liabilities	–*
Net assets	–*
Equity	
Share capital	–*
Total equity	**–***

* The balance represents an amount less than RMB1,000.

The accompanying notes form part of the Historical Financial Information.

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	**Share capital**	**Capital reserves**	**Statutory reserves**	**Fair value reserves**	**Retained earnings**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2014		50,000		70,357	(892)	190,493	309,958
Changes in equity for 2014:							
Profit for the year		–	–	–	–	133,177	133,177
Other comprehensive income		–	–	–	892	–	892
Total comprehensive income		–	–	–	892	133,177	134,069
Appropriation to reserves	*23(b)*	–	–	28,211	–	(28,211)	–
Balance at 31 December 2014 and 1 January 2015		50,000	–	98,568	–	295,459	444,027
Changes in equity for 2015:							
Profit for the year		–	–	–	–	149,971	149,971
Other comprehensive income		–	–	–	664	–	664
Total comprehensive income		–	–	–	664	149,971	150,635
Appropriation to reserves	*23(b)*	–	–	34,683	–	(34,683)	–
Balance at 31 December 2015 and 1 January 2016		50,000	–	133,251	664	410,747	594,662
Changes in equity for 2016:							
Profit for the year		–	–	–	–	172,548	172,548
Other comprehensive income		–	–	–	(596)	–	(596)
Total comprehensive income		–	–	–	(596)	172,548	171,952
Appropriation to reserves	*23(b)*	–	–	41,687	–	(41,687)	–
Balance at 31 December 2016 and 1 January 2017		50,000	–	174,938	68	541,608	766,614
Changes in equity for 2017:							
Profit for the period		–	–	–	–	106,168	106,168
Other comprehensive income		–	–	–	841	–	841
Total comprehensive income		–	–	–	841	106,168	107,009
Appropriation to reserves	*23(b)*	–	–	–	–	–	–
Capital injection by shareholders	*23(a)*	1,720	59,180	–	–	–	60,900
Balance at 30 September 2017		51,720	59,180	174,938	909	647,776	934,523
Unaudited:							
Balance at 1 January 2016		50,000	–	133,251	664	410,747	594,662
Changes in equity for 2016:							
Profit for the period		–	–	–	–	109,217	109,217
Other comprehensive income		–	–	–	(601)	–	(601)
Total comprehensive income		–	–	–	(601)	109,217	108,616
Appropriation to reserves	*23(b)*	–	–	–	–	–	–
Balance at 30 September 2016		50,000	–	133,251	63	519,964	703,278

The accompanying notes form part of the Historical Financial Information.

COMBINED CASH FLOW STATEMENTS

	Note	Year ended 31 December 2014	2015	2016	Nine months ended 30 September 2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Operating activities:						
Cash generated from operations	17(b)	179,780	204,696	210,033	232,914	292,934
Income tax paid		–	(5,921)	–	–	–
Net cash generated from operating activities		179,780	198,775	210,033	232,914	292,934
Investing activities:						
Payment for purchase of property, plant and equipment		(42,102)	(51,770)	(61,142)	(45,802)	(45,892)
Proceeds from sale of property, plant and equipment		250	51	12	9	38
Payment for purchase of intangible assets		(391)	(2,947)	(1,206)	(768)	(1,654)
Net (advance to)/repayment from related parties		(81,730)	104,237	(277,497)	(356,697)	240,871
Loans lent to a related party		(240,000)	(245,000)	(264,500)	(264,500)	–
Loans repaid by a related party		350,000	454,500	265,000	264,500	–
Interest from loan lent to a related party		24,296	9,643	830	827	–
Payment for purchase of available-for-sale financial assets		(65,600)	(899,000)	(1,031,000)	(574,000)	(1,104,000)
Proceeds from sale of available-for-sale financial assets		67,694	656,491	1,162,368	773,648	838,246
Net cash generated from/(used in) investing activities		12,417	26,205	(207,135)	(202,783)	(72,391)
Financing activities:						
Proceeds from bank loans		240,000	245,000	264,500	264,500	–
Repayment of bank loans		(350,000)	(454,500)	(265,000)	(264,500)	–
Borrowing costs paid		(24,296)	(9,643)	(830)	(827)	–
Capital injection from shareholders		–	–	–	–	60,900
Net cash (used in)/generated from financing activities		(134,296)	(219,143)	(1,330)	(827)	60,900
Net increase in cash and cash equivalents		57,901	5,837	1,568	29,304	281,443
Cash and cash equivalents at beginning of the year/period		40,568	98,469	104,306	104,306	105,874
Cash and cash equivalents at end of the year/period	17(a)	98,469	104,306	105,874	133,610	387,317

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 30 August 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands.

The Company has not carried on any business since the date of its incorporation save for the group reorganisation below. The Company and its subsidiaries (together, "the Group") are principally engaged in the formal higher and secondary vocational education business in the PRC (the "Core Business").

During the Relevant Periods, the Group's higher and secondary vocational education business was conducted through Anhui Xinhua University ("Xinhua University"), Anhui Xinhua School ("Xinhua School") and Anhui Xinhua Group Investment Co., Ltd ("Xinhua Group") (the "PRC Operating Entities"), which were ultimately owned and controlled by the same equity holder (hereinafter referred to as the "Controlling Shareholder") through direct or indirect equity holdings in the PRC Operating Entities. As part of the Reorganisation, the Group obtained control of the PRC Operating Entities and continued to obtain the economic benefits from the education business by executing certain structured contracts. On 31 October 2017, Anhui Ronghua Education Technology Co., Ltd ("Xinhua Anhui"), an indirect wholly-owned subsidiary of the Company, entered into certain contracts (the "Structured Contracts") with the PRC Operating Entities and their respective equity holders. The details of the Structured Contracts are set up under the section headed "Structured Contracts" of the Prospectus. The Structured Contracts, taken as a whole, enable Xinhua Anhui to have effective control over the operating and financial policies of the PRC Operating Entities. The directors of the Group are of the view that, notwithstanding the lack of equity ownership, the Structured Contracts effectively provide Xinhua Anhui the power to govern and control the PRC Operating entities so as to obtain benefits from their business activities. Accordingly, the PRC Operating Entities are included in the Group's combined financial statements as controlled subsidiaries.

Pursuant to the Reorganisation completed on 31 October 2017, the Company became the holding company of the companies now comprising the Group. All the companies now comprising the Group (including the PRC Operating Entities) that took part in the Reorganisation were ultimately controlled by the Controlling Shareholder during the Relevant Periods and both before and after the Reorganisation. Since there was a continuation of the risks and benefits of the Controlling Shareholder, the Reorganisation is considered to be a combination of entities under common control. The Historical Financial Information has been prepared using the merger accounting as if the current Group structure had always been in existence.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined cash flow statements of the Group include the results of the operations of the Company and its subsidiaries now comprising the Group for the Relevant Periods (or where the Company and its subsidiaries were incorporated/established/acquired at a date later than 1 January 2014, for the period from the date of incorporation/establishment/acquisition to 30 September 2017) as if the Reorganisation was completed at the beginning of the Relevant Periods. The net assets of the combining companies are combined using the existing book values from the Controlling Shareholder's perspective. The combined statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and 30 September 2017 have been prepared to present the financial position of the Company and its subsidiaries as if the entities now comprising the Group had been combined as at those dates (or where the companies were incorporated/established/acquired at a date later than 1 January 2014, as if the combination had occurred from the date when the companies first came under the control of the Controlling Shareholder).

During the Relevant Periods, Xinhua Group was engaged in certain business delineated from the Group's Core Business, which primarily included in certain equity investments (the "Carve-Out Business"). The Carve-out Business maintain separate management personnel and accounting records. As part of the Reorganisation, the Carve-Out Business was transferred to the Controlling Shareholder during the Relevant Periods. The Historical Financial Information excludes the assets, liabilities and results of operations of the Carve-Out Business, in the opinion of the directors of the Company, which is clearly delineated from the Core Business of the Group and whose assets, liabilities, revenues and expenditures are clearly identifiable.

As at the date of this report, no audited financial statements have been prepared for the Company, Xinhua Education International Limited ("Xinhua BVI"), Hong Kong Xinhua Education Limited ("Xinhua HK"), Xinhua Education, Inc. ("Xinhua US") and Xinhua Anhui as they either have not carried on any business since their respective dates of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation. The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

Name of company	Place and date of incorporation/ establishment	Registered capital/issued and fully paid up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xinhua Education International Limited *(Note (a))*	British Virgin Islands 31 August 2017	USD500/ USD0.01	100%	–	Investment Holding
Hong Kong Xinhua Education Limited *(Note (a))*	Hong Kong 8 September 2017	HKD1/ HKD1	–	100%	Investment Holding
Xinhua Education, Inc. *(Note (a))*	The United States 22 August 2017	USD0.1/ USD0.01	–	100%	Investment Holding
Anhui Ronghua Education Technology Co., Ltd* 安徽融華教育科技有限公司 *(Note (a))*	The PRC 30 September 2017	RMB10,000,000/ –	–	100%	Provision of technical and management consultancy services
Anhui Xinhua Group Investment Co., Ltd* 安徽新華集團投資有限公司 *(Note (b)(c))*	The PRC 1 September 1999	RMB51,720,000/ RMB51,720,000	–	100%	Investment Holding
Anhui Xinhua University* 安徽新華學院 *(Note (b)(c))*	The PRC 18 June 2000	RMB60,480,000/ RMB60,480,000	–	100%	Provision of formal undergraduate and junior college education services
Anhui Xinhua School* 安徽新華學校 *(Note (b)(c))*	The PRC 11 April 2002	RMB4,950,000/ RMB4,950,000	–	100%	Provision of formal vocational secondary school education services

Notes:

(a) No audited financial statements have been prepared as these companies are newly incorporated and have not carried on any business since their respective dates of incorporation.

(b) The statutory financial statements of these entities comprising the Group for each of the three years ended 31 December 2014, 2015 and 2016 were audited by Anhui Chenlong Certified Public Accountants (安徽辰龍會計師事務所).

(c) These are PRC operating entities ultimately controlled by the Controlling Shareholder through Structured Contracts.

* The English translation of these entities is for reference only. The official names of the entities established in the PRC are in Chinese.

All companies now comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2018. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 January 2018 are set out in Note 27.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "Functional Currency"). The Historical Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand except for earnings per share information. It is prepared on the historical cost basis, except for certain available-for-sale financial assets, which has been measured at fair value.

(b) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the combined financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

(d) Business combinations involving entities under common control

The combined financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling Shareholder.

The assets and liabilities of the combining entities or businesses are combined at the carrying amounts previously recognised in the respective controlling shareholder's financial statements.

The combined statements of profit or loss and comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined financial statements are presented as if the entities or businesses had been combined at the earliest balance sheet date presented or when they first came under common control, whichever is later.

(e) Other investments

The Group's and the company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments.

Dated debt securities that the Group has the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses.

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 2(i)(i)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss.

When the investments are derecognised or impaired (see Note 2(i)(i)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(f) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the combined statements of financial position at cost less accumulated depreciation and impairment losses (see Note 2(i)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(s)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings	20 years
– Motor vehicles	10 years
– Furniture and fixtures	3-5 years
– Electronic devices	3-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see Note 2(i)(ii)). Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(g) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(i)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Computer software	5 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) ***Lease prepayments***

Lease prepayments represent cost of land use right paid to the PRC governmental authorities or third parties.

Lease prepayments are stated at cost less accumulated amortisation and impairment losses (see Note 2(i)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(iii) ***Operating lease charges***

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(i) Impairment of assets

(i) ***Impairment of investments in debt securities and receivables***

Investments in debt securities and current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– lease prepayments; and

– intangible assets.

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 2(i)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(n) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

For equity-settled share-based payment transactions, the fair value of the services received is recognised as an expense with a corresponding increase in equity over the vesting period during which the employees become unconditionally entitled to the equity instrument. The fair value of the services received is determined by reference to the fair value of the equity instrument granted at the date of the grant. At each reporting date, the number of equity instruments that are expected to be vested are estimated. The impact on the revision of original estimates is recognised as an expense and as a corresponding adjustment to equity over the remaining vesting period, unless the revision to original estimates is due to market conditions. No adjustment is made if the revision or actual outcome differs from the original estimate due to market conditions.

The proceeds received from the exercise of the equity instruments, net of any directly attributable transaction costs, are credited to share capital when the equity instruments are exercised.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

All deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Tuition and boarding fee

Tuition and boarding fees received by university and school are generally in advance prior to the beginning of each academic year or semester, and initially recorded as deferred revenue. Tuition and boarding fees are recognised proportionately over the Relevant Periods 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 university and school is generally from September to June of the following year.

(ii) Service income

Service income is recognized on the percentage of completion basis, in the period in which the services are rendered.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities 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).

(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 Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgement in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Depreciation

As described in Note 2(f), property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological and other changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

(ii) Impairment of non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss would be recognised in accordance with accounting policy for impairment of non-current assets as described in Note 2(i)(ii). The carrying amounts of the Group's non-current assets, including property, plant and equipment and lease prepayments are reviewed periodically to determine whether there is any indication of impairment. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and the fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. It is difficult to precisely estimate selling price of the Group's non-current assets because quoted market prices for such assets may not be readily available. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of revenue, amount of operating costs and applicable discount rate. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

	Year ended 31 December			**Nine months ended 30 September**	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Tuition fees	223,862	251,776	270,394	176,118	194,492
Boarding fees	26,252	29,870	32,868	24,273	26,354
Total	250,114	281,646	303,262	200,391	220,846

Revenue represents the value of service rendered during the Relevant Periods. No service provided to a single customer exceeds 10% or more of the total revenue of the Group during the Relevant Periods.

(b) Segment Reporting

IFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the provision of education services.

5 OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Rental income	19,206	16,252	20,850	14,123	12,583
Service income	10,348	12,048	14,863	14,493	12,908
Government grants *(Note (i))*	11,029	6,759	1,657	976	5,917
Available-for-sale financial assets: reclassification from equity on disposal	(556)	3,491	5,368	3,648	4,246
Other interest income	475	604	696	513	460
Others	197	533	937	346	582
Total	40,699	39,687	44,371	34,099	36,696

Note (i): Government grants mainly represent the grants from the local government for the purpose of compensating the operating expenses arising from the schools' teaching activities, scientific researches and expenditures on facilities. There are no unfulfilled conditions or contingencies relating to such government grants income recognised.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(a) Net finance costs:					
Interest expense on bank loans	24,097	9,284	830	827	–
Interest income from loan lent to a related party *(i)*	(24,097)	(9,284)	(830)	(827)	–
	–	–	–	–	–

(i) Loans were lent to the related party Anhui Xinhua Investment Co., Ltd during the Relevant Periods, with the principal amount of RMB210,000,000 and RMB500,000 as at 31 December 2014 and 2015, respectively.

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(b) Staff costs:					
Salaries, wages and other benefits	77,435	83,939	85,797	63,644	68,593
Contributions to defined contribution retirement plan *(i)*	5,881	6,170	6,306	4,767	4,824
	83,316	90,109	92,103	68,411	73,417

(i) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(c) Other Items:					
Depreciation	28,475	34,456	41,167	30,083	35,421
Amortisation of intangible assets	544	638	952	699	879
Amortisation of lease prepayments	2,557	2,557	2,557	1,919	1,919
Auditors' remuneration	49	49	25	–	1,249
	31,625	37,700	44,701	32,701	39,468

7 INCOME TAX IN THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Income tax in the combined statements of profit or loss and other comprehensive income represents:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax:					
Provision for PRC income tax for the year/period	7,365	1,048	2,434	1,473	635

(i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Island and accordingly is not subject to income tax.

(ii) 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.

(iii) Pursuant to the PRC Income Tax Law and the respective regulations, the companies of the Group which operate in Mainland China are subject to Corporate Income Tax ("CIT") at a rate of 25% on its taxable income.

(iv) According to the Implementation Rules for the Law for Promoting Private Education (the "Implementation Rules"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatment. Private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The Implementation Rules provide that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. During the Relevant Periods and up to the date of this report, no separate policies, regulations or rules have been introduced by the authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the confirmation obtained therefrom, the Group's schools which do not require reasonable returns did not pay corporate income tax for the income from provision of formal educational services and had enjoyed the preferential corporate income tax exemption treatment since their establishment. As a result, no income tax expense for the income from provision of formal educational services was recognised for the Group's schools for the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017.

(b) Reconciliation between actual income tax expense and accounting profit at applicable tax rates:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before taxation	140,542	151,019	174,982	110,690	106,803
Tax at the statutory rate	35,136	37,755	43,746	27,673	26,701
Tax effect of non-taxable income	(27,018)	(32,295)	(40,545)	(25,534)	(27,576)
Tax effect of temporary difference not recognized	465	(4,434)	(786)	(674)	1,476
Tax effect of non-deductible expenses	4	22	19	8	34
Tax effect of utilization of tax losses	(1,222)	–	–	–	–
Actual income tax expense	7,365	1,048	2,434	1,473	635

(c) Deferred tax assets not recognized

As at 31 December 2014, 2015 and 2016 and 30 September 2017, the Group has not recognised deferred tax assets in respect of deductible temporary differences of RMB24,328,456, RMB6,591,934, RMB3,446,129 and RMB9,348,875, respectively, in accordance with the accounting policy set out in Note 2(o), as it is not probable that future taxable profits against which the deductible temporary differences can be utilised will be available in the relevant tax jurisdiction and entity.

(d) Deferred tax liabilities not recognized

The PRC Enterprise Income Tax law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax.

As at 31 December 2014, 2015 and 2016 and 30 September 2017, the Group has not recognized deferred tax liabilities in respect of undistributed earnings generated by its PRC entities, with approximate total amount of RMB236,108,000, RMB351,396,000, RMB482,257,000 and RMB588,425,000, respectively. In the opinion of the directors, the Group's undistributed earnings will be retained in the PRC for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

8 DIRECTORS' REMUNERATION

Year ended 31 December 2014

	Director's fee	Salaries, allowances and benefits in kind	Contributions to retirement benefit schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Chairman and non-executive Director				
Mr. Wu Junbao	–	–	–	–
Executive directors				
Mr. Wang Yongkai	–	138	–	138
Mr. Lu Zhen	–	33	–	33
Mrs. Wang Li	–	21	–	21
	–	192	–	192

Year ended 31 December 2015

	Director's fee	Salaries, allowances and benefits in kind	Contributions to retirement benefit schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Chairman and non-executive Director				
Mr. Wu Junbao	–	–	–	–
Executive directors				
Mr. Wang Yongkai	–	210	–	210
Mr. Lu Zhen	–	198	6	204
Mrs. Wang Li	–	148	7	155
	–	556	13	569

Year ended 31 December 2016

	Director's fee	Salaries, allowances and benefits in kind	Contributions to retirement benefit schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Chairman and non-executive Director				
Mr. Wu Junbao	–	–	–	–
Executive directors				
Mr. Wang Yongkai	–	207	–	207
Mr. Lu Zhen	–	195	8	203
Mrs. Wang Li	–	169	8	177
	–	571	16	587

Nine months ended 30 September 2016 (Unaudited)

	Director's fee	Salaries, allowances and benefits in kind	Contributions to retirement benefit schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Chairman and non-executive Director				
Mr. Wu Junbao	–	–	–	–
Executive directors				
Mr. Wang Yongkai	–	145	–	145
Mr. Lu Zhen	–	133	6	139
Mrs. Wang Li	–	115	6	121
	–	393	12	405

Nine months ended 30 September 2017

	Director's fee	Salaries, allowances and benefits in kind	Contributions to retirement benefit schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Chairman and non-executive Director				
Mr. Wu Junbao	–	–	–	–
Executive directors				
Mr. Wang Yongkai	–	144	–	144
Mr. Lu Zhen	–	133	7	140
Mrs. Wang Li	–	147	6	153
	–	424	13	437

Except for Mr. Wu Junbao, no directors of the Group waived or agreed to waive his emoluments during the Relevant Periods.

During the Relevant Periods, there was no amount paid or payable by the Company to the directors or any of the five highest paid individuals as set out in Note 9 below as an inducement to join or upon joining the Company or as compensation for loss of office.

No emoluments was paid to independent non-executive directors during the Relevant Periods as the independent non-executive directors except for Mr. Wu Junbao were appointed subsequent to the Relevant Periods.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five highest paid individuals of the Group during the Relevant Periods, none of them are directors of the Company. The aggregate of the emoluments in respect of the five highest paid individuals are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, allowance and benefits in kind	1,080	1,199	1,311	877	1,008
Contributions to retirement benefit schemes	20	24	24	17	20
	1,100	1,223	1,335	894	1,028

The emoluments of the above individuals are within the band of Nil to HKD1,000,000.

10 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for the Relevant Period using the basis of preparation and presentation as disclosed in Note 1.

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Furniture and fixtures	Electronic devices	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2014	362,042	8,899	71,510	35,447	102,768	580,666
Additions	10,007	1,015	4,874	432	34,588	50,916
Disposals	–	(519)	(252)	(94)	–	(865)
Transfers	15,486	–	5,159	–	(20,645)	–
At 31 December 2014	387,535	9,395	81,291	35,785	116,711	630,717
At 1 January 2015	387,535	9,395	81,291	35,785	116,711	630,717
Additions	818	428	5,397	2,933	41,789	51,365
Disposals	–	(1,085)	(37)	(663)	–	(1,785)
Transfers	6,211	–	31,228	15,545	(52,984)	–
At 31 December 2015	394,564	8,738	117,879	53,600	105,516	680,297
At 1 January 2016	394,564	8,738	117,879	53,600	105,516	680,297
Additions	10,237	891	7,589	5,746	47,787	72,250
Disposals	–	(62)	(94)	(28)	–	(184)
Transfers	88,541	–	821	–	(89,362)	–
At 31 December 2016	493,342	9,567	126,195	59,318	63,941	752,363

	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 2017	493,342	9,567	126,195	59,318	63,941	752,363
Additions	–	939	3,055	5,165	44,541	53,700
Disposals	–	(504)	(419)	(379)	–	(1,302)
Transfers	81,504	–	107	750	(82,361)	–
At 30 September 2017	574,846	10,002	128,938	64,854	26,121	804,761
Accumulated depreciation:						
At 1 January 2014	(97,078)	(4,548)	(52,282)	(26,582)	–	(180,490)
Charge for the year	(18,417)	(797)	(6,280)	(2,981)	–	(28,475)
Disposal	–	329	194	92	–	615
At 31 December 2014	(115,495)	(5,016)	(58,368)	(29,471)	–	(208,350)
At 1 January 2015	(115,495)	(5,016)	(58,368)	(29,471)	–	(208,350)
Charge for the year	(19,564)	(783)	(9,995)	(4,114)	–	(34,456)
Disposal	–	1,044	37	653	–	1,734
At 31 December 2015	(135,059)	(4,755)	(68,326)	(32,932)	–	(241,072)
At 1 January 2016	(135,059)	(4,755)	(68,326)	(32,932)	–	(241,072)
Charge for the year	(21,779)	(728)	(12,976)	(5,684)	–	(41,167)
Disposal	–	55	89	28	–	172
At 31 December 2016	(156,838)	(5,428)	(81,213)	(38,588)	–	(282,067)
At 1 January 2017	(156,838)	(5,428)	(81,213)	(38,588)	–	(282,067)
Charge for the period	(19,729)	(608)	(9,963)	(5,121)	–	(35,421)
Disposal	–	466	419	379	–	1,264
At 30 September 2017	(176,567)	(5,570)	(90,757)	(43,330)	–	(316,224)
Net book value:						
At 31 December 2014	272,040	4,379	22,923	6,314	116,711	422,367
At 31 December 2015	259,505	3,983	49,553	20,668	105,516	439,225
At 31 December 2016	336,504	4,139	44,982	20,730	63,941	470,296
At 30 September 2017	398,279	4,432	38,181	21,524	26,121	488,537

The Group's buildings are situated in Anhui province, the PRC. Certificates of ownership in respect of certain buildings of the Group with total net carrying amounts of RMB8,225,111, RMB11,969,826, RMB84,088,586 and RMB136,864,791 as at 31 December 2014, 2015 and 2016 and 30 September 2017 have not yet been issued by the relevant PRC authorities, respectively. As at the end of the Relevant Periods, the directors were in the process of obtaining these certificates.

12 LEASE PREPAYMENTS

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January	127,872	127,872	127,872	127,872
Additions	–	–	–	–
At 31 December/30 September	127,872	127,872	127,872	127,872
Accumulated amortisation:				
At 1 January	(27,207)	(29,764)	(32,321)	(34,878)
Charge for the year/period	(2,557)	(2,557)	(2,557)	(1,919)
At 31 December/30 September	(29,764)	(32,321)	(34,878)	(36,797)
Net book value:				
At 31 December/30 September	98,108	95,551	92,994	91,075

Lease prepayments represent cost of land use rights in respect of land located in the PRC with lease term of 50 years.

13 INTANGIBLE ASSETS

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January	4,105	4,496	7,443	8,649
Additions	391	2,947	1,206	1,654
At 31 December/30 September	4,496	7,443	8,649	10,303
Accumulated amortisation:				
At 1 January	(2,936)	(3,480)	(4,118)	(5,070)
Charge for the year/period	(544)	(638)	(952)	(879)
At 31 December/30 September	(3,480)	(4,118)	(5,070)	(5,949)
Net book value:				
At 31 December/30 September	1,016	3,325	3,579	4,354

Intangible assets are all computer software during the Relevant Periods.

14 TRADE RECEIVABLES

As of the end of the Relevant Periods, an ageing analysis of the Group's trade receivables, based on the transaction date, is as follows:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	872	151	1,182	4,008
More than 1 year but less than 2 years	–	–	17	–
More than 2 years but less than 3 years	–	–	–	–
	872	151	1,199	4,008

Details on the Group's credit policy are set out in Note 24(a).

No allowance for doubtful debts was made as of the end of the Relevant Periods.

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments and deposits	1,160	1,820	1,209	1,333
Other receivables	8,698	4,253	2,323	5,379
	9,858	6,073	3,532	6,712

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale securities	–	246,664	120,068	390,909

Available-for-sales securities comprise the investments in wealth management products purchased from banks in the PRC.

17 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks and on hand	98,469	104,306	105,874	387,317
Cash at banks and on hand balance denominated in:				
– RMB	98,469	104,306	105,874	387,317
– HK dollars (HK$)	–	–	–	–*
– US dollars (US$)	–	–	–	–*

* The balance represents an amount less than 1,000.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

(b) Reconciliation of profit before taxation to cash generated from operations:

		Year ended 31 December			Nine months ended 30 September	
	Note	2014	2015	2016	2016	2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before taxation		140,542	151,019	174,982	110,690	106,803
Adjustments for:						
Depreciation and amortisation	*6(c)*	29,019	35,094	42,119	30,782	36,300
Amortisation of lease prepayments	*6(c)*	2,557	2,557	2,557	1,919	1,919
Available-for-sale financial assets: reclassify from equity on disposal	*5*	556	(3,491)	(5,368)	(3,648)	(4,246)
Operating profit before changes in working capital		172,674	185,179	214,290	139,743	140,776
(Increase)/decrease in trade and other receivables		(7,690)	4,506	1,493	(1,351)	(5,989)
Increase/(decrease) in deferred revenue, other payables and deferred income		14,796	15,011	(5,750)	94,522	158,147
Cash generated from operation		179,780	204,696	210,033	232,914	292,934

(c) Reconciliation of liabilities arising from financial activities is as below:

	Bank loans	Interest payable	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Note 18)	*(Note 20)*	
Balance at 1 January 2014	320,000	558	320,558
Non-cash changes			
– Interest expense on bank loan *(note 6(a))*	–	24,097	24,097
Cash flows			
– Inflow from financing activities	240,000	–	240,000
– Outflow from financing activities	(350,000)	(24,296)	(374,296)
Balance at 31 December 2014 and 1 January 2015	210,000	359	210,359
Non-cash changes			
– Interest expense on bank loan *(note 6(a))*	–	9,284	9,284
Cash flows			
– Inflow from financing activities	245,000	–	245,000
– Outflow from financing activities	(454,500)	(9,643)	(464,143)
Balance at 31 December 2015 and 1 January 2016	500	–	500
Non-cash changes			
– Interest expense on bank loan *(note 6(a))*	–	830	830
Cash flows			
– Inflow from financing activities	264,500	–	264,500
– Outflow from financing activities	(265,000)	(830)	(265,830)
Balance at 31 December 2016 and 1 January 2017	–	–	–
Cash flows			
– Inflow from financing activities	–	–	–
– Outflow from financing activities	–	–	–
Balance at 30 September 2017	–	–	–
Unaudited:			
Balance at 1 January 2016	500	–	500
Non-cash changes			
– Interest expense on bank loan *(note 6(a))*	–	827	827
Cash flows			
– Inflow from financing activities	264,500	–	264,500
– Outflow from financing activities	(264,500)	(827)	(265,327)
Balance at 30 September 2016	500	–	500

18 BANK LOANS

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank loans	210,000	500	–	–
	210,000	500	–	–

As at 31 December 2014 and 2015, the bank loans were guaranteed by the Controlling Shareholder, bearing interest at the range of 6.2%-7.8% and 4.9% per annum, respectively.

19 DEFERRED REVENUE

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tuition fees	129,402	134,827	146,581	250,013
Boarding fees	17,533	19,014	20,297	37,882
	146,935	153,841	166,878	287,895

20 OTHER PAYABLES

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Miscellaneous expenses received from students *(Note (i))*	44,145	50,395	30,199	38,571
Accrued expenses	4,716	7,183	9,565	21,595
Payables to suppliers	12,093	9,638	16,460	25,053
Accrued staff costs	11,672	12,901	12,256	12,206
Interest payable	359	–	–	–
Others	16,361	19,359	18,529	37,577
	89,346	99,476	87,009	135,002

Note (i): the amount represents the miscellaneous expenses received from students which will be paid out on behalf of students.

All other payables are expected to be settled within one year.

21 DEFERRED INCOME

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants				
At beginning of year/period	1,465	3,555	1,530	1,011
Grants received	13,119	4,734	1,138	6,511
Charged to profit or loss	(11,029)	(6,759)	(1,657)	(5,917)
At end of year/period	3,555	1,530	1,011	1,605
Current	2,103	1,274	633	881
Non-current	1,452	256	378	724
Total	3,555	1,530	1,011	1,605

22 SHARE CAPITAL

For the purpose of the Historical Financial Information, the share capital of the Group as at 31 December 2014, 2015 and 2016 and 30 September 2017 represents the aggregate amount of the paid-in capital of all the entities comprising the Group at the respective dates, after elimination of investment in subsidiaries.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 30 August 2017 with an authorized share capital of HK$380,000 divided into 38,000,000 shares with par value of HK$0.01 each, of which 5,172 shares were allotted and issued on 30 August 2017.

23 RESERVES

(a) Capital reserves

On 18 August 2017, Hefei Huayuan Equity Investment Limited Partnership ("Huayuan Partnership") entered into a capital increase agreement with Mr. Wu Junbao, Mr. Wu Di and Xinhua Group to invest RMB60,900,000 in Xinhua Group, among which RMB1,720,000 was contributed to the paid-in capital and the remaining amount was contributed to the capital reserve of Xinhua Group. The details of the capital injection are described under the section headed "History and Corporate Structure" of the Prospectus.

(b) PRC statutory reserves

Statutory reserves are established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors' meeting. 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 reserves until the reserves reach 50% of their respective registered capital. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(ii) According to the relevant PRC laws and regulations, for private schools that do not require reasonable returns, they are required to appropriate to the development fund not less than 25% of the annual increase of net assets of the relevant school as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the school or procurement or upgrading of educational equipment.

(c) Profit distribution

There were no dividends approved and paid by the Company in respect of the Relevant Periods.

(d) Employee share purchase plan ("ESPP")

As disclosed in Note 23(a), the Group agreed the capital increase in Xinhua Group by Huayuan Partnership, whose limited partners mainly consisted of employees of the Group. All participants of the ESPP should purchase equity interest at amounts (the "Subscription Amounts") specified in the partnership agreement with a vesting period. Employees participating in the plan have to transfer out their equity interests if their employments with the Group was terminated within the vesting period from the equity interests purchase dates, to a person or a party nominated by the general partner of the partnership firm at a price of the Subscription Amounts.

Discounted Cash Flow Model had been used to estimate the fair value of the equity interest of Xinhua Group. As at 30 June 2017, the estimated fair value of the equity interests granted to Huayuan Partnership was approximate RMB60,900,000, which was carried out by an independent valuer.

No expense was recognised for the nine months ended 30 September 2017 in relation to the Xinhua Group ESPP as the consideration paid by participants of ESPP approximates to the fair value of the equity interests granted to Huayuan Partnership.

(e) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholder and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a debt-to-asset ratio. This ratio is calculated as total liabilities divided by total assets.

The debt-to-asset ratios at 31 December 2014, 2015 and 2016 and 30 September 2017 were as follows:

	As at 31 December			**As at 30 September**
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total liabilities	462,151	348,838	269,006	440,491
Total assets	906,178	943,500	1,035,620	1,375,014
Debt-to-asset ratios	51%	37%	26%	32%

Neither the Company nor its subsidiaries are subject to internally or externally imposed capital requirements.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Exposure to credit and liquidity risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and financial assets which comprise bank balances and available-for-sale securities. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, the balances represent amounts related to students who have applied for the delayed payment of tuition fees and boarding fees. There is no fixed term for delayed payments. The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year or semester, which normally commences in September or February. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

In respect of other receivables, individual credit evaluations are performed on all counterparty requiring credit over a certain amount. These evaluations focus on the counterparty's past history of making payments when due and current ability to pay, and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. In view of the fact that the Group's other receivables relate to a large number of diversified counterparties, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its other trade receivable balances. Other receivables are non-interest-bearing.

In respect of available-for-sale securities, the Group transacts mainly with recognized and creditworthy banks, and the maximum exposure equal to the carrying amount of these securities.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor current and expected liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following are the contractual maturities of the Group's financial liabilities at the end of the respective reporting period, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

	At 31 December 2014			
	Contractual undiscounted cash flow			
	Within 1 year or on demand	**More than 1 year but less than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB' 000*
Bank loans	216,947	–	216,947	210,000
Other payables	89,346	–	89,346	89,346
Amounts due to related parties	4,950	–	4,950	4,950
	311,243	–	311,243	304,296

	At 31 December 2015			
	Contractual undiscounted cash flow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB' 000*
Bank loans	520	–	520	500
Other payables	99,476	–	99,476	99,476
Amounts due to related parties	90,999	–	90,999	90,999
	190,995	–	190,995	190,975

	At 31 December 2016			
	Contractual undiscounted cash flow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB' 000*
Bank loans	–	–	–	–
Other payables	87,009	–	87,009	87,009
Amounts due to related parties	9,182	–	9,182	9,182
	96,191	–	96,191	96,191

	At 30 September 2017			
	Contractual undiscounted cash flow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB' 000*
Bank loans	–	–	–	–
Other payables	135,002	–	135,002	135,002
Amounts due to related parties	10,428	–	10,428	10,428
	145,430	–	145,430	145,430

(c) Fair values

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the respective reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement.* The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 input i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuation for wealth management products which are categorized into Level 3 of the fair value hierarchy. The team reports directly to the head of finance department. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the head of finance department. Discussion of the valuation process and results with the head of finance department and the directors is held twice a year, to coincide with the reporting dates.

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Level 3	–	246,664	120,068	390,909

The fair values of unlisted available-for-sale investments in banks' wealth management products have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the Directors to make estimates about the expected future cash flows including expected future interest return on maturity of the wealth management products. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the combined statements of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of each of the Relevant Periods.

Below is a summary of significant unobservable inputs to the valuation of these wealth management products together with a quantitative sensitivity analysis at the end of each of the Relevant Periods:

31 December 2015

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Bank's wealth management products, at fair value	Discounted cash flow method	Interest return rate	3.58% to 4.42%	0.5% increase/ (decrease) in Interest return rate would result in increase/ (decrease) in fair value by RMB82,221.

31 December 2016

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Bank's wealth management products, at fair value	Discounted cash flow method	Interest return rate	4.35% to 5.00%	0.5% increase/ (decrease) in Interest return rate would result in increase/ (decrease) in fair value by RMB7,223.

30 September 2017

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Bank's wealth management products, at fair value	Discounted cash flow method	Interest return rate	3.80% to 4.75%	0.5% increase/ (decrease) in Interest return rate would result in increase/ (decrease) in fair value by RMB102,869.

During the Relevant Periods, there was no transfer between instruments in Level 1 and Level 2. The movements during the period in the balance of these Level 3 fair value measurements were as follows:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale investments:				
At 1 January	1,758	–	246,664	120,068
Payment for purchases	65,600	899,000	1,031,000	1,104,000
Net unrealised gains or losses recognised in other comprehensive income during the year/period	–	664	68	909
Redemption of investment	(67,358)	(653,000)	(1,157,664)	(834,068)
At 31 December/ 30 September	–	246,664	120,068	390,909

The gains arising from the disposal are presented in "Other income" in the combined statement of profit or loss and other comprehensive income. The net unrealised gains arising from the remeasurement of the available-for-sale investments are recognised in fair value reserve in other comprehensive income.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values as at 31 December 2014, 2015 and 2016 and 30 September 2017 due to short-term maturity of these instruments.

25 CAPITAL COMMITMENTS

Capital commitments of the Group in respect of plant, property and equipment outstanding at the end of each reporting period not provided for in the Historical Financial Information were as follows:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	22,361	26,202	39,690	15,682
Authorised but not contracted for	–	–	–	107,500
	22,361	26,202	39,690	123,182

26 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the Historical Financial Information, the Group entered into the following material related party transactions.

During the Relevant Periods, the directors are of the view that the following companies and persons are related parties of the Group:

Name of party	Relationship
Wu Junbao	Controlling Shareholder
Anhui Xinhua Investment Co., Ltd (“Xinhua Investment”) 安徽新華投資有限公司	Fellow subsidiary
Anhui Huadong Chuanmei Co., Ltd (“Huadong Chuanmei”) 安徽華動文化傳媒有限公司	Fellow subsidiary
Anhui New East Cuisine Education Institute (“New East Cuisine”) 安徽新東方烹飪專修學院	Fellow subsidiary
Xinhua Computer College (“Xinhua Computer”) 新華電腦專修學院	Fellow subsidiary
Hefei Wanzhi Trading Co., Ltd (“Hefei Wanzhi”) 合肥皖智商貿有限公司	Fellow subsidiary

Note: The English translation of these entities is for reference only. The official names of the entities established in the PRC are in Chinese.

(a) Significant related party transactions

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest income from loan lent to a related party	24,097	9,284	830	827	–
Service fee charged by related parties	–	988	2,741	2,056	2,084
Purchase of property, plant, and equipment and merchandise	–	–	5,255	3,602	3,939
Net (advance to)/repayment from related parties	(81,730)	104,237	(277,497)	(356,697)	240,871
Loan lent to a related party	240,000	245,000	264,500	264,500	–
Loan repaid by a related party	350,000	454,500	265,000	264,500	–

(b) Balances with related parties

As at the end of the respective reporting period, the Group had the following balances with related parties:

Amounts due from:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade related:				
Huadong Chuanmei	106	29	52	–
Wu Junbao	46,000	46,000	142,850	–
Xinhua Investment	18,111	–	94,575	–
	64,217	46,029	237,477	–

Amounts due to:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade related:				
New East Cuisine	–	–	–	687
Xinhua Computer	–	–	–	1,397
Hefei Wanzhi	–	–	4,232	–
	–	–	4,232	2,084

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade related:				
Wu Junbao	4,950	4,950	4,950	4,950
Xinhua Investment	–	86,049	–	3,394
	4,950	90,999	4,950	8,344

The amounts due from/to related parties are unsecured, interest-free and have no fixed terms of repayment.

Loans lent to a related party:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade related:				
Xinhua Investment	210,000	500	–	–
	210,000	500	–	–

The loans lent to Xinhua Investment are unsecured, due within one year and bearing interest at the range of 6.2%-7.8% and 4.9% per annum as at 31 December 2014 and 2015, respectively.

(c) Key management personnel remuneration

Key management personnel remuneration is disclosed in Notes 8 and 9.

27 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period beginning on 1 January 2018 and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
IFRS 9, Financial instruments	1 January 2018
IFRS 15, Revenue from contracts with customers	1 January 2018
IFRS 15 (Amendment), Clarification to IFRS 15 Revenue from contracts with customers	1 January 2018
IFRS 2 (Amendment), Classification and measurement of share-based payment transactions	1 January 2018
IFRS 4 (Amendment), Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018

	Effective for accounting periods beginning on or after
IFRS 1 (Amendment), First time adoption of IFRS	1 January 2018
IAS 28 (Amendment), Investments in associates and joint ventures	1 January 2018
IFRIC 22, Foreign currency transactions and advance consideration	1 January 2018
IAS 40 (Amendment), Transfers of investment property	1 January 2018
Annual Improvements 2014-2016 Cycle, Amendments to a number of IFRSs	1 January 2018
IFRS 10 and IAS 28 (Amendment), Sale or contribution of assets between an investor and its associate or joint venture	To be determined
IFRS 16, Leases	1 January 2019
IFRIC 23, Uncertainty over income tax treatments	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position. Specifically, the Group assesses the impact of IFRS 9, IFRS 15 and IFRS 16 as follows.

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. The Group expects to adopt IFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of IFRS 9 will not have a significant impact on the Group's results of operations and financial position.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting IFRS 15 on its financial statements. Based on the preliminary assessment, the Group anticipates that the adoption of IFRS 15 in the future is unlikely to have significant impact on the recognition of service income from the provision of education and boarding services.

IFRS 16, Leases

As disclosed in Note 2(h), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. However, as the Group does not have any material operating lease commitment during the Relevant Periods, the application of the new accounting model is expected to have no material impact for the Group's financial statements.

28 SUBSEQUENT EVENTS

On 20 November 2017, the Group entered into a formal agreement with Anhui Medical University for a term of three years to jointly operate the School of Clinical Medicine and convert the School of Clinical Medicine into a standalone higher education institution owned and operated solely by the Group. Up to the date of this report, the Group has paid an amount of RMB196 million in cash as prepayment to Anhui Medical University as required under this agreement.

On 17 January 2018, Xinjiang Ronghua Education Technology Co., Ltd. ("Xinhua Xinjiang") was established in Khorgos, Xinjiang, and was wholly owned by Hong Kong Xinhua Education Limited. On 6 February 2018, Xinhua Xinjiang entered into another series of certain contracts (the "New Structured Contracts") with the PRC Operating Entities and their respective equity holders. The terms and conditions of New Structured Contracts are the same as those contained in the Structured Contracts in all material aspects, pursuant to which the Structured Contracts were automatically terminated and all economic benefits arising from the business of the PRC Operating Entities are transferred to Xinhua Xinjiang.

29 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 September 2017.

The following information does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The pro forma financial information should be read in conjunction with the "Financial Information" section in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our combined net tangible assets as of September 30, 2017 as if it had taken place on September 30, 2017.

The unaudited pro forma adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of September 30, 2017 or any future date. It is prepared based on our combined net tangible assets as of September 30, 2017 as set out in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted combined net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Combined net tangible assets attributable to owners of the Company as of September 30, 2017	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets	Unaudited pro forma adjusted combined net tangible assets per Share	
	RMB'000(1)	*RMB'000(2)(5)*	*RMB'000(3)(4)*	*RMB(4)*	*HK$(5)*
Based on an Offer Price of HK$2.83 per Share	930,169	866,231	1,796,400	1.12	1.39
Based on an Offer Price of HK$3.69 per Share	930,169	1,142,066	2,072,235	1.30	1.60

Notes:

(1) The combined net tangible assets attributable to the equity shareholders of the Company as of September 30, 2017 is calculated based on the combined net assets attributable to the equity shareholders of the Company of RMB934.5 million as of September 30, 2017 less the intangible assets of RMB4.4 million as of the date, extracted from the Accountants' Report set out in Appendix I to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on the Offer Prices of HK$2.83 and HK$3.69 per Share, respectively, being the lower end price and higher end price of the stated Offer Price range, after deduction of the underwriting fees and other related expenses payable by the Company of approximately RMB50.6 million and RMB53.4 million, respectively (excluding approximately RMB10.1 million of listing expenses which have been amounted for prior to September 30, 2017), and does not take account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to September 30, 2017.

(4) The unaudited pro forma adjusted combined net tangible assets attributable to the equity shareholders of the Company and the amounts per Share are arrived at after the adjustments referred to in the preceding paragraphs and on the basis of 400,000,000 shares in issue as of the date of this Prospectus and those shares to be issued pursuant to the Capitalization Issue and the Global Offering assuming that the Capitalization Issue and the Global Offering had been completed on September 30, 2017 but taking no account of any shares which may be issued upon the exercise of the Over-allotment Option.

(5) The estimated net proceeds from the Global Offering are converted into Renminbi at a rate of HK$1 = RMB0.8099, being the exchange rate set by PBOC prevailing on March 5, 2018. No representation is made that the Hong Kong Dollars amounts have been, could have been or may be converted into Renminbi, or vice versa at that rate.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose for inclusion in this prospectus.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHINA XINHUA EDUCATION GROUP LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Xinhua Education Group Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 September 2017 and related notes as set out in Part A of Appendix II to the prospectus dated 14 March 2018 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 30 September 2017 as if the Global Offering had taken place at 30 September 2017. As part of this process, information about the Group's financial position as at 30 September 2017 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("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 behaviour.

The 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" issued by the HKICPA 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 ("HKSAE") 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 purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or 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 events or transactions as at 30 September 2017 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 event or 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' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or 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.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

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 purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong
14 March 2018

The following is the preliminary financial information of our Group as of and for the year ended December 31, 2017 ("2017 Preliminary Financial Information"), together with comparative financial information as of and for the year ended December 31, 2016 and a discussion of changes in our Group's financial condition and results of operations between the two periods. The 2017 Preliminary Financial Information was not audited. Investors should bear in mind that the 2017 Preliminary Financial Information in this Appendix may be subject to adjustments.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		As of December 31,	
	Note	**2016**	**2017**
		RMB'000 (Audited)	*RMB'000* (Unaudited)
Revenue	*4*	303,262	337,958
Cost of sales		(124,032)	(145,481)
Gross profit		179,230	192,477
Other income	*5*	44,371	53,796
Selling and distribution costs		(5,677)	(5,375)
Administrative expenses		(42,942)	(66,857)
Profit from operations		174,982	174,041
Net finance costs		–	–
Profit before taxation	*6*	174,982	174,041
Income tax	*7*	(2,434)	(2,083)
Profit for the year		172,548	171,958
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets:			
Changes in fair value recognised during the year		4,772	9,715
Reclassification to profit or loss on disposal		(5,368)	(9,262)
Other comprehensive income for the year		(596)	453
Total comprehensive income for the year		171,952	172,411
Earnings per share			
Basic and diluted (RMB cents)	*8*	14.38	14.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As of December 31, 2016	As of December 31, 2017
		RMB'000 (Audited)	*RMB'000* (Unaudited)
Non-current assets			
Property, plant and equipment		470,296	491,883
Lease prepayments		92,994	90,437
Intangible assets		3,579	5,301
Other non-current assets	*9*	601	197,939
		567,470	785,560
Current assets			
Trade receivables	*10*	1,199	201
Prepayments, deposits and other receivables	*11*	3,532	12,293
Amounts due from related parties		237,477	–
Available-for-sale financial assets	*12*	120,068	235,521
Cash and cash equivalents		105,874	293,023
		468,150	541,038
Current liabilities			
Deferred revenue	*13*	166,878	191,773
Other payables	*14*	87,009	130,932
Amounts due to related parties		9,182	511
Deferred income	*15*	633	881
Current taxation		4,926	2,073
		268,628	326,170
Net current assets		199,522	214,868
Total assets less current liabilities		766,992	1,000,428
Non-current liabilities			
Deferred income		378	503
		378	503
NET ASSETS		766,614	999,925
Equity			
Share capital		50,000	–*
Reserves		716,614	999,925
TOTAL EQUITY		766,614	999,925

* The balance represents an amount less than RMB1,000.

NOTES TO THE 2017 PRELIMINARY FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The 2017 Preliminary Financial Information comprises the Company and its subsidiaries. The 2017 Preliminary Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

2. ISSUED BUT NOT YET EFFECTIVE IFRSs

The IASB has issued a number of amendments and new standards which are not yet effective for the year ended December 31, 2017. The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the 2017 Preliminary Financial Information.

	Effective for accounting periods beginning on or after
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 15 (Amendment), *Clarification to IFRS 15 Revenue from contracts with customers*	1 January 2018
IFRS 2 (Amendment), *Classification and measurement of share-based payment transactions*	1 January 2018
IFRS 4 (Amendment), *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*	1 January 2018
IFRS 1 (Amendment), *First time adoption of IFRS*	1 January 2018
IAS 28 (Amendment), *Investments in associates and joint* ventures	1 January 2018
IFRIC 22, *Foreign currency transactions and advance consideration*	1 January 2018
IAS 40 (Amendment), *Transfers of investment property*	1 January 2018
Annual Improvements 2014-2016 Cycle, Amendments to a number of IFRSs	1 January 2018
IFRS 10 and IAS 28 (Amendment), *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined
IFRS 16, *Leases*	1 January 2019
IFRIC 23, *Uncertainty over income tax treatments*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position. Specifically, the Group assesses the impact of IFRS 9, IFRS 15 and IFRS 16 as follows:

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. The Group expects to adopt IFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of IFRS 9 will not have a significant impact on the Group's results of operations and financial position.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognizing revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting IFRS 15 on its financial statements. Based on the preliminary assessment, the Group anticipates that the adoption of IFRS 15 in the future is unlikely to have significant impact on the recognition of service income from the provision of education and boarding services.

IFRS 16, Leases

As disclosed in Appendix I Accountants' report of the Group Note 2(h), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognize and measure a lease liability at the present value of the minimum future lease payments and will recognize a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognize interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognizing rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognized on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. However, as the Group does not have any material operating lease commitment during the reporting period, the application of the new accounting model is expected to have no material impact for the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of education services in the PRC.

IFRS 8*, Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the provision of education services.

Information about major customers

No service provided to a single customer exceeds 10% or more of the total revenue of the Group during the year.

4. REVENUE

Revenue represents the value of service rendered during the year.

An analysis of revenue is as follows:

	As of December 31,	
	2016	**2017**
	RMB'000 (Audited)	*RMB'000* (Unaudited)
Revenue		
Tuition fees	270,394	300,883
Boarding fees	32,868	37,075
Total	303,262	337,958

5. OTHER INCOME

	As of December 31,	
	2016	**2017**
	RMB'000 (Audited)	*RMB'000* (Unaudited)
Rental and property management income	20,850	21,311
Service income	14,863	14,931
Government grants	1,657	6,193
Available-for-sale financial assets: reclassification from equity on disposal	5,368	9,262
Other interest income	696	756
Others	937	1,343
	44,371	53,796

Government grants mainly represent the grants from the local government for the purpose of compensating the operating expenses arising from the schools' teaching activities, scientific researches and expenditures on facilities. There are no unfulfilled conditions or contingencies relating to such government grants income recognized.

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	As of December 31,	
	2016	**2017**
	RMB'000 (Audited)	*RMB'000* (Unaudited)
(a) Net Finance costs		
Interest expense on bank loans	830	–
Interest income from loan lent to a related party	(830)	–
	–	–

Loans were lent to the related party Anhui Xinhua Investment Co., Ltd and fully repaid in 2016.

	As of December 31,	
	2016	**2017**
	RMB'000 (Audited)	*RMB'000* (Unaudited)
(b) Staff costs		
Salaries, wages and other benefits	85,797	91,650
Contributions to defined contribution retirement plan	6,306	6,520
	92,103	98,170

Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

	As of December 31,	
	2016	**2017**
	RMB'000 (Audited)	*RMB'000* (Unaudited)
(c) Other items		
Depreciation	41,167	48,027
Amortisation of intangible assets	952	1,216
Amortisation of lease prepayments	2,557	2,557
Auditors' remuneration	25	2,171
	44,701	53,971

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	As of December 31,	
	2016	**2017**
	RMB'000 (Audited)	*RMB'000* (Unaudited)
Current tax		
Provision for PRC income tax for the year	2,434	2,083

(i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Island and accordingly is not subject to income tax.

(ii) 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 year.

(iii) Pursuant to the PRC Income Tax Law and the respective regulations, the companies of the Group which operate in Mainland China are subject to Corporate Income Tax ("CIT") at a rate of 25% on its taxable income.

(iv) According to the Implementation Rules for the Law for Promoting Private Education (the "Implementation Rules"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatment. Private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The Implementation Rules provide that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. During the year and up to the date of this report, no separate policies, regulations or rules have been introduced by the authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the confirmation obtained therefrom, the Group's schools which do not require reasonable returns did not pay corporate income tax for the income from provision of formal educational services and had enjoyed the preferential corporate income tax exemption treatment since their establishment. As a result, no income tax expense for the income from provision of formal educational services was recognised for the Group's schools for the year ended 31 December 2017.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	As of December 31,	
	2016	**2017**
	RMB'000 (Audited)	*RMB'000* (Unaudited)
Profit before taxation	174,982	174,041
Tax at the statutory rate	43,746	43,510
Tax effect of non-taxable income	(40,545)	(45,941)
Tax effect of temporary difference and tax losses not recognized	(786)	4,441
Tax effect of non-deductible expenses	19	73
Actual income tax expense	2,434	2,083

(c) Deferred tax assets not recognized

As at 31 December 2017, the Group has not recognised deferred tax assets in respect of deductible temporary differences and tax losses with total amount of RMB21,209,224 (2016: RMB3,446,129), in accordance with the accounting policy set out in Appendix I Accountants' Report of the Group Note 2(o), as it is not probable that future taxable profits against which the deductible temporary differences can be utilised will be available in the relevant tax jurisdiction and entity.

(d) Deferred tax liabilities not recognized

The PRC Enterprise Income Tax law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax.

As at 31 December 2017, the Group has not recognized deferred tax liabilities in respect of undistributed earnings generated by its PRC entities, with approximate total amount of RMB606,584,000 (2016: RMB482,257,000). In the opinion of the directors, the Group's undistributed earnings will be retained in the PRC for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2017 is based on the profit attributable to equity holder of the Company for the year ended 31 December 2017 and the 1,200,000,000 shares in issue (2016: 1,200,000,000 shares) after taking into account the Capitalization Issue.

There were no dilutive potential ordinary shares for the year ended 31 December 2017 and, therefore, diluted earnings per share are equivalent to basic earnings per share.

9. OTHER NON-CURRENT ASSETS

	As of December 31,	
	2016	**2017**
	RMB'000 (Audited)	*RMB'000* (Unaudited)
Prepayments *(Note (i))*	601	197,939

Note (i): As at December 31, 2017, other non-current assets mainly comprise a prepayment with the amount of RMB195,961,300 which is made to Anhui Medical University for the agreement to jointly operate the School of Clinical Medicine and convert the School of Clinical Medicine into a standalone higher education institution owned and operated solely by the Group.

10. TRADE RECEIVABLES

As of the end of the reporting end, an ageing analysis of the Group's trade receivables, based on the transaction date, is as follows:

	As of December 31,	
	2016	**2017**
	RMB'000 (Audited)	*RMB'000* (Unaudited)
Within 1 year	1,182	201
More than 1 year but less than 2 years	17	–
	1,199	201

No allowance for doubtful debts was made as of the end of the year.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As of December 31,	
	2016	**2017**
	RMB'000 (Audited)	*RMB'000* (Unaudited)
Prepayments and deposits	1,209	1,129
Other receivables	2,323	11,164
	3,532	12,293

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As of December 31,	
	2016	**2017**
	RMB'000 (Audited)	*RMB'000* (Unaudited)
Available-for-sale securities	120,068	235,521
	120,068	235,521

Available-for-sales securities comprise the investments in wealth management products purchased from banks in the PRC.

13. DEFERRED REVENUE

	As of December 31,	
	2016	**2017**
	RMB'000 (Audited)	*RMB'000* (Unaudited)
Tuition fees	146,581	165,174
Boarding fees	20,297	26,599
	166,878	191,773

14. OTHER PAYABLES

	As of December 31,	
	2016	**2017**
	RMB'000 (Audited)	*RMB'000* (Unaudited)
Miscellaneous expenses received from students *(Note (i))*	30,199	31,300
Accrued expenses	9,565	5,943
Payables to suppliers	16,460	29,173
Accrued staff costs	12,256	13,032
Interest payable	–	–
Others	18,529	25,682
Accrued listing expenses	–	25,802
	87,009	130,932

Note (i): the amount represents miscellaneous expenses received from students which will be paid out on behalf of students.

All other payables are expected to be settled within one year.

15. DEFERRED INCOME

	As of December 31,	
	2016	**2017**
	RMB'000 (Audited)	*RMB'000* (Unaudited)
Government grants		
At beginning of year	1,530	1,011
Grants received	1,138	6,566
Charged to profit or loss	(1,657)	(6,193)
At end of year	1,011	1,384
Current	633	881
Non-current	378	503
	1,011	1,384

BUSINESS OVERVIEW

We are a provider of private higher education in China dedicated to providing applied science education to students. As of the Latest Practicable Date, we operated two schools, Xinhua University, which is a private formal university, and Xinhua School, which is a private secondary vocational school. We control both schools through the Structured Contracts. Our Xinhua University is the largest private formal higher education institution in the Yangtze River Delta, as measured by its full time student enrollment as of December 31, 2016, according to Frost & Sullivan. In addition, our Xinhua School is the largest private specialized secondary school in Anhui Province in terms of student enrollment as of December 31, 2016, according to Frost & Sullivan. Through these schools, we offer our students comprehensive and diversified curriculums, which encompass a broad range of practical major offerings. We have set up workplace simulation training studios which are designed to simulate typical workplaces to allow our students to put into practice the knowledge they learned through our curriculums. In addition, we collaborate with enterprise partners closely and have jointly designed applicable curriculums and established a number of practical training bases and internship bases with them to help students acquire useful skills and find desirable employment.

Our full time student enrollments grew from 27,836 as of December 31, 2016 to 28,030 as of September 30, 2017, as measured by the full time student enrollment. Our revenue increased from RMB303.3 million for the year ended December 31, 2016 to RMB338.0 million for the year ended December 31, 2017. Our profit for the year slightly decreased from RMB172.5 million for the year ended December 31, 2016 to RMB172.0 million for the year ended December 31, 2017, primarily as the result of a significant increase in administrative expenses in 2017 which in turn was primarily due to consultancy fees relating to the proposed Listing.

Going forward, we intend to pursue suitable opportunities for acquisitions or investments primarily in the Yangtze River Delta to expand our school network and increase our market share in the private higher education sector. Meanwhile, we intend to improve our school facilities and educational equipment to increase student enrollment at our existing schools. As we believe we have established a strong reputation for providing quality education to our students, we believe that we are in a position to optimize our pricing without compromising our ability to maintain and grow our student base. Furthermore, we intend to continue to strengthen our market position and enhance our brand recognition in the private education industry in China, particularly in the Yangtze River Delta region. We also intend to continue to attract and retain qualified teachers, improve the overall quality of our teaching staff and build a first-rate team.

Since December 31, 2017 and up to the Latest Practicable Date, our business generally experienced continued growth and, to the best of our knowledge, there is no change to the overall economic and market condition in China or in the PRC private higher education industry in which we operate that may have a material adverse effect to our business operations and financial position.

RESULTS OF OPERATIONS

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations.

	Year ended December 31,	
	2016	**2017**
	(RMB'000)	*(RMB'000)* (Unaudited)
Revenue	303,262	337,958
Cost of sales	(124,032)	(145,481)
Gross profit	179,230	192,477
Other income	44,371	53,796
Selling and distribution costs	(5,677)	(5,375)
Administrative expenses	(42,942)	(66,857)
Profit from operations	174,982	174,041
Net finance costs	–	–
Profit before taxation	174,982	174,041
Income tax	(2,434)	(2,083)
Profit for the year	172,548	171,958

Revenue

The table below presents a summary of the amount of revenue generated from tuition fees and boarding fees charged by our schools for the periods indicated:

	Year ended December 31,	
	2016	**2017**
	(RMB'000)	*(RMB'000)* (Unaudited)
Tuition fees		
Xinhua University	243,775	271,849
Xinhua School	26,619	29,034
Total tuition fees	270,394	300,883
Boarding fees		
Xinhua University	27,972	32,389
Xinhua School	4,896	4,686
Total boarding fees	32,868	37,075
Total	303,262	337,958

Our revenue increased by 11.4% from RMB303.3 million in 2016 to RMB338.0 million in 2017. This increase was primarily due to an increase in tuition fees from RMB270.4 million for the year ended December 31, 2016 to RMB300.9 million for the year ended December 31, 2017 and an increase in boarding fees from RMB32.9 million for the year ended December 31, 2016 to RMB37.1 million for the year ended December 31, 2017. The tuition fees we received increased primarily because (i) the mix of undergraduate students and junior college students at Xinhua University had changed during this period with the percentage of undergraduate students increasing each year, and the tuition fees that we charged undergraduate students were higher than what we charged junior college students; (ii) we increased tuition fees for the 2017-2018 school year for certain majors of our undergraduate program and junior college program at Xinhua University, and for certain majors offered at Xinhua School; and (iii) our full time student enrollment increased from approximately 27,836 for the 2016-2017 school year as measured by the full time student enrollment as of December 31, 2016 to approximately 28,030 for the 2017-2018 school year as measured by the full time student enrollment as of September 30, 2017. The boarding fees we received increased because our student enrollment increased between these two years and we increased the boarding fee rates we charged per student at Xinhua University between 2016-2017 and 2017-2018 school years.

Cost of Sales

The following table sets forth the components of our cost of sales for the periods indicated:

	Year ended December 31,	
	2016	**2017**
	(RMB'000)	*(RMB'000)* (Unaudited)
Salaries and benefits	68,702	74,136
Depreciation and amortization	30,862	36,584
Teaching activity costs	10,027	11,607
Cost of repair	5,228	8,153
Student-related costs	4,310	9,849
Utilities	3,892	4,085
Others	1,011	1,067
Total	124,032	145,481

Our cost of sales increased by 17.3% from RMB124.0 million in 2016 to RMB145.5 million in 2017. This increase was primarily due to (i) an increase of RMB5.7 million in depreciation and amortization due to the increase of our property, plant and equipment such as the dormitories and office buildings which were put into operation in 2017; (ii) an increase of RMB5.5 million in student-related costs mainly due to the increased financial aid provided to students at Xinhua University; (iii) an increase of RMB5.4 million in salaries and benefits of our school personnel primarily due to an increase in the average salary level; and (iv) an increase of RMB2.9 million in cost of repair, mainly because we undertook maintenance projects of water supply network and certain canteens at our schools.

Gross Profit and Gross Profit Margin

Our gross profit increased by 7.4% from RMB179.2 million in 2016 to RMB192.5 million in 2017, which was in line with the growth of our business. Our gross profit margin decreased from 59.1% for the year ended December 31, 2016 to 57.0% for the year ended December 31, 2017, primarily due to a larger increase in our cost of sales compared to the increase in our revenue.

Other Income

The table below summarizes the amount of other income for the periods indicated:

	Year ended December 31,	
	2016	**2017**
	(RMB'000)	*(RMB'000)* (Unaudited)
Rental and property management income[(1)]	20,850	21,311
Service income[(2)]	14,863	14,931
Government grants[(3)]	1,657	6,193
Available-for-sale financial assets: reclassification from equity on disposal[(4)]	5,368	9,262
Other interest income[(5)]	696	756
Others[(6)]	937	1,343
Total	44,371	53,796

Notes:

(1) Primarily includes rental and property management income from our leased premises to Independent Third Parties in connection with the operation of canteens and stores on the campuses of our schools.

(2) Primarily includes income from services we provide for our students, which mainly include purchasing on their behalf text books, dormitory bedding and exam materials.

(3) Primarily includes the grants from the local government for the purpose of contributions towards the operating expenses arising from our schools' teaching activities, scientific research and expenditure on facilities. There are no unfulfilled conditions or contingencies relating to such government grants income recognized.

(4) Primarily consists of gains or losses we recognized upon disposal of wealth management products.

(5) Primarily consists of interest income from our current deposits.

(6) Primarily includes fines we collect from the campus stores resulting from their violations of terms of contracts with us and forfeits of non-refundable tuition fees for withdrawn students.

Other income increased by 21.2% from RMB44.4 million in 2016 to RMB53.8 million in 2017. This increase was primarily due to (i) an increase of RMB4.5 million in government grants which were granted to our Xinhua School to contribute towards our operating expenses arising from teaching activities, school facilities' improvement as well as students' internship and practical training; and (ii) an increase of RMB3.9 million in available-for-sale financial assets reclassification from equity on disposal, primarily reflecting our increased investment in wealth management products in 2017.

Selling and Distribution Costs

Selling and distribution costs decreased by 5.3% from RMB5.7 million in 2016 to RMB5.4 million in 2017, primarily due to a decrease in the salaries and benefits of our school personnel relating to student recruitment primarily because Xinhua University downsized its student recruitment department due to its enhanced profile and brand recognition.

Administrative Expenses

Administrative expenses increased by 55.9% from RMB42.9 million in 2016 to RMB66.9 million in 2017, primarily due to (i) RMB26.2 million of listing expenses we incurred in 2017 in connection with our proposed Listing; (ii) an increase of RMB1.3 million in depreciation and amortization primarily because certain new office buildings and dormitories were put into operation in 2017; and (iii) an increase of RMB0.9 million in salaries and benefits of our administrative staff primarily due to an increase in the average salary level, as partially offset by a decrease of RMB3.1 million in business and travel expenses mainly because we strengthened our cost control measures in 2017.

Profit before Taxation

As a result of the foregoing, we recognized a profit of RMB174.0 million before income tax for the year ended December 31, 2017, compared to a profit of RMB175.0 million before income tax for the year ended December 31, 2016. Our profit before tax as a percentage of revenue was 51.5% for the year ended December 31, 2017, while our profit before tax as a percentage of revenue was 57.7% for the year ended December 31, 2016.

Income Tax Expense

The income tax expense we incurred for the year ended December 31, 2017 was RMB2.1 million, compared to an income tax expense of RMB2.4 million for the year ended December 31, 2016. This decrease was primarily due to a decrease in our taxable income for the year ended December 31, 2017 compared to the year ended December 31, 2016, which was mainly a result of listing expenses in connection with our proposed Listing in 2017, as partially offset by an increase of RMB3.9 million in available-for-sale financial assets reclassification from equity on disposal. Our effective tax rate decreased from 1.4% for the year ended December 31, 2016 to 1.2% for the year ended December 31, 2017.

Profit for the Year

As a result of the above factors, we recorded a profit of RMB172.0 million for the year ended December 31, 2017, as compared to a profit of RMB172.5 million for the year ended December 31, 2016.

FINANCIAL AND LIQUIDITY POSITION

Current Assets and Current Liabilities

The following table sets forth details of our current assets and current liabilities as of the dates indicated:

	As of December 31,	
	2016	2017
	(RMB'000)	*(RMB'000)* (Unaudited)
CURRENT ASSETS		
Trade receivables	1,199	201
Prepayments, deposits and other receivables	3,532	12,293
Amounts due from related parties	237,477	–
Available-for-sale financial assets	120,068	235,521
Cash and cash equivalents	105,874	293,023
TOTAL CURRENT ASSETS	468,150	541,038
CURRENT LIABILITIES		
Deferred revenue	166,878	191,773
Other payables	87,009	130,932
Amounts due to related parties	9,182	511
Deferred income	633	881
Current taxation	4,926	2,073
TOTAL CURRENT LIABILITIES	268,628	326,170
NET CURRENT ASSETS	199,522	214,868

As of December 31, 2017, we had net current assets of RMB214.9 million compared to net current assets of RMB199.5 million as of December 31, 2016. Our net current assets as of December 31, 2017 increased by 7.7% from as of December 31, 2016 primarily as a result of (i) an increase in cash and cash equivalents, which increased from RMB105.9 million as of December 31, 2016 to RMB293.0 million as of December 31, 2017; and (ii) an increase of RMB115.5 million in available-for-sale financial assets as a result of the financial investments we made in 2017, as partially offset by (i) a decrease of RMB237.5 million in amounts due from related parties, which had been repaid in full as of December 31, 2017; (ii) an increase of RMB24.9 million in deferred revenue due to the increased tuition fees and boarding fees we received from students for the 2017-2018 school year; and (iii) an increase of RMB43.9 million in other payables, which was mainly due to an increase of RMB12.7 million in payables to suppliers as a result of the increase in building construction fees which had not yet been settled and an increase of RMB25.8 million in accrued listing expenses.

Trade Receivables

Our trade receivables as of December 31, 2016 and 2017 were RMB1.2 million and RMB0.2 million, respectively. The following table sets forth the ageing analysis of our trade receivables based on the transaction date as of the dates indicated:

	For the Year Ended December 31,	
	2016	**2017**
	RMB'000	*RMB'000* (Unaudited)
Within 1 year	1,182	201
More than 1 year but less than 2 years	17	–
	1,199	201

Our trade receivables decreased from RMB1.2 million for the year ended December 31, 2016 to RMB0.2 million for the year ended December 31, 2017 primarily reflecting the payment of rental fees by the Independent Third Parties who rented our properties to operate on-campus canteens and stores.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables mainly represented (i) the amounts due from third parties; (ii) listing expenses incurred that will be capitalized after the Listing; and (iii) reimbursable advances to employees for business travel, training, procurement, student recruitment campaigns and other expenses to be incurred in the ordinary course of our business. Advances to employees were unsecured, interest-free and repayable on demand. All of the prepayments are expected to be settled or recognized as profit or loss within one year. The following table sets forth our prepayments, deposits and other receivables as of the dates indicated:

	For the Year Ended December 31,	
	2016	**2017**
	RMB'000	*RMB'000* (Unaudited)
Prepayments and deposits	1,209	1,129
Other receivables	2,323	11,164
	3,532	12,293

Our prepayments, deposits and other receivables increased from RMB3.5 million as of December 31, 2016 to RMB12.3 million as of December 31, 2017, primarily reflecting an increase of RMB8.8 million in other receivables, which in turn primarily reflected (i) a portion of the listing expenses we have incurred that will be capitalized after the Listing; and (ii) an increase in utility fees owed to us by the Independent Third Parties who rented our properties to operate on-campus canteens and stores.

Available-for-sale Financial Assets

Available-for-sale assets reflect investments we made in available-for-sale securities, which primarily represent short-term wealth management products with various investment interest issued by licensed commercial banks in the PRC. We made investments in these financial products primarily for the purpose of gaining higher short-term investment returns than the fixed rate returns from cash deposits at commercial banks. The following table sets forth our available-for-sale financial assets as of the dates indicated:

	For the Year Ended December 31,	
	2016	**2017**
	RMB'000	*RMB'000* (Unaudited)
Available-for-sale securities	120,068	235,521

Our available-for-sale securities mainly consist of low-risk wealth management products that we purchase as part of our cash management strategy in order to obtain higher yields than we can receive on regular bank deposits.

Our available-for-sale securities increased by 96.1% from RMB120.1 million in 2016 to RMB235.5 million in 2017, primarily because we made additional financial investments utilizing our increased cash on hand in 2017.

Cash and Cash Equivalents

Our Group has maintained a relatively stable cash management strategy. Our cash and cash equivalents increased from RMB105.9 million as of December 31, 2016 to RMB293.0 million as of December 31, 2017.

Deferred Revenue

Our deferred revenue consists of tuition fees and boarding fees we typically collect from our students prior to the commencement of the upcoming school year or semester. It represents the tuition and boarding payments received from students but not earned. Our students are entitled, however, to a refund of a portion of their tuition and boarding payments pursuant to our refund policy if they withdraw from our schools. For more details of our refund policy, please refer to the section headed "Business – Our Schools – Student Withdrawals and Refund" in this prospectus. The following table sets forth the balance of our deferred revenue as of the dates indicated:

	For the Year Ended December 31,	
	2016	**2017**
	RMB'000	*RMB'000* (Unaudited)
Tuition fees	146,581	165,174
Boarding fees	20,297	26,599
	166,878	191,773

The amount of deferred revenue as of December 31 generally represents the substantial majority of tuition fees and boarding fees received from our students for the entire school year, but which has yet to be recognized as revenue for the remainder of the school year (generally from January to August).

Deferred revenue increased by 14.9% from RMB166.9 million in 2016 to RMB191.8 million in 2017, primarily attributable to increased tuition fees and boarding fees we received for the 2017-2018 school year.

Other Payables

Our other payables primarily consist of (i) miscellaneous expenses received from students which will be paid out on behalf of students; (ii) accrued expenses; (iii) payables to suppliers in connection with purchases of property, plant and equipment; (iv) accrued staff costs; (v) interest payable; and (vi) others. The following table sets forth our other payables as of the dates indicated:

	For the Year Ended December 31,	
	2016	**2017**
	RMB'000	*RMB'000* (Unaudited)
Miscellaneous expenses received from students	30,199	31,300
Accrued expenses	9,565	5,943
Payable to suppliers	16,460	29,173
Accrued staff costs	12,256	13,032
Interest payable	–	–
Others	18,529	25,682
Accrued listing expenses	–	25,802
Total	87,009	130,932

Other payables increased by 50.5% from RMB87.0 million as of December 31, 2016 to RMB130.9 million as of December 31, 2017, primarily due to (i) an increase of RMB25.8 million in accrued listing expenses; (ii) an increase of RMB12.7 million in payables to suppliers as a result of the increase in building construction fees due to the increase in construction work in 2017 relating to additional dormitories and office buildings; and (iii) an increase of RMB7.2 million in others as a result of government scholarships and financial aid we received on behalf of our students and deposits and advance rental payments we received from the Independent Third Parties that rent our properties, which were partially offset by a decrease of RMB3.6 million in accrued expenses primarily because our suppliers accelerated the issuance of invoices to us to facilitate our payment.

Deferred Income

Our deferred income primarily consists of government grants in connection with our research and teaching projects. Our deferred income as of December 31, 2016 and 2017 were RMB1.0 million and RMB1.4 million, respectively.

Current Taxation

As of December 31, 2016 and 2017, our current taxation balance was RMB4.9 million and RMB2.1 million, respectively.

CAPITAL EXPENDITURES AND CONTRACTUAL COMMITMENTS

Capital Expenditures

Our capital expenditures have been primarily used for the purchase of property, plant and equipment. For the years ended December 31, 2016 and 2017, our capital expenditures were RMB62.3 million and RMB258.3 million. Our capital expenditures for these years primarily related to the maintenance of existing school premises and the purchase of additional equipment for our schools. Our capital expenditure in 2017 also includes the consideration we paid to Anhui Medical University in cash as a prepayment with an amount of approximately RMB196.0 million. We have funded these capital expenditures primarily with cash generated from operations.

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:

	Year ended December 31,	
	2016	**2017**
	(RMB'000)	*(RMB'000)* (Unaudited)
Contracted for	39,690	15,261
Authorized but not contracted for	–	107,500
Total	39,690	122,761

INDEBTEDNESS

As of December 31, 2017, we did not have any outstanding bank loans. As of the Latest Practicable Date, the total amount of our unutilized banking facilities was RMB216.0 million. Our Directors confirm that there has not been any material change in the indebtedness commitments and contingent liabilities of our Group since December 31, 2017 and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As of December 31, 2017, 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.

KEY FINANCIAL RATIOS

	As of/for the year ended December 31,	
	2016	2017
Net profit margin[1]	56.9%	50.9%
Current ratio[2]	1.7	1.7
Return on equity[3]	25.4%	19.5%
Return on assets[4]	17.4%	14.6%

Notes:

(1) Net profit margin was calculated based on our profit for the relevant year/period divided by our total revenue for the same year/period.

(2) Current ratio was calculated based on our total current assets divided by our total current liabilities as of the end of the year/period.

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

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

Net Profit Margin

Our net profit margin decreased from 56.9% for the year ended December 31, 2016 to 50.9% for the year ended December 31, 2017, mainly as a result of the significant increase in our administrative expenses due to the listing expenses we incurred in connection with our proposed Listing.

Current Ratio

Our current ratio remained relatively stable, which was 1.7 as of December 31, 2016 and 1.7 as of December 31, 2017.

Return on Assets and Return on Equity

Our return on assets ratio was 14.6% as of December 31, 2017, and return on equity ratio was 19.5% as of December 31, 2017. Both of the return ratios as of December 31, 2017 were lower than the return ratios as of December 31, 2016 primarily due to (i) the increases in our average total assets and average total equity; and (ii) a slight decrease in our profit for the year.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

See "Financial Information – Qualitative and Quantitative Disclosure about Market Risks" in this prospectus for further information.

CODE ON CORPORATE GOVERNANCE PRACTICES

As we were not yet listed on the Hong Kong Stock Exchange during the year ended December 31, 2017, the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules (the “Corporate Governance Code”) was not applicable to us during such period under review. After the Listing, we will comply with all the code provisions set forth in the Corporate Governance Code.

REVIEW OF OUR PRELIMINARY FINANCIAL INFORMATION

We established an audit committee in compliance with the Corporate Governance Code. The members of the audit committee have discussed with our management, and reviewed, the 2017 Preliminary Financial Information as set out in the appendix.

The figures in respect of our Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2017 as set out in the 2017 Preliminary Financial Information above have been agreed to by the Reporting Accountants to the amounts set out in our Group’s draft consolidated financial statements for the year. The work performed by the Reporting Accountants in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Reporting Accountants on the 2017 Preliminary Financial Information.

PURCHASE, SALES OR REDEMPTION OF OUR COMPANY’S SHARES

As we were not yet listed on the Hong Kong Stock Exchange during the year ended December 31, 2017, this disclosure requirement is not applicable to us.

The following is the text of a letter and a valuation report prepared for the purpose of incorporation in this Prospectus received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property interests of China Xinhua Education Group Limited as at 31 December 2017.

CUSHMAN & WAKEFIELD
戴 德 梁 行

16/F
Jardine House
1 Connaught Place
Central
Hong Kong

14 March 2018

The Directors
China Xinhua Education Group Limited,
No. 555 Wangjiangxi Road,
Hefei City, Anhui Province, the PRC

Dear Sirs,

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with your instructions for us to value the property in the People's Republic of China (the "PRC") in which China Xinhua Education Group Limited (referred to as the "Company") and its subsidiaries (together referred to as the "Group") have interests, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the market value of the property as at 31 December 2017 (the "valuation date").

VALUATION BASIS

Our valuation of the property represents its market value which in accordance with The HKIS Valuation Standards 2017 Edition issued by The Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We confirm that the valuation is undertaken in accordance with The HKIS Valuation Standards 2017 Edition issued by The Hong Kong Institute of Surveyors.

Our valuation of the property is on an entirety interest basis.

VALUATION ASSUMPTIONS

Our valuation exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the property in the PRC, we have assumed that, unless otherwise stated, the transferable land use rights of the property for its respective terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Group and its legal adviser, Jingtian & Gongcheng (競天公誠律師事務所) regarding the title to the property and the interests of the Group in the property. In valuing the property, we have assumed that the Group has an enforceable title to the property and has free and uninterrupted rights to use, occupy or assign the property for the whole of the respective unexpired land use term as granted.

We have assumed that all consents, approvals and licenses from relevant government authorities for the development has been obtained without onerous conditions or delays. We have also assumed that the design and construction of the property is in compliance with the local planning regulations and have been approved by the relevant authorities.

In respect of the property situated in the PRC, the status of titles and grant of major certificates, approvals and licenses, in accordance with the information provided by the Group are set out in the notes of the valuation report.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

METHOD OF VALUATION

Due to the specific nature and restricted use of the buildings and structures, and absence of relevant market evidence, we have valued the property by reference to the Depreciated Replacement Cost ("DRC") Method. The DRC Method is based on an estimate of the market value of the land in its existing use (which is by reference to relevant land sales comparables subject to appropriate adjustments including but not limited to location, time, size etc.), plus the current cost of replacement of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimization. The value is subject to service potential of the entity from the use of assets as a whole paying due regard to the total assets employed. The market value arrived using the DRC Method applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

SOURCES OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and its legal adviser, Jingtian & Gongcheng (競天公誠律師事務所) regarding the title to the property and the interests of the Group in the property. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

TITLE INVESTIGATION

We have been provided with extracts of documents relating to the titles of the property in the PRC, but no searches have been made in respect of the property. We have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the property in the PRC and we have therefore relied on the advice given by the Group regarding the Group's interests in the PRC property.

SITE INSPECTION

We have inspected the exterior and, whenever possible, the interior of the property. The site inspection was carried out by Mr. Huang Hui of our Nanjing office. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the property is free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the property and we have assumed that the area shown on the documents handed to us are correct.

CONFIRMATION OF INDEPENDENCE

We hereby confirm that Cushman & Wakefield Limited and the undersigned have no pecuniary or other interests that could conflict with the proper valuations of the property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

We also confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited.

CURRENCY

Unless otherwise stated, all monetary amounts stated in our valuation are in Renminbi, the official currency of the PRC.

We attach herewith a valuation report.

Yours faithfully,
for and on behalf of
Cushman & Wakefield Limited
Andrew K.F. Chan
MSc, MRICS, MHKIS, MCIREA, RPS (GP)
Regional Director
Valuation & Advisory Services, Greater China

Note:

Mr. Andrew K. F. Chan is a member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and Registered Professional Surveyor (General Practice). Mr. Chan has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Mr. Chan has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuations competently.

VALUATION REPORT

Property held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2017
Anhui Xinhua University, No. 555 Wangjiangxi Road, National High-tech Industrial Development Zone, Hefei City, Anhui Province, the PRC 中國安徽省合肥市國家高新技術產業開發區望江西路555號安徽新華學院	Anhui Xinhua University is a university campus comprising 4 phases erected upon various parcels of adjoining land with a total site area of 820,777.29 sq m. The campus comprises various 1 to 7 – storey buildings completed in the period between 2001 and 2017. The property comprises various teaching buildings, dormitories, library buildings, laboratory buildings, office buildings and ancillary facilities with a total gross floor area of approximately 465,922.77 sq m. For portions of the property with building ownership certificate, a total gross floor area of 343,273.02 sq m, relevant certificates and approval in respect of construction issued by the government have been obtained with details as follows:	As at the valuation date, portions of the property with a total gross floor area of 30,265.61 sq m were leased to various tenants with the latest tenancy due to expire on 10 July 2024. The monthly rent was approximately RMB1,432,000. The remaining portions of the property were operated as a university.	RMB1,800,000,000 (100% interest attributable to the Group: RMB1,800,000,000) (See Note (1))

Use	Gross floor area
	(sq m)
Teaching buildings	131,366.72
Dormitories	163,807.05
Library, laboratory buildings and office buildings	18,671.76
Ancillary facilities	29,427.49
Total	343,273.02

Nine buildings of the property with a total planned gross floor area of 105,763 sq m were under construction and scheduled to be completed in the middle of 2018.

Building ownership certificates of seven buildings of the property with a total gross floor area of 14,298.75 sq m have not been obtained.

Moreover, building ownership certificate of two temporary buildings of the property with a total gross floor area of 2,588 sq m have not been obtained.

The property is located in National High-tech Industrial Development of Shushan District, Hefei. Developments nearby are mainly residential and college in nature. According to the information provided by the Group, the property is for educational use.

The property is held with land use rights for terms due to expire on 27 July 2050 for composite use, 15 June 2053 and 19 June 2053 for education use respectively.

Notes:–

(1) We have ascribed no commercial value to the portion of the property with a total gross floor area of 2,588 sq m that the building ownership certificate, relevant certificates and approval from the government in respect of the construction have not been obtained.

(2) According to four State-owned Land Use Rights Certificates issued by 合肥市人民政府 (the People's Government of Hefei City) and 合肥高新技術產業開發區土地管理局 (the Bureau of Land Management of Hefei High-tech Development Zone), the land use rights of the property with a total site area of 820,777.29 sq m have been vested in 安徽新華學院 (Anhui Xinhua University) with details as follows:–

Certificate No.	**Use**	**Expiry date of land use term**	**Site area**
			(sq m)
(2005)640	Education	15 June 2053	233,413.80
(2008)13	Education	19 June 2053	254,238.42
2000-4	Composite	27 July 2050	128,836.00
(2008)12	Education	19 June 2053	204,289.07
		Total:	820,777.29

(3) According to 6 Building Ownership Certificates all issued by 合肥市房地產管理局 (Real Estate Property Management Bureau of Hefei City) dated between 9 December 2009 and 13 March 2012, the building ownership of the property with a total gross floor area of 62,827.59 sq m has been vested in 安徽新華學院 (Anhui Xinhua University) with details as follows:–

Certificate No.	**Use**	**Gross floor area**
		(sq m)
110174875	Scientific research	9,801.99
110174877	Scientific research	10,587.55
110174876	Scientific research	8,205.06
110174878	Scientific research	8,468.93
110030059	Scientific research	12,924.69
110030060	Scientific research	12,839.37
	Total:	62,827.59

According to 25 Building Ownership Certificates all issued by 合肥市房地產管理局 (Real Estate Property Management Bureau of Hefei City) dated between 9 October 2005 and 27 November 2012, the building ownership of the property with a total gross floor area of 280,445.43 sq m has been vested in 安徽新華集團投資有限公司 (Anhui Xinhua Group Investment Co., Ltd.) with details as follows:–

Certificate No.	**Use**	**Gross floor area**
		(sq m)
098536	Dormitory	7,504.84
098540	Education	11,112.74
098533	Education	5,564.86
098539	Education	9,420.02
098542	Education	9,251.74
098534	Education	9,968.77
098538	Dormitory	7,003.09
098541	Dormitory	5,784.34
098535	Dormitory	5,876.79
098543	Dormitory	5,628.04
098537	Education	11,989.94

Certificate No.	Use	Gross floor area
		(sq m)
081104	Education	19,134.64
081101	Dormitory	18,923.75
081102	Dormitory	19,307.69
8110025198	Others, dormitory and allocation of public facility (50 years)	10,055.19
8110025196	Others, dormitory	9,042.07
083586	Education	324.08
5004220	Education	7,866.66
5004219	Composite	15,903.37
140009277	Composite	15,903.37
8110046851	School	7,369.53
110039405	Scientific research	13,799.66
110039404	Scientific research	14,788.97
140009276	Dormitory	19,460.64
140009275	Dormitory	19,460.64
	Total:	280,445.43

(4) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

(i) The State-owned Land Use Rights Certificates of the property are legal, valid and enforceable under the PRC laws;

(ii) 安徽新華學院 (Anhui Xinhua University) and 安徽新華集團投資有限公司 (Anhui Xinhua Group Investment Co., Ltd.) are the legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;

(iii) 安徽新華學院 (Anhui Xinhua University) and 安徽新華集團投資有限公司 (Anhui Xinhua Group Investment Co., Ltd.) have the right to freely occupy and use of the land use rights and building ownership of the property;

(iv) The design and construction of the property are in compliance with local planning regulations and have been approved by the relevant authorities;

(v) For seven buildings of the property with a total gross floor area of 14,298.75 sq m, the building ownership certificate have not been obtained. However, according to the confirmations from the relevant government authorities, the Group has completed the fire control design approval and fire protection completion inspection procedures and has obtained construction planning permits, construction commencement permits, construction completion inspection procedures, approval of environmental assessments and environmental acceptance check of these buildings. There is no violation of the relevant laws, regulations and regulatory documents that is subject to or should be imposed any penalty;

(vi) The construction planning permits and construction commencement permits of nine buildings of the property with a total gross floor area of 105,763 sq m have been obtained; and

(vii) Building ownership certificate of two temporary buildings of the property with a total gross floor area of 2,588 sq m have not been obtained. 安徽新華學院 (Anhui Xinhua University) may be subject to fines.

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 30 August, 2017 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 Memorandum of Association (the "Memorandum") and its 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 8, 2018 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) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the 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 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) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers 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 of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(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 September 7, 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) 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.

(r) 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.

(s) 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.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on August 30, 2017. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on October 4, 2017 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. Mr. Young Ho Kee Bernard (楊浩基) 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 the Articles of Association. A summary of the relevant aspects of the Companies Law and certain provisions of Articles of Association is set out in Appendix V to this prospectus.

2. Changes in share capital of our Company

As at the date of the incorporation of our Company, the authorized share capital of our Company was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. At the time of incorporation, the issued share capital of our Company was HK$0.01, with one Share of HK$0.01 and held by initial subscriber, an Independent Third Party. On the same date, the said one Share was transferred to WJB Company for a consideration at par value.

On the same date, our Company issued and allotted 4,949, 50 and 172 Shares to WJB Company, WD Company and Huayuan Company, respectively, for a consideration at par value.

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 HK$20,000,000 divided into 2,000,000,000 Shares, of which 1,600,000,000 Shares will be issued fully paid or credited as fully paid, and 400,000,000 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 shareholders of our Company passed on March 8, 2018" 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.

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:

Xinhua BVI

On August 31, 2017, Xinhua BVI was incorporated as a limited liability company under the laws of the BVI, with an authorized share capital of US$500, divided into 50,000 ordinary shares of nominal value of US$0.01 each. At the time of the incorporation, the issued share capital of Xinhua BVI was US$0.01, with 1 ordinary share of nominal value of US$0.01 held by our Company.

Xinhua HK

On September 8, 2017, Xinhua HK was incorporated as a limited liability company under the laws of Hong Kong. At the time of the incorporation, one share of Xinhua BVI was issued and owned by Xinhua HK.

Xinhua US

Xinhua US was incorporated as a company under the laws of the State of Florida on August 22, 2017 with 100 shares of par value of US$0.001 each being authorized to be issued. On October 24, 2017, 10 shares was issued to Xinhua BVI, which is the first shareholder of Xinhua US.

Xinhua Group

On August 18, 2017, Huayuan Partnership entered into a capital increase agreement to invest RMB1.72 million in Xinhua Group. Upon completion of the investment on August 25, 2017, the registered share capital of Xinhua Group was increased from RMB50 million to RMB51.72 million.

Xinhua Anhui

On September 30, 2017, Xinhua Anhui was established in the PRC as a wholly-foreign owned enterprise with a registered capital of RMB10 million, and was wholly owned by Xinhua HK.

Xinhua Xinjiang

On January 17, 2018, Xinhua Xinjiang was established in the PRC as a wholly foreign owned enterprise with a registered capital of RMB50 million, and was wholly owned by Xinhua HK.

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 shareholders of our Company passed on March 8, 2018

Pursuant to the written resolutions of the then shareholders of our Company entitled to vote at general meetings of our Company, which were passed on March 8, 2018:

(a) our Company approved and adopted the Memorandum of Association with immediate effect;

(b) the authorized share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 Shares of HK$0.01 each by the creation of 1,962,000,000 Shares of HK$0.01 each, which shall rank pari passu in all respects with the Shares in issue as at the date of the resolution;

(c) conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, on the Main Board, our Shares in issue and to be issued (pursuant to the Capitalization Issue, the Global Offering, the Over-allotment Option and the Share Option Scheme) as mentioned in this prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) by the Joint Global Coordinators (on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise:

(i) our Company approved and adopted the Articles of Association;

(ii) conditional on the share premium account of our Company being credited as a result of the Global Offering, the sum of HK$11,999,948.28 be capitalized and applied in paying up in full at par value 1,199,994,828 Shares for allotment and issue to our Shareholders whose names were on the register of members of our Company immediately prior to the Global Offering and 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; and

(vii) the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (c)(v) above by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to paragraph (c)(vi) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but before the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme be and is approved.

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 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 shareholders of our Company passed on March 8, 2018, 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 shareholders of our Company passed on March 8, 2018" 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:

(1) a capital increase and share expansion agreement dated August 18, 2017 entered into by and among Mr. Wu, Mr. Wu Di (吳迪), Huayuan Partnership and Xinhua Group, pursuant to which the registered capital of Xinhua Group was increased from RMB50,000,000 to RMB51,720,000 and the additional registered capital of RMB1,720,000 would be contributed by Huayuan Partnership;

(2) a business cooperation agreement dated October 31, 2017 entered into by and among Xinhua Anhui, our PRC Consolidated Affiliated Entities and the Registered Shareholders, pursuant to which Xinhua Anhui 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 I in return for each of our PRC Consolidated Affiliated Entities to pay to Xinhua Anhui fees pursuant to the Structured Contracts I;

(3) an exclusive technical service and management consultancy agreement dated October 31, 2017 and entered into by and among Xinhua Anhui and our PRC Consolidated Affiliated Entities, pursuant to which Xinhua Anhui 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 Xinhua Anhui equal to (i) as for Xinhua University and Xinhua 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 Xinhua Group, 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));

(4) an exclusive call option agreement dated October 31, 2017 and entered into by and among Xinhua Anhui, the Registered Shareholders and our PRC Consolidated Affiliated Entities, pursuant to which each of the Registered Shareholders irrevocably granted Xinhua Anhui 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;

(5) an equity pledge agreement dated October 31, 2017 and entered into by and among the Registered Shareholders, Xinhua Group and Xinhua Anhui, 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 Xinhua Group together with all related rights thereto to Xinhua Anhui 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 I;

(6) a shareholders' rights entrustment agreement dated October 31, 2017 and entered into by and among the Registered Shareholders, the School Sponsor and Xinhua Anhui, pursuant to which each of the Registered Shareholders irrevocably authorized and entrusted Xinhua Anhui to exercise all his/its rights as the shareholder of Xinhua Group to the extent permitted by the PRC laws;

(7) a shareholder's power of attorney executed by Mr. Wu dated October 31, 2017 appointing Xinhua Anhui as his appointee to exercise all his shareholder's rights in Xinhua Group;

(8) a shareholder's power of attorney executed by Mr. Wu Di (吳迪) dated October 31, 2017 appointing Xinhua Anhui as his appointee to exercise all his shareholder's rights in Xinhua Group;

(9) a shareholder's power of attorney executed by Huayuan Partnership dated October 31, 2017 appointing Xinhua Anhui as the appointee of Huayuan Partnership to exercise all its shareholder's rights in Xinhua Group.

(10) a school sponsor's and directors' rights entrustment agreement dated October 31, 2017 and entered into by and among Xinhua Group, the school sponsor appointed directors of Xinhua University (being Mr. Wu, Mr Lu Zhen (陸真), Mr. Wang Yongkai (王永凱) and Mr. Wang Xiaowu (王孝武)) and the school sponsor appointed directors of Xinhua School (being Mr. Wang Xiaowu (王孝武), Ms. Wang Jihong (王繼紅), Ms. Zhang Xiuqin (張秀芹) and Mr. Huang Deyao (黃德垚)), (together, the "School Directors"), our PRC Operating Schools and Xinhua Anhui, pursuant to which (i) Xinhua Group irrevocably authorized and entrusted Xinhua Anhui 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 Xinhua Anhui to exercise all his rights as the school sponsor appointed director of each of our PRC Operating Schools as appointed by Xinhua Group to the extent permitted by the PRC laws;

(11) a school sponsor's power of attorney executed by Xinhua Group dated October 31, 2017 appointing Xinhua Anhui as its appointee to exercise all its school sponsor's rights in our PRC Operating Schools;

(12) a school sponsor appointed director's power of attorney executed by Mr. Wu dated October 31, 2017 appointing Xinhua Anhui as his appointee to exercise all his director's rights in Xinhua University;

(13) a school sponsor appointed director's power of attorney executed by Mr. Lu Zhen (陸真) dated October 31, 2017 appointing Xinhua Anhui as his appointee to exercise all his director's rights in Xinhua University;

(14) a school sponsor appointed director's power of attorney executed by Mr. Wang Yongkai (王永凱) dated October 31, 2017 appointing Xinhua Anhui as his appointee to exercise all his director's rights in Xinhua University;

(15) a school sponsor appointed director's power of attorney executed by Mr. Wang Xiaowu (王孝武) dated October 31, 2017 appointing Xinhua Anhui as his appointee to exercise all his director's rights in Xinhua University;

(16) a school sponsor appointed director's power of attorney executed by Mr. Wang Xiaowu (王孝武) dated October 31, 2017 appointing Xinhua Anhui as his appointee to exercise all his director's rights in Xinhua School;

(17) a school sponsor appointed director's power of attorney executed by Ms. Wang Jihong (王繼紅) dated October 31, 2017 appointing Xinhua Anhui as her appointee to exercise all her director's rights in Xinhua School;

(18) a school sponsor appointed director's power of attorney executed by Ms. Zhang Xiuqin (張秀芹) dated October 31, 2017 appointing Xinhua Anhui as her appointee to exercise all her director's rights in Xinhua School;

(19) a school sponsor appointed director's power of attorney executed by Mr. Huang Deyao (黃德垚) dated October 31, 2017 appointing Xinhua Anhui as his appointee to exercise all his director's rights in Xinhua School;

(20) an undertaking dated October 31, 2017 executed by Ms. Zhou Jiaju (周家菊), the spouse of Mr. Wu, in favor of Xinhua Anhui, irrevocably acknowledging and consenting the signing of the Structured Contracts I by Mr. Wu;

(21) an undertaking dated October 31, 2017 executed by Ms. Wu Songping (吳宋萍), the spouse of Mr. Wu Di (吳迪), in favor of Xinhua Anhui, irrevocably acknowledging and consenting the signing of the Structured Contracts I by Mr. Wu Di (吳迪);

(22) a loan agreement entered into by and among Xinhua Anhui, Xinhua Group and our PRC Operating Schools dated October 31, 2017, pursuant to which Xinhua Anhui agreed to extend interest-free loans to Xinhua Group from time to time for the purpose of operation and development of our PRC Operating Schools;

(23) a business cooperation agreement dated February 6, 2018 entered into by and among Xinhua Xinjiang, our PRC Consolidated Affiliated Entities and the Registered Shareholders, pursuant to which Xinhua Xinjiang 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 II in return for each of our PRC Consolidated Affiliated Entities to pay to Xinhua Xinjiang fees pursuant to the Structured Contracts II;

(24) an exclusive technical service and management consultancy agreement dated February 6, 2018 and entered into by and among Xinhua Xinjiang and our PRC Consolidated Affiliated Entities, pursuant to which Xinhua Xinjiang 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 Xinhua Xinjiang equal to (i) as for Xinhua University and Xinhua School, all of their respective amount of surplus from operations (after deducting all necessary costs, expenses, taxes, losses from previous years (if required by law), the legally compulsory development fund of the respective school (if required by law)) and other fees required by law), (ii) as for Xinhua Group, all of their net profit (after deducting all necessary costs and expenses, taxes, losses from previous years (if required by law) and the legally compulsory public reserve fund (if required by law));

(25) an exclusive call option agreement dated February 6, 2018 and entered into by and among Xinhua Xinjiang, the Registered Shareholders and our PRC Consolidated Affiliated Entities, pursuant to which each of the Registered Shareholders irrevocably granted Xinhua Xinjiang 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;

(26) an equity pledge agreement dated February 6, 2018 and entered into by and among the Registered Shareholders, Xinhua Group and Xinhua Xinjiang, 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 Xinhua Group together with all related rights thereto to Xinhua Xinjiang 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 II;

(27) a shareholders' rights entrustment agreement dated February 6, 2018 and entered into by and among the Registered Shareholders, Xinhua Group and Xinhua Xinjiang, pursuant to which each of the Registered Shareholders irrevocably authorized and entrusted Xinhua Xinjiang to exercise all his/its rights as the shareholder of Xinhua Group to the extent permitted by the PRC laws;

(28) a shareholder's power of attorney executed by Mr. Wu dated February 6, 2018 appointing Xinhua Xinjiang as his appointee to exercise all his shareholder's rights in Xinhua Group;

(29) a shareholder's power of attorney executed by Mr. Wu Di (吳迪) dated February 6, 2018 appointing Xinhua Xinjiang as his appointee to exercise all his shareholder's rights in Xinhua Group;

(30) a shareholder's power of attorney executed by Huayuan Partnership dated February 6, 2018 appointing Xinhua Xinjiang as the appointee of Huayuan Partnership to exercise all its shareholder's rights in Xinhua Group;

(31) a school sponsor's and directors' rights entrustment agreement dated February 6, 2018 and entered into by and among Xinhua Group, the school sponsor appointed directors of Xinhua University (being Mr. Wu, Mr. Lu Zhen (陸真), Mr. Wang Yongkai (王永凱) and Mr. Wang Xiaowu (王孝武)) and the school sponsor appointed directors of Xinhua School (being Mr. Wang Xiaowu (王孝武), Ms. Wang Jihong (王繼紅), Ms. Zhang Xiuqin (張秀芹) and Mr. Huang Deyao (黃德垚)), (together, the "Appointees"), our PRC Operating Schools and Xinhua Xinjiang, pursuant to which (i) Xinhua Group irrevocably authorized and entrusted Xinhua Xinjiang 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 Appointees irrevocably authorized and entrusted Xinhua Xinjiang to exercise all his rights as the school sponsor appointed director of each of our PRC Operating Schools to the extent permitted by the PRC laws;

(32) a school sponsor's power of attorney executed by Xinhua Group dated February 6, 2018 appointing Xinhua Xinjiang as its appointee to exercise all its school sponsor's rights in our PRC Operating Schools;

(33) a school sponsor appointed director's power of attorney executed by Mr. Wu dated February 6, 2018 appointing Xinhua Xinjiang as his appointee to exercise all his director's rights in Xinhua University;

(34) a school sponsor appointed director's power of attorney executed by Mr. Lu Zhen (陸真) dated February 6, 2018 appointing Xinhua Xinjiang as his appointee to exercise all his director's rights in Xinhua University;

(35) a school sponsor appointed director's power of attorney executed by Mr. Wang Yongkai (王永凱) dated February 6, 2018 appointing Xinhua Xinjiang as his appointee to exercise all his director's rights in Xinhua University;

(36) a school sponsor appointed director's power of attorney executed by Mr. Wang Xiaowu (王孝武) dated February 6, 2018 appointing Xinhua Xinjiang as his appointee to exercise all his director's rights in Xinhua University;

(37) a school sponsor appointed director's power of attorney executed by Mr. Wang Xiaowu (王孝武) dated February 6, 2018 appointing Xinhua Xinjiang as his appointee to exercise all his director's rights in Xinhua School;

(38) a school sponsor appointed director's power of attorney executed by Ms. Wang Jihong (王繼紅) dated February 6, 2018 appointing Xinhua Xinjiang as her appointee to exercise all her director's rights in Xinhua School;

(39) a school sponsor appointed director's power of attorney executed by Ms. Zhang Xiuqin (張秀芹) dated February 6, 2018 appointing Xinhua Xinjiang as her appointee to exercise all her director's rights in Xinhua School;

(40) a school sponsor appointed director's power of attorney executed by Mr. Huang Deyao (黃德垚) dated February 6, 2018 appointing Xinhua Xinjiang as his appointee to exercise all his director's rights in Xinhua School;

(41) an undertaking dated February 6, 2018 executed by Ms. Zhou Jiaju (周家菊), the spouse of Mr. Wu, in favor of Xinhua Xinjiang, irrevocably acknowledging and consenting the signing of the Structured Contracts II by Mr. Wu;

(42) an undertaking dated February 6, 2018 executed by Ms. Wu Songping (吳宋萍), the spouse of Mr. Wu Di (吳迪), in favor of Xinhua Xinjiang, irrevocably acknowledging and consenting the signing of the Structured Contracts II by Mr. Wu Di (吳迪);

(43) a loan agreement entered into by and among Xinhua Xinjiang, Xinhua Group and our PRC Operating Schools dated February 6, 2018, pursuant to which Xinhua Xinjiang agreed to extend interest-free loans to Xinhua Group from time to time for the purpose of operation and development of our PRC Operating Schools;

(44) the Deed of Indemnity;

(45) the Deed of Non-competition;

(46) the Hong Kong Underwriting Agreement;

(47) a cornerstone investment agreement dated March 11, 2018 entered into by and between our Company, BOCOM International Prosperity Investment Limited and Macquarie Capital Limited, pursuant to which BOCOM International Prosperity Investment Limited agreed to subscribe for our Shares in an aggregate amount of US$10 million at the Offer Price; and

(48) a cornerstone investment agreement dated March 11, 2018 entered into by and between our Company, China New City Commercial Development Limited, Macquarie Capital Limited and ABCI Capital Limited, pursuant to which China New City Commercial Development Limited agreed to subscribe for our Shares in an aggregate amount of US$10 million at the Offer Price.

2. Intellectual property rights of our Group

Trademarks

As of the Latest Practicable, we have registered 73 trademarks and had six trademark applications in the PRC, and have agreed in August and September 2017 to transfer these trademarks and trademark applications to Xinhua Investment as part of the demerger process of Xinhua Group. Applications have been made to the relevant PRC regulatory authorities for transfers of these trademarks and trademark applications.

Domain Names

As of the Latest Practicable Date, we have registered the following domain names which, in the opinion of our Directors, are material to our business:

Registrant	Domain name	Date of registration	Expiration date
Xinhua Group	chinaxhedu.com	October 18, 2017	October 18, 2018
Xinhua University	axhu.cn	April 5, 2004	April 5, 2018
Xinhua School	xhshool.cn	April 25, 2005	April 25, 2018
Xinhua Group	xhgroup.cn	December 14, 2004	December 14, 2021

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual property rights which were material in relation to our Group's business.

3. Further information about our PRC establishments

Xinhua Xinjiang

(i)	nature of the company:	limited liability company (wholly foreign owned enterprise)
(ii)	incorporation date:	January 17, 2018
(iii)	term of business operation:	long term

(iv)	registered capital:	RMB50 million
(v)	paid-up capital:	to be fully paid up by December 5, 2027
(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; management consulting, corporate affairs consulting, commercial information consulting; education consulting, education management, information consulting for education industry market, marketing planning, brand marketing planning, corporate image planning, public relations planning, committee affairs services, exhibition services; campus logistic services, intellectual property services; sales of 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)

Xinhua Anhui

(i)	nature of the company:	limited liability company (wholly foreign owned enterprise)
(ii)	incorporation date:	September 30, 2017
(iii)	term of business operation:	long term
(iv)	registered capital:	RMB10 million
(v)	paid-up capital:	will be fully paid up within ten years commencing from the date on which the business license is issued
(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; campus logistic services, intellectual property services; non-degree vocational training (excluding formal education); management consulting, corporate affairs consulting, commercial information consulting; education consulting, education management, information consulting for education industry market, marketing planning, brand marketing planning, corporate image planning, public relations planning, committee affairs services, exhibition services; sales of 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)

Xinhua Group

(i)	nature of the company:	limited liability company
(ii)	incorporation date:	September 1, 1999
(iii)	term of business operation:	long term
(iv)	registered capital:	RMB51,720,000
(v)	paid-up capital:	RMB51,720,000
(vi)	attributable interest of the company:	100%
(vii)	scope of business:	science and technology development and investment (projects required to be approved under the laws must obtain prior approval from the relevant department)

Xinhua University

(i)	nature of the company:	private non-enterprise unit
(ii)	incorporation date:	June 18, 2000
(iii)	term of business operation:	2017 to 2021
(iv)	registered capital:	RMB60.48 million
(v)	paid-up capital:	RMB60.48 million
(vi)	attributable interest of the company:	100%
(vii)	scope of business:	higher education

Xinhua School

(i)	nature of the company:	private non-enterprise unit
(ii)	incorporation date:	April 1, 2002
(iii)	term of business operation:	June 16, 2016 to May 10, 2019
(iv)	registered capital:	RMB4.95 million
(v)	paid-up capital:	RMB4.95 million
(vi)	attributable interest of the company:	100%
(vii)	scope of business:	secondary vocational education

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.

Our non-executive Director 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. Wu	RMB1
Mr. Lu Zhen	RMB260,000
Mr. Wang Yongkai	RMB260,000
Ms. Wang Li	RMB160,000
Ms. Zhang Kejun	RMB100,000
Mr. Yang Zhanjun	RMB150,000
Mr. Chau Kwok Keung	RMB150,000

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 and the nine months ended September 30, 2017, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was RMB192,000, RMB569,000, RMB587,000 and RMB437,000, respectively.

Save as disclosed above, no other emoluments have been paid or are payable, in respect of the three years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017 by us to our Directors.

Under the arrangements currently in force, the aggregate remuneration paid to, and benefits in kind received by, our Directors (excluding discretionary bonus) for the year ended December 31, 2017 was approximately RMB648,000.

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, 2018 will be approximately RMB1,100,000.

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 Number of percentage of Shares shareholding**
Mr. Wu[(2)]	Interest in a controlled corporation	1,148,491,879	71.78%

Notes:

(1) Assuming the Over-allotment Option is not exercised.

(2) Mr. Wu is the sole shareholder of WJB Company and he is therefore deemed to be interested in the Shares held by WJB Company upon the Listing.

(ii) Long position in associated corporations

Xinhua Group

Name	Capacity/Nature of interest	Immediately after the Global Offering and the Capitalization Issue(1) Amount of registered share capital	Approximate Number of percentage of Shares shareholding
Mr. Wu	Beneficial owner	RMB49,500,000	95.70%

(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 Number of percentage of Shares shareholding
WJB Company(2)	Beneficial owner	1,148,491,879	71.78%
Mr. Wu(2)	Interest in a controlled corporation	1,148,491,879	71.78%

Notes:

(1) Assuming the Over-allotment Option is not exercised.

(2) Mr. Wu is the sole shareholder of WJB Company and he is therefore deemed to be interested in the Shares held by WJB Company upon the Listing.

(ii) Interests and short positions in associated corporations

Long position in Xinhua Group

				Immediately after the Global Offering and the Capitalization Issue	
Name	Capacity/Nature of interest	Amount of registered share capital	Approximate percentage of Shares shareholding	Amount of registered share capital	Approximate percentage of Shares shareholding
Mr. Wu	Beneficial owner	RMB49,500,000	95.70%	RMB49,500,000	95.70%

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 8, 2018 and adopted by a resolution of the Board on March 8, 2018 (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 160,000,000 Shares) excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option granted by our Company (the "Scheme Mandate Limit") provided that:

(a) our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of our Shares in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules;

(b) our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company 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 participants

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. Offer and grant of Options

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.

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 160,000,000 Shares to be allotted and issued pursuant to the exercise of the Share Option Scheme in accordance with the terms and conditions of the Share Option Scheme;

(c) the commencement of dealing in our Shares on the Stock Exchange; and

(d) the obligations of the underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

If the permission referred to in paragraph (b) above is not granted within two calendar months after the Adoption Date:

(i) the Share Option Scheme will forthwith terminate;

(ii) any Option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any Option; and

(iv) the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our Company.

Application has been made to the Stock Exchange for the listing of 160,000,000 Shares which may be issued pursuant to the exercise of Options under the Share Option Scheme.

G. OTHER INFORMATION

1. Deed of Indemnity

Mr. Wu and WJB Company 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 I to this prospectus or in the audited accounts of the relevant members of our Group for the three years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017 (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 September 30, 2017 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 of the Latest Practicable Date, neither we nor any of our subsidiaries were/was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on its results of operations or financial condition.

3. Preliminary expenses

Our estimated preliminary expenses are approximately US$8,000 and have been paid by us.

4. Promoter

There are no promoters of our Company.

5. Sole Sponsor

The Sole Sponsor made an application on our behalf to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein, the Shares to be issued pursuant to the Capitalization Issue and any Shares falling to be issued pursuant to the exercise of the Over-allotment Option, and the Shares that may be issued upon the exercise of options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS. The Sole Sponsor confirms that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Sole Sponsor, pursuant to which our Company agreed to pay the Sole Sponsor a fee of US$500,000 to act as sponsor to our Company in the Global Offering.

6. No material adverse change

Our Directors confirm that there has been no material adverse change in our Company's financial or trading position or prospects since September 30, 2017 (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**
Macquarie Capital Limited	A corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO
KPMG	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
Cushman & Wakefield Limited	Independent property valuer

10. Consents of experts

Each of the experts named in paragraph 9 of this Appendix has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

11. Bilingual prospectus

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, the written consents referred to in the paragraph headed "G. Other Information – 10. Consents of experts" in Appendix VI and copies of the material contracts referred to in the paragraph headed "C. Further Information about Our Business – 1. Summary of the Material Contracts" in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Luk & Partners in Association with Morgan, Lewis & Bockius at Suites 1902-09, 19/F, Edinburgh Tower, 15 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date that is 14 days from the date of this prospectus:

(1) our Memorandum and the Articles of Association;

(2) the Accountants' Report from KPMG, the text of which is set out in Appendix I to this prospectus;

(3) the audited financial statements of our Group for each of the three years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017;

(4) the report received from KPMG on unaudited pro forma financial information, the texts of which are set out in Appendix II to this prospectus;

(5) 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 IV to this prospectus;

(6) the material contracts referred to in the paragraph headed "C. Further Information about Our Business – 1. Summary of the Material Contracts" in Appendix VI to this prospectus;

(7) the service contracts and letters of appointment with Directors, referred to in the paragraph headed "D. Further Information about our Directors – 1. Directors' service contracts and letters of appointment" in Appendix VI to this prospectus;

(8) the written consents referred to in the paragraph headed "Consents of experts" in Appendix VI to this prospectus;

(9) the PRC legal opinions prepared by Jingtian & Gongcheng, our legal advisors as to the PRC law, in respect of certain aspects of our Group and our property interests;

(10) the letter of advice prepared by Conyers Dill & Pearman summarizing certain aspects of Companies Law referred to in Appendix V to this prospectus;

(11) the industry report prepared by Frost & Sullivan;

(12) the Cayman Islands Companies Law; and

(13) the rules of the Share Option Scheme.

CHINA XINHUA EDUCATION GROUP LIMITED
中國新華教育集團有限公司