Tianli Education International Holdings Limited

天立教育国际控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

Stock Code: 1773

GLOBAL OFFERING

Sole Sponsor and Sole Global Coordinator

CICC 中金公司

Joint Bookrunners and Joint Lead Managers

CICC 中金公司

MACQUARIE

海通國際 HAITONG

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

天立教育国际控股有限公司
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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**500,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**50,000,000 Shares (subject to adjustment and the Over-allotment Option)**
Number of International Offer Shares	:	**450,000,000 Shares (subject to adjustment and the Over-allotment Option)**
Offer Price (subject to a Downward Offer Price Adjustment)	:	**HK$2.26 to HK$2.66 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full at the maximum offer price application in Hong Kong dollars, subject to refund on final pricing) (If the Offer Price is set at 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the Offer Price will be HK$2.04 per Offer Share)**
Nominal value	:	**HK$0.1 per Share**
Stock code	:	**1773**

Sole Sponsor and Sole Global Coordinator

CICC 中金公司

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CICC 中金公司 | MACQUARIE 麥格理 | 海通國際 HAITONG

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

The Offer Price is expected to be determined by agreement between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or about Wednesday, July 4, 2018 and, in any event, not later than Friday, July 6, 2018. The Offer Price will be not more than HK$2.66 per Offer Share and is currently expected to be not less than HK$2.26 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$2.66 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK$2.66 per Offer Share. If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Friday, July 6, 2018 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Sole Global Coordinator (for itself and on behalf of the Underwriters), with our consent, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering 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, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement — Grounds for Termination" in this prospectus. 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 or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

June 28, 2018

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published in the South China Morning Post (in English), and in the Hong Kong Economic Times (in Chinese).

Hong Kong Public Offering commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Thursday, June 28, 2018
Latest time to complete electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2]	11:30 a.m. on Wednesday, July 4, 2018
Application lists open[3]	11:45 a.m. on Wednesday, July 4, 2018
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Wednesday, July 4, 2018
Latest time to give **electronic application instruction** to HKSCC[4]	12:00 noon on Wednesday, July 4, 2018
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, July 4, 2018
Application lists close[3]	12:00 noon on Wednesday, July 4, 2018
Expected Price Determination Date[5]	Wednesday, July 4, 2018
Where applicable, announcement of the Offer Price being set below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment (please see the section headed "Structure of the Global Offering — Pricing of the Global Offering") on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.sztljyjt.com** on or before	Wednesday, July 11, 2018

(1) Announcement of

- 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

to be published in the *South China Morning Post* (in English) and in the *Hong Kong Economic Times* (in Chinese) on or before . . . . Wednesday, July 11, 2018

(2) 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 as described in the section headed "How to Apply for the Hong Kong Offer Shares — 11. Publication of Results" in this prospectus from . . . . Wednesday, July 11, 2018

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.sztljyjt.com**,[6] from . . . . . . Wednesday, July 11, 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 from . . . . Wednesday, July 11, 2018

Dispatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[7][9] . . . . Wednesday, July 11, 2018

Dispatch/collection of refund cheques and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before [8] [9] . . . . Wednesday, July 11, 2018

Dealings in the Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on . . . . Thursday, July 12, 2018

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated.

(2) 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 lodging 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 of lodging applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, July 4, 2018, the application lists will not open on that day. Please refer to the section headed "How to Apply for the Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for the Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or about Wednesday, July 4, 2018 and, in any event, not later than Friday, July 6, 2018. If, for any reason, the Offer Price is not agreed by Friday, July 6, 2018 between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

(6) None of the website or any of the information contained on the website forms part of this prospectus.

(7) Share certificates for the Hong Kong Offer Shares are expected to be issued on Wednesday, July 11, 2018 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date, which is expected to be on Thursday, July 12, 2018. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates becoming valid certificates of title do so entirely at their own risk.

(8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the Offer Price is less than the price payable on application.

(9) Applicants who apply with **WHITE** Application Forms or through **White Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by their Application Forms may collect their refund cheques and share certificates (as applicable) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, July 11, 2018 or such other date as notified by our Company in the newspaper as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by their authorized representatives bearing a letter of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to our Hong Kong Share Registrar.

Applicants who apply with **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all information required by their Application Forms, may collect their refund cheques (where relevant) in person but may not collect their share certificates, which will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus for details.

Applicants who have applied through the **White Form eIPO** service and paid their application monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Share certificates and/or refund cheques (if applicable) for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected share certificates and/or refund cheques (if applicable) will be dispatched by ordinary post and at the own risk of the applicants shortly after the expiry of the time for collection at the date of dispatch of refund cheque as described in the section headed "How to apply for Hong Kong Offer Shares — 14. Dispatch/collection of share certificates and refund monies" in this prospectus.

The above expected timetable is a summary only. You should refer to the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Tianli Education International Holdings Limited solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities 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. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely 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 Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. Information contained in our website, located at www.sztljyjt.com, does not form part of this prospectus.

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

OVERVIEW

We are a leading private education service provider in Western China, according to the Frost & Sullivan Report. We primarily offer K-12 educational services, supplemented by tutoring services for K-12 students and pre-kindergarten children. In terms of student enrollment in 2017, we are the second largest private K-12 school operator in Western China according to the Frost & Sullivan Report, with approximately 20,924 students enrolled in the K-12 schools in our school network as of the end of the 2017 fall semester. We have established a school network consisting of (i) self-owned schools and a self-owned early childhood education center which are owned and operated by us, (ii) entrusted schools to which we provide management services, and (iii) franchised early childhood education centers to which we have licensed the right to use our brand. As of the Latest Practicable Date, our school network consisted of 13 K-12 schools in operation, which administered four high school programs, six middle school programs, eight elementary school programs and six kindergarten programs, 11 tutorial centers and four early childhood education centers across eight cites in China.

We have an over 15-year track record in providing educational services that focus on the development of each child's strengths and potential and promotion of life-long learning and growth. We design and develop our educational programs to reflect the core of our educational philosophy, "Six Establishments and One Accomplishment (六立一達)", emphasizing the importance of solid academic performance in core subject areas while at the same time encouraging our students to explore individual interests and enhance physical fitness, and nurturing students' creativity, communication skills, independent thinking and sense of social responsibility. Since our inception, our students have consistently achieved outstanding results in various academic examinations and contests, as well as in extra-curricular activities. In 2015, 2016 and 2017, approximately 88.2%, 95.2% and 95.6%, respectively, of the graduating high school students of our schools with high school programs which have graduating classes who participated in the Gaokao in the cities in which the relevant schools are located were admitted to universities in China, and approximately 51.4%, 62.9% and 71.6%, respectively, were admitted to first-tier universities in China. In addition, during the Track Record Period, 16 of our middle school students won second grade prizes and 19 won third grade prizes in national academic contests, and our elementary school students have received various prizes in arts, language skills and scientific innovation contests.

We have established a centralized and standardized management system which we believe is essential to the success of our business as it enables us to integrate our resources, enhance our operating efficiency and ensure the quality of our educational services. Leveraging our management system, we have been able to quickly expand our school network into new geographic locations and at the same time implement our quality standards across our school network. We opened two new K-12 schools in each of 2015, 2016 and 2017, and we are actively exploring opportunities in other second- and third-tier cities for our future expansion. As of the Latest Practicable Date, we had entered into agreements to open six K-12 schools in 2018 and five K-12 schools in 2019. We believe our deep understanding of the K-12 education market in second- and third-tier cities in Sichuan Province, support for private K-12 education from the local governments, our position as a market leader and the potential of our target markets are highly favorable to our continued successful expansion both in and outside of Sichuan Province.

OUR EDUCATION PHILOSOPHY

Our fundamental educational philosophy is premised on the development of each child's strengths and potential and promotion of life-long learning and growth. The core of our educational philosophy is "Six Establishments and One Accomplishment (六立一達)", which represents the seven crucial objectives we encourage our students to achieve — sound health, morality, wisdom, behavior, mind and creativity and, in particular, a positive influence on society in addition to self-realization ("立身, 立德, 立學, 立行, 立心, 立異, 達人"). We design and develop our educational programs to reflect this concept, emphasizing the importance of solid academic performance in core subject areas such as mathematics, science, languages and history, while at the same time encouraging our students to explore individual interests and enhance physical fitness, and nurturing students' creativity, communication skills, independent thinking and social responsibility. We also aim to become a leading innovator in China's fundamental education market by combining China's cultural heritage with the strengths of the Chinese and Western education systems. We embrace both rigorous preparation and thorough practice that are the focus of the Chinese education system and creative thinking and innovative teaching methods promoted by the Western education system.

OUR SCHOOL NETWORK

We have established a school network consisting of (i) self-owned schools and a self-owned early childhood education center owned and operated by our Group, (ii) entrusted schools we manage and operate for third parties, and (iii) franchised early childhood education centers to which we have licensed the right to use our brand. As of the Latest Practicable Date, our school network consisted of 13 K-12 schools, 11 tutorial centers and four early childhood education centers in operation across eight cites in China. All of our self-owned K-12 schools and tutorial centers in operation are not-for-profit private schools, except for Gulin Tianli Jiaozi Culture and Arts Tutoring School Co., Ltd. and Xichang Tianli Jiaozi Culture and Arts Tutoring Co., Ltd. which are for-profit private schools.

We have established a centralized and standardized management system for our school network. As our role with respect to our self-owned, entrusted schools and early childhood education centers varies from being an owner, to a school management service provider or a brand licensor, respectively, we tailor our policies and measures towards these three categories of schools and early childhood education centers and implement the same standard within the same category across regions under our centralized and standardized management system. Please refer to the sections headed "Business — Overview of Our School Network — Our Management System" and "Business — Business Collaborations" in this prospectus for more information.

Our K-12 Schools

As of the Latest Practicable Date, we operated 13 K-12 schools, which administered four high school programs, six middle school programs, eight elementary school programs and six kindergarten programs, in seven cities in Sichuan Province. Ten of these K-12 schools were owned by us as of the Latest Practicable Date. As of the end of the 2014/2015, 2015/2016 and 2016/2017 school years and the 2017 fall semester, we had in aggregate approximately 8,263, 12,764, 16,710 and 20,924 students enrolled in the K-12 schools in our school network, among whom approximately 7,799, 11,214, 15,138 and 19,380 students were enrolled in our self-owned K-12 schools.

We offer PRC curriculum programs at our grade schools. Our PRC curriculum programs are based on the curricula mandated by the PRC regulatory authorities and supplemented by individualized school-based elective courses. All courses under the PRC government mandated curricula are taught by PRC-certified teachers using textbooks and materials designated by the relevant PRC authorities. We have flexibility in designing additional elective courses to develop a tailored school-based curriculum for each grade school in our school network based on, among other things, the learning patterns and interests of the students of the respective schools as well as the cultural and social characteristics of the region in which such school operates. Students who have satisfactorily completed all courses required under our PRC mandated curriculum are eligible to obtain a PRC high school diploma, middle school diploma or elementary school diploma, as applicable.

Since our inception, many of our students have consistently achieved outstanding results in academic examinations and contests, as well as in extra-curricular activities:

- *High schools* — In 2015, 2016 and 2017, approximately 88.2%, 95.2% and 95.6%, respectively, of the high school students of our graduating classes who participated in the Gaokao in the relevant cities in which their schools are located were admitted to universities in China, and approximately 51.4%, 62.9% and 71.6%, respectively, were admitted to first-tier universities in China. By comparison, for the Gaokao administered in the same years, approximately 34.5%, 36.5% and 36.9%, respectively, of the graduating high school students of Sichuan Province were admitted to universities in China, and 8.4%, 10.7% and 10.6%, respectively, were admitted to first-tier universities in China, according to the Frost & Sullivan Report. Five of our high school graduates in 2016 and four in 2017 were admitted to Tsinghua University or Peking University.

- *Middle schools* — Our middle school students also achieved outstanding results in the Zhongkao. In 2005, the year in which Luzhou Tianli School had its first graduating class of middle school students, five of its middle school graduates achieved the top 10 highest scores at the municipal level in the Zhongkao. In 2016, the highest score at the municipal level in the Zhongkao in each of Luzhou and Yibin came from our middle school programs.

- *Elementary schools* — During the Track Record Period, our elementary school students have received various prizes (over 490 at the national level, over 350 at the provincial level and over 380 at the municipal level) in arts, language skills and scientific innovation contests.

Our K-12 Schools under Development and Planning

With an increasing demand for quality K-12 education in the PRC, we plan to explore opportunities in new geographic locations and gradually expand our school network to more second- and third-tier cities in and outside Sichuan Province. We expect to open new K-12 schools in Chengdu, Dazhou, Hejiang, Deyang and Ziyang in Sichuan Province, Ulanqab in Inner Mongolia, Xiangtan in Hunan Province and Dongying in Shandong Province in the next three years. Please refer to the section headed "Business — Our K-12 Schools under Development and Planning" in this prospectus for more information.

Tuition and Boarding Fees of Self-Owned K-12 Schools

We charge students enrolled in our self-owned K-12 schools tuition fees, and for boarding students, boarding fees. For all of our self-owned grade schools, tuition fees and boarding fees are generally paid in advance prior to the beginning of each school year. We typically charge boarding fees ranging from RMB1,200 to RMB1,500 per student per semester. For our self-owned kindergartens, tuition fees are generally paid in advance at the beginning of every semester. The following table sets forth the range of tuition fees per student charged by our self-owned K-12 schools in the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school years:

	Tuition			
	2014/2015 school year	2015/2016 school year	2016/2017 school year	2017/2018 school year
	(RMB)			
High schools[1]	19,000–20,000	20,000–22,000	20,000–22,000	22,000–25,000
Middle schools[2]	18,000	16,000–20,000	20,000–25,000	20,000–25,000
Elementary schools	16,000–20,000	16,000–21,500	20,000–24,000	20,000–24,000
Kindergartens	26,000	26,000	26,000	26,000–90,000[3]

Notes:

1. For certain high school students enrolled in Luzhou Tianli School, we charge a fixed tuition fee of RMB920 per student per school year pursuant to the cooperation agreement entered into between us and the local government. See "Business — Business Collaborations — Cooperation agreement with Luzhou Longmatan District government" for more information.

2. For certain middle school students enrolled in Luzhou Tianli School and certain students enrolled in Xichang Tianli (International) School, we do not charge tuition fees pursuant to the cooperation agreement entered into between us and the local government. See "Business — Business Collaborations — Cooperation agreement with Luzhou Longmatan District government" and "Business — Business Collaborations — School investment and operation agreement with Xichang Municipal Government regarding Xichang Tianli (International) School" for more information.

3. We acquired Chengdu Wuhou District Kinderworld Kindergarten in November 2017, which is one of our high-end educational institutions and we charge a substantially higher tuition fee of RMB90,000 per student per school year.

4. Tuition shown above is applicable to newly enrolled students in the relevant school years only, excluding boarding fees.

Student Enrollment, School Capacity and Utilization Rate of Our K-12 Schools

The following table sets forth information about student enrollment, school capacity and utilization rates of the K-12 schools in our school network, including our self-owned and entrusted K-12 schools which were in operation as of the Latest Practicable Date, by school type as of the end of the school years or semesters indicated. Please refer to the section headed "Business — Overview of Our School Network — Our K-12 Schools" for details of such information of each of our K-12 schools.

	School enrollment as of the end of the				School capacity[2] as of the end of the				Utilization rate[3] as of the end of the			
	2014/2015 school year[1]	2015/2016 school year[1]	2016/2017 school year[1]	2017 fall semester[1]	2014/2015 school year[1]	2015/2016 school year[1]	2016/2017 school year[1]	2017 fall semester[1]	2014/2015 school year[1]	2015/2016 school year[1]	2016/2017 school year[1]	2017 fall semester[1]
High schools	1,546	1,850	2,590	3,386	2,060	3,000	3,900	3,900	75.0%	61.7%	66.4%	86.8%
Middle schools	3,748	5,491	7,515	9,135	5,250	9,030	10,650	12,000	71.4%	60.8%	70.6%	76.1%
Elementary schools	2,375	4,671	5,726	7,230	2,826	6,806	8,246	10,406	84.0%	68.6%	69.4%	69.5%
Kindergartens	594	752	879	1,173	900	900	1,200	1,817	66.0%	83.6%	73.3%	64.6%
Total	**8,263**	**12,764**	**16,710**	**20,924**	**11,036**	**19,736**	**23,996**	**28,123**	**74.9%**	**64.7%**	**69.6%**	**74.4%**

Notes:

1. Our school year ends in August of each year, and the fall semester of our school year ends at the end of January or in early February of each year.

2. School capacity of a grade school is calculated based on the designed capacity (the designed number of student enrollment) as stated in its feasibility research report of the construction project and, if no such report is available, based on the number of desks in its classrooms as proxy for the maximum number of student enrollment. School capacity of a kindergarten is calculated based on the number of beds used for naps after lunch.

3. School utilization rate is calculated by dividing the number of students enrolled at a school by school capacity.

4. Student enrollment information as indicated is based on our internal records.

Our Tutorial Centers and Early Childhood Education Centers

As of the Latest Practicable Date, we had 11 tutorial centers in operation in our school network, among which nine were our self-owned schools and two were entrusted schools to which we provided management services. As of the same date, we had four early childhood education centers, among which one was our self-owned early childhood education center and three were franchised early childhood education centers to which we licensed our "Tianli" brand and provided our recommended curriculum and teaching materials. Tutorial centers in our school network mainly provide (i) after-school tutoring services targeting elementary school and secondary school students, and covering core academic subjects, including mathematics, English, Chinese, physics and chemistry, and (ii) music, art and sports tutoring services targeting K-12 students. Early childhood education centers in our school network mainly provide tutoring services targeting pre-kindergarten children.

OUR TEACHERS

We recognize the importance of hiring teachers who are professional and passionate in teaching as we consider teachers are the key to maintaining high-quality educational programs and services as well as maintaining our brand and reputation. We seek to employ teachers who have a strong command of the subject areas they teach, with sound communication and interpersonal skills and are passionate about education and improving students' academic performance and overall well-being. We have an established training system, including an orientation program and continuous on-the-job training, to introduce new knowledge and improve teaching skills of our teachers. As of December 31, 2017, approximately 1,560 teachers worked at our self-owned K-12 schools, all of whom (except four foreign teachers) were PRC-certified.

OUR CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students and their parents. We did not have a single customer who accounted for more than 5% of our revenue for the years ended December 31, 2015, 2016 and 2017.

Our suppliers primarily comprise construction contractors which constructed our schools. In the years ended December 31, 2015, 2016 and 2017, purchases from our five largest suppliers together amounted to approximately RMB241.4 million, RMB212.3 million and RMB212.1 million, respectively, accounting for 57.3%, 73.4% and 55.9% of the total purchases of our Group, respectively. During the same periods, purchases from our largest supplier amounted to approximately RMB138.8 million, RMB181.3 million and RMB137.9 million, respectively, accounting for 33.0%, 62.7% and 36.3% of the total purchases of our Group, respectively. None of our Directors, their respective associates, or any Shareholder who, to the knowledge of our Directors, owned 5% or more of our issued share capital, had any interest in any of our five largest suppliers during the Track Record Period, except Nanyuan Construction and Sichuan Jinchen Construction Engineering Co., Ltd.. Nanyuan Construction and Sichuan Jinchen Construction Engineering Co., Ltd. are wholly-owned subsidiaries of Tianli Holding. Please refer to the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions" in this prospectus and note 34 to the Accountants' Report in Appendix I to this prospectus for more information.

OUR COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and differentiate us from our competitors: (i) we are a leading provider of quality private education services in Western China; (ii) we provide high quality fundamental education with a track record of strong student performance; (iii) we have well-qualified teachers who are instrumental in providing high quality education to our students; (iv) we provide education across a range of ages which creates a pipeline of students for our school network; and (v) our centralized and standardized management system and our corporate culture enable us to successfully replicate our highly scalable business model in new markets.

OUR STRATEGIES

We aim to become a leader and innovator in the fundamental education sector in China. We plan to execute the following key strategies to achieve our goal: (i) strategically expanding our school network and enhancing our geographic coverage in second- and third-tier cities in China; (ii) continuing to attract and retain talented teachers and improving our training programs; (iii) enhancing our profitability by optimizing pricing; (iv) continuing to develop innovative curricula and school design; and (v) continuing to optimize the operations and management of our school network and upgrade our teaching methods to increase the utilization rate of our schools.

COMPETITION

The private fundamental education market in China, which covers preschool, elementary school, middle school and high school education provided by private schools, is rapidly evolving, highly fragmented and competitive. We face competition from other educational services providers in the fundamental education market in China. In particular, we compete with public and private K-12 schools that offer PRC curriculum programs, and we expect such competition to continue and intensify. As a leading private education service provider in Western China, we believe that we are able to maintain our competitiveness by leveraging our reputation and experience as a premium school operator to expand our school network.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables summarize our consolidated financial results during the Track Record Period and should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus and the accompanying notes.

Summary Financial Data from Consolidated Statements of Comprehensive Income

	Year ended December 31,		
	2015	2016	2017
		(RMB'000)	
Revenue			
— Tuition fees	162,743	238,584	336,848
— Boarding fees	15,910	25,679	37,412
— Canteen operation fees	39,204	61,132	92,180
— Management and franchise fees	187	960	1,577
Total revenue	218,044	326,355	468,017
Cost of sales(1)	(159,888)	(231,863)	(270,072)
Gross profit	58,156	94,492	197,945
Profit before Tax	20,406	75,869	137,269
Income Tax	(2,158)	(1,121)	(1,024)
PROFIT FOR THE YEAR	18,248	74,748	136,245

Note: In years ended December 31, 2015, 2016 and 2017, RMB18.7 million, RMB27.4 million and RMB70.3 million of government grants were applied against our costs of sales, respectively. Please refer to the section headed "Financial Information — Key Components of Our Results of Operations — Cost of Sales" for more information.

During the Track Record Period, our revenue experienced a steady growth primarily driven by an increase in revenue from tuition fees as a result of an increase in student enrollment in our existing schools, the opening of new K-12 schools and an increase in tuition fee rates in certain K-12 schools. Our cost of sales increased by 45.0% from RMB159.9 million for the year ended December 31, 2015 to RMB231.9 million for the year ended December 31, 2016, and further increased by 16.5% to RMB270.1 million for the year ended December 31, 2017, primarily due to increases in labor costs, depreciation and amortization costs, and material consumption costs.

Our net profit increased significantly from RMB18.2 million for the year ended December 31, 2015 to RMB74.7 million for the year ended December 31, 2016. Our net profit margin increased from 8.4% for the year ended December 31, 2015 to 22.9% for the year ended December 31, 2016, primarily attributable to the growth of our business, which enabled us to achieve greater economies of scale. Our net profit increased by 82.3% from RMB74.7 million for the year ended December 31, 2016 to RMB136.2 million for the year ended December 31, 2017. Our net profit margin increased from 22.9% for the year ended December 31, 2016 to 29.1% for the year ended December 31, 2017, primarily attributable to the growth of our business, which enabled us to achieve greater economies of scale, and to a lesser extent due to additional government grants related to operating costs from local government authorities in 2017, most of which was applied against our labor costs for the year ended December 31, 2017.

The following table sets forth the revenue generated from each school type in our school network:

	Year ended December 31,		
	2015	2016	2017
	(RMB'000)		
Revenue			
— Self-owned K-12 schools	193,751	296,962	431,680
— Self-owned tutorial centers	23,210	27,107	33,463
— Self-owned early childhood education center	897	1,327	1,297
— Management and franchise fees received from entrusted and franchised schools	186	959	1,577
Total	218,044	326,355	468,017

Selected Financial Data from Consolidated Statements of Financial Position

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(RMB'000)			
				(Unaudited)
Total current assets	329,001	420,104	388,641	446,083
Total current liabilities	520,775	616,247	653,970	701,190
NET CURRENT LIABILITIES	(191,774)	(196,143)	(265,329)	(255,107)

As of December 31, 2015, 2016 and 2017 and March 31, 2018, we had net current liabilities of RMB191.8 million, RMB196.1 million, RMB265.3 million and RMB255.1 million, respectively. We recorded net current liabilities as of each of these dates primarily because (i) we recorded large amounts of deferred revenue, which primarily consisted of advance payments of tuition fees and boarding fees received from students that had not been recognized as of the respective dates, (ii) we had substantial amounts of outstanding bank loans which were primarily incurred to support our business expansion and fund our working capital, (iii) we recorded amounts due to related parties, which primarily consisted of payables to related parties in relation to the construction of our schools, and (iv) we recorded substantial amounts of other payables and accruals, which primarily consisted of payables for purchase of property, plant and equipment, miscellaneous advances from students and accrued bonuses and other employee benefits.

In the future, we expect to finance our working capital with a combination of cash flows generated from our operating activities, bank loans, net proceeds from the Global Offering and other funds raised from the capital markets from time to time. Taking into account the estimated net proceeds from the Global Offering and cash flow generated from our operations and facilities available to us, our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next twelve months from the date of this prospectus.

Selected Financial Data from Consolidated Statements of Cash Flow

	Year ended December 31,		
	2015	2016	2017
		(RMB'000)	
Net cash inflow from operating activities	1,554	198,204	326,874
Net cash outflow from investing activities	(254,285)	(112,843)	(420,257)
Net cash inflow from financing activities	258,910	208,243	81,271
Net increase/(decrease) in cash and cash equivalents	6,179	293,604	(12,112)
Cash and cash equivalents at beginning of the year	25,868	32,047	325,651
Cash and cash equivalents at end of the year	32,047	325,651	313,539

KEY FINANCIAL RATIOS

The following table sets forth certain financial ratios as of the respective dates:

	Year ended December 31,		
	2015	2016	2017
Gross profit margin(1)	26.7%	29.0%	42.3%
Net profit margin(2)	8.4%	22.9%	29.1%
Return on assets(3)	1.5%	4.6%	7.1%
Return on equity(4)	3.8%	13.4%	16.3%
Interest coverage ratio(5)	1.9x	4.2x	10.7x

	As of December 31,		
	2015	2016	2017
Current ratio(6)	0.6	0.7	0.6
Net debt to equity ratio(7)	44.6%	28.3%	17.8%
Gearing ratio(8)	51.3%	86.7%	55.3%

Notes:

(1) Gross profit margin equals our gross profit for the year divided by revenue for the year.

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

(3) Return on assets equals net profit for the year divided by total assets as of the end of the year.

(4) Return on equity equals net profit for the year divided by total equity amounts as of the end of the year.

(5) Interest coverage ratio equals profit before interest and tax (less interest income) for the year divided by interest expenses for the year.

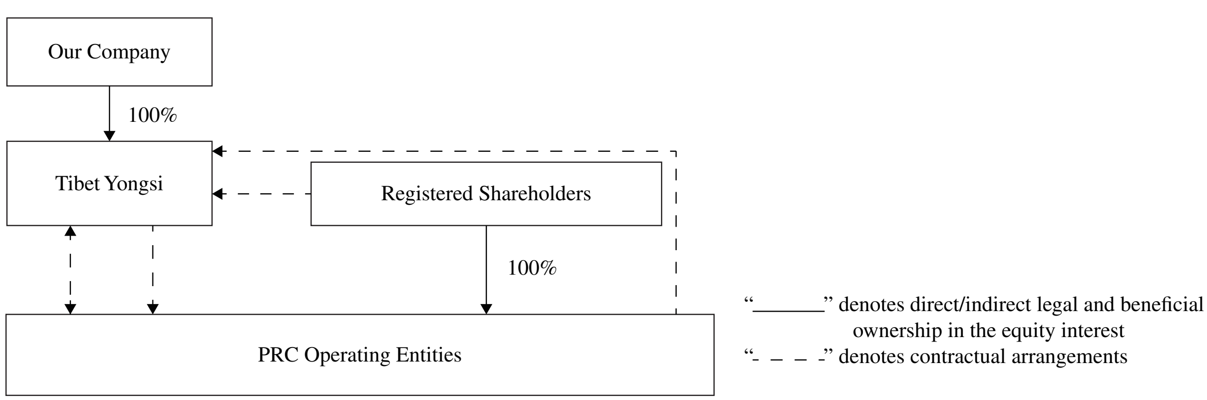
(6) Current ratio equals our current assets as of the end of the year divided by current liabilities as of the end of the year.

(7) Net debt to equity ratio equals total interest-bearing bank loans net of cash and cash equivalents at the end of the year divided by total equity at the end of the year.

(8) Gearing ratio equals total debt as of the end of the year divided by total equity as of the end of the year. Total debt includes all interest-bearing bank loans.

STRUCTURED CONTRACTS

The operations of our schools are subject to various foreign ownership prohibitions or restrictions under PRC laws and regulations. PRC laws and regulations currently prohibit foreign ownership of elementary and middle schools in the PRC and restrict the operation of kindergartens, high schools and tutorial centers to Sino-foreign ownership, in addition to imposing Qualification Requirement on the foreign owners. We therefore do not own any equity interests in the school sponsors to the PRC Operating Schools. In order to maintain and exercise control over our consolidated affiliate entities (including the PRC Operating Schools), we have adopted the contractual arrangements. The contractual arrangements allow us to obtain the economic benefits of our PRC Operating Entities and consolidate their results of operations into those of our Group. See the section headed "Structured Contracts" in this prospectus for further details. The following simplified diagram illustrates the flow of economic benefits from our PRC Operating Entities under the contractual arrangements.



Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the draft PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

The Ministry of Commerce of the People's Republic of China ("**MOFCOM**") published a discussion draft of the proposed Foreign Investment Law ("**Draft Foreign Investment Law**") in January 2015 aiming to, upon its enactment, replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. While MOFCOM solicited comments on the Draft Foreign Investment Law 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 viability of our current corporate structure, corporate governance and business operations in many aspects. Please see "Structured Contracts — Development in the PRC Legislation on Foreign Investment" in this prospectus for further details.

Among other things, the Draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of "actual control" in determining whether a company is considered a foreign-invested enterprise ("**FIE**"). Once an entity is determined to be an FIE, it will be subject to the foreign investment restrictions or prohibitions set out in a "Negative List", to be separately issued by the State Council later. If the investment amount of an FIE exceeds certain thresholds or its business falls within the negative list, market entry clearance by the MOFCOM would be required.

Under the Draft Foreign Investment Law, variable interest entities, or consolidated affiliated entities, that are controlled via contractual arrangement would also be deemed to be FIEs, if they are ultimately "controlled" by foreign investors.

Although the Draft Foreign Investment Law was released for consultation purposes, there is substantial uncertainty regarding the Draft Foreign Investment Law, including with respect to its final content (especially the provisions dealing with VIE structure), adoption timeline or effective date. Mr. Luo, the founder of our Company and chairman of the Board, is a Chinese national and will be capable of exerting significant influence at Board meetings and Shareholders' meetings of the Company (as applicable) despite the fact that Mr. Luo is only interested in approximately 43.13% of the issued capital of our Company immediately upon completion of the Global Offering (assuming no exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), and hence is the "actual controller" of the Company. However, our PRC Legal Adviser advised that it is still unclear as at the Latest Practicable Date as to (i) what level of "actual control" is required to qualify as a domestic enterprise; (ii) how domestic enterprises operated by foreign investors under a contractual arrangement are to be regulated; and (iii) what businesses are to be classified as "restricted businesses" or "prohibited businesses" in the negative list under the Draft Foreign Investment Law.

If, upon its enactment, the current Draft Foreign Investment Law (i) does not recognize our structure under our Structured Contracts as domestic investment; (ii) does not provide any preferential treatment to investors from Hong Kong, Macau and Taiwan; (iii) requires Tibet Yongsi to apply for access permission (准入許可), a government permit that allows foreign investors to invest in "restricted" and/or "prohibited" businesses on the negative list, our Structured Contracts may be regarded as invalid and illegal if we cannot obtain such access permission. As a result, our Group would not be able to continue our business in China through the Structured Contracts. In the extreme case-scenario, we may be required to unwind the Structured Contracts and/or dispose of our business under the Structured Contracts, which could have a material and adverse effect on our business, financial condition and result of operations. In addition, the measures adopted or to be adopted by us including the undertaking given by Mr. Luo to maintain control over and receive economic benefits from our PRC Operating Entities alone may not be effective in ensuring compliance with the Draft Foreign Investment Law (if and when it becomes effective) because the Draft Foreign Investment Law has not been finalized and its final form for implementation may contain different requirements. In the event that our Company no longer has a sustainable business after the aforementioned unwinding of the Structured Contracts or disposal or 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 or even result in delisting of our Company.

Potential measures to maintain control over and receive economic benefits from our PRC Operating Entities

After consulting with our PRC Legal Adviser, to mitigate against the risk arising from the uncertainty as to the implementation and the wording of the final Draft Foreign Investment Law and to ensure the Structured Contracts remain a domestic investment so that our Group can maintain control over our PRC Operating Entities and receive all economic benefits derived from our PRC Operating Entities, Mr. Luo has given an undertaking (the "**Undertaking**") to our Company, and our Company has agreed to enforce the Undertaking.

For details of the Draft Foreign Investment Law, the negative list and its potential impact on our Company, and our potential measures to maintain control over and receive economic benefits from our PRC Operating Entities (including the Undertaking), please refer to "Structured Contracts — Development in the PRC Legislation on Foreign Investment" in this prospectus.

Notwithstanding the above, there may be uncertainties that the above measures to maintain control over and receive the economic benefits from our PRC Operating Entities alone may not be effective in ensuring compliance with the Foreign Investment Law together with, if any, all its subsequent amendments or updates, as promulgated (if and when it becomes effective). We will disclose, as soon as possible, updates of changes to the Draft Foreign Investment Law that will materially and adversely affect us as and when they occur.

Following the implementation of a "variable interest entity" structure with the execution of the Structured Contracts on December 15, 2017, we are subject to additional amounts of PRC income tax, value-added tax, and government surcharges. If such structure had been in effect throughout the Track Record Period, at least 25% of our schools' net profit would have been required to be retained for the schools' working capital as development fund and statutory surplus reserve, and profit attributable to Tibet Yongsi would have only been approximately 75%. We estimate, based on the prevailing laws and regulations up to date, that in the worst case scenario our net profit would have decreased by approximately 9%, 8% and 14% for the years ended December 31, 2015, 2016 and 2017, respectively. This estimate also takes into account the following major factors: (i) Tibet Yongsi is subject to a 9% enterprise income tax, 6% value-added tax and government surcharges; and (ii) the financial results of various entities with our Group. However, as Tibet Yongsi was specifically established to provide exclusive technical and management consultancy services to the PRC Operating Entities under the Structured Contracts, such impact is estimated without taking into consideration potential tax reductions with respect to factors such as the operational costs and expenses primarily comprising employee benefits, rental expenses and other operation-related expenses that were incurred by Tibet Yongsi in the process of providing such services, as such costs and expenses cannot be estimated accurately at this moment. The actual impact on our financial results during the Track Record Period, therefore, may not have been as significant as set out above.

CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering, our Controlling Shareholdings will hold approximately 43.13% of our issued Shares (assuming no exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), and our ultimate Controlling Shareholder will be Mr. Luo. For further details of the Share Option Scheme and the Restricted Share Award Scheme, see the section headed "Statutory and General Information — D. Restricted Share Award Scheme and E. Share Option Scheme" in Appendix V to this prospectus.

There is no competition between the business of our Controlling Shareholders (other than their interests in our Group) and our business. Our Directors believe that we are capable of carrying out our business independently of our Controlling Shareholders and their close associates.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Since December 31, 2017 and up to the Latest Practicable Date, our business experienced continued growth, which was in line with the past trends and our expectations.

We entered into a framework cooperation agreement with Xiangtan Yuhu District government, Xiangtan University and Tianli Holding in January 2018. Under this framework cooperation agreement, we are responsible for the development and operations of Xiangtan Tianli International School and Tianli Holding is responsible for the development of a commercial and residential complex. Please see the section headed "Business — Business Collaborations" in this prospectus for more information.

We entered into a school investment and operation agreement with the local government authorities of Kenli District, Dongying, Shandong Province in January 2018 to develop and operate Dongying Tianli School. Please see the section headed "Business — Our K-12 Schools under Development and Planning" in this prospectus for more information.

Affiliated Green Rhyme Kindergarten of Luzhou Tianli School commenced operation in March 2018. Ziyang Yanjiang District Tianli School, which is expected to commence operation in September 2018, obtained its private school operating license and registration certificate for private non-enterprise entities in April 2018. Please see the section headed "Business" in this prospectus for more information.

In view of the Decision on Amending the Law for Promoting Private Education of the PRC (the "**Decision**") and the local implementing measures, we have registered or intend to register the schools we currently operate as not-for-profit schools, except Gulin Tianli Jiaozi Culture and Arts Tutoring School Co., Ltd. and Xichang Tianli Jiaozi Culture and Arts Tutoring Co., Ltd., which have been registered as for-profit schools. On May 2, 2018, the Implementing Regulations on Classification Registration of Private Schools in Sichuan Province (the "**Sichuan Implementing Regulations**") were promulgated by the Education Department of Sichuan Province and other four relevant departments of Sichuan Province, though the Sichuan Implementing Regulations are still not clear about the preferential tax treatment and the timetable for existing schools to complete a reclassification registration. We enjoyed preferential tax treatment during the Track Record Period, and the preferential tax treatment with regard to the PRC corporate income tax has direct impact on our net profit. Based on the assumption that we did not enjoy any preferential tax treatment with regard to the PRC corporate income tax during the Track Record Period, our net profit for the years ended December 31, 2015, 2016 and 2017 would have decreased by RMB6.9 million, RMB18.5 million and RMB40.3 million, respectively. There is uncertainty as to whether such favorable tax treatment will change after the reclassification registration of our schools and, as of the Latest Practicable Date, we were not able to fully assess the impact that the Decision and reclassification registration may have on our business, results of operations, financial condition and prospects.

Please refer to the sections headed "Regulatory Overview — Education Law of the PRC — The Latest Development of Private School Regulations — Implementing Regulations on Classification Registration of Private Schools", "Risk Factors — Risks Relating to Our Business and Our Industry — New legislation or changes in the PRC regulatory requirements regarding private education may affect our business operations and prospects" and "Business — The Decision on Amending the Law for Promoting Private Education of the PRC" in this prospectus for further details on the impact of the Decision.

We entered into state-owned construction land use right transfer contracts in March and May 2018, respectively, to acquire two parcels of land in Pidu District and Longquanyi District in Chengdu for the development of Chengdu West District Tianli School and Chengdu Tianli Elementary School, respectively.

Our Directors confirm that, up to the date of this prospectus, save for the listing expenses as disclosed in the paragraph headed "Listing Expenses" below, there has been no material adverse change in our financial or trading position since December 31, 2017 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there has been no event since December 31, 2017 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this prospectus.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering in the amount of approximately HK$1,137.84 million if the Over-allotment Option is not exercised (or HK$1,316.24 million if the Over-allotment Option is exercised in full), after deducting underwriting commission and other estimated expenses paid and payable by us in connection with the Global Offering, assuming an Offer Price of HK$2.46 per Share, being the mid-point of the indicative Offer Price range of HK$2.26 to HK$2.66 per Share. We intend to use the net proceeds we will receive from the Global Offering for the following purposes:

Future Plans	Percentage of Net Proceeds	HK$ million
Expansion of our school network	60%	682.70
Repayment of bank loans	30%	341.35
Working capital and general corporate purposes	10%	113.78

DIVIDENDS

During the Track Record Period, we did not declare or distribute any dividend to our Shareholders. As of the Latest Practicable Date, we did not have a formal dividend policy. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant (including all the applicable PRC laws and regulations which our schools are required to comply with). Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividends shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board. There is no assurance that dividends of any amount will be declared to be distributed in any year.

LISTING EXPENSES

We expect to incur a total of approximately RMB42.4 million of listing expenses (assuming an Offer Price of HK$2.46, being the mid-point of the indicative Offer Price range between HK$2.26 and HK$2.66, and assuming that the Over-allotment Option is not exercised) in relation to the Global Offering, of which approximately RMB7.9 million were charged to profit and loss and approximately RMB2.3 million was capitalized during the Track Record Period. With respect to the remaining listing expenses, we expect to charge approximately RMB25.2 million to our profit or loss and to capitalize approximately RMB6.9 million. Listing expenses represent professional fees and other fees incurred in connection with the Global Offering, excluding underwriting commissions and trading levy. The listing expenses above were the best estimate as of the Latest Practicable Date and were for reference only and the actual amount may differ from this estimate.

STATISTICS OF THE GLOBAL OFFERING

	Based on an Offer Price of HK$2.04 per Offer Share, after Downward Offer Price Adjustment of 10%	**Based on an Offer Price of HK$2.26**	**Based on an Offer Price of HK$2.66**
Market capitalization of our Shares(1) .	HK$4,080 million	HK$4,520 million	HK$5,320 million
Unaudited pro forma adjusted net tangible asset per Share(2)	HK$0.96	HK$1.01	HK$1.11

Notes:

(1) The calculation of market capitalization is based on 500,000,000 Shares expected to be in issue following completion of the Capitalization Issue and the Global Offering (assuming no exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme).

(2) The unaudited pro forma adjusted net tangible asset per Share is calculated after making the adjustments referred to in "Unaudited Pro Forma Financial Information" included in Appendix II to this prospectus and on the basis of a total of 500,000,000 Shares expected to be in issue following the completion of the Capitalisation Issue and the Global Offering.

PROPERTY INTERESTS AND PROPERTY VALUATION

According to the property valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer we engaged, as set forth in Appendix III to this prospectus, the market value of the properties we owned and occupied as of March 31, 2018 was approximately RMB509.3 million. See "Business — Properties" and Appendix III to this prospectus for details of our properties. The assumptions used in the property valuation report include, among others: (i) buildings under construction as of the valuation date will be developed and completed in accordance with the latest development proposal; and (ii) the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement that could affect the value of the property interest. As certain of the assumptions in reaching the appraised values of our properties may be inaccurate or unreasonable and the value of our property interests in the property valuation report could be different from their market value, the appraised values of our properties should not be taken as their actual realizable values or a forecast of their realizable values. Unexpected changes to our properties and to the national and local economic conditions may affect the values of these properties. For further information relating to the 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.

SUMMARY OF MATERIAL RISK FACTORS

Our business faces risks including those set out in the "Risk Factors" section in this prospectus. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in the Offer Shares. Some of the major risks we face include, (i) our business and results of operations mainly depend on the level of tuition fees we are able to charge and our ability to maintain and raise tuition fees; (ii) we face intense competition in the PRC education industry, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departures of qualified teachers and increasing capital expenditures; (iii) our business is heavily dependent on the market recognition of our "Tianli" brand and the reputation of our school network; (iv) our business relies on our ability to attract and retain our senior management, dedicated and qualified teachers and other personnel; (v) we may not be able to successfully execute our growth strategies or effectively manage our growth, which may hinder our ability to capitalize on new business opportunities; (vi) we are subject to all necessary approvals, licenses and permits and all necessary registrations and filings for our educational and other services in the PRC; (vii) we are subject to extensive governmental approvals and compliance requirements for establishing our campuses and school premises; (viii) new legislation or changes in the PRC regulatory requirements regarding private education may affect our business operations and prospects; (ix) the PRC government may determine that the Structured Contracts do not comply with applicable PRC laws and regulations, which may subject us to severe penalties, and our business may be materially and adversely affected; and (x) substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the Draft Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period, we were not in compliance with respect to the requirements under PRC law and regulations for making contributions to social insurance plans and housing provident fund for certain of our employees. Please see the section headed "Business — Legal Proceedings and Compliance" in this prospectus for further details.

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

"Accountants' Report"	the report of the Reporting Accountants dated June 28, 2018, the text of which is set out in Appendix I of this prospectus
"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Affiliate(s)"	in the context of the Restricted Share Award Scheme, means those entities that are under the control of the Company through contractual arrangements
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or, where the context so requires, any of them
"Articles" or "Articles of Association"	the articles of association of the Company (as amended from time to time), conditionally adopted on June 24, 2018 with effect from the Listing Date, a summary of which is set out in Appendix IV to this prospectus
"Audit Committee"	a committee of the Board established by the Board for the purpose of overseeing the accounting and financial reporting processes of our Company and audits of the financial statements of our Company
"Board" or "Board of Directors"	the board of directors of the Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalization Issue"	the issue of 1,496,200,000 Shares to be made upon the capitalization of part of the sum standing to the credit of the share premium account of our Company referred to in the section headed "Statutory and General Information" in Appendix V to this prospectus
"Cayman Companies Law" or "Companies Law"	the Companies Law (2018 Revision) of the Cayman Islands, Cap. 22 (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time

"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 participant or a 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, a CCASS Custodian Participant or a CCASS Investor Participant
"Chengdu Jiaozi"	Chengdu Tianli Jiaozi Education Technology Co., Ltd. (成都天立驕子教育科技有限公司), a limited liability company established in the PRC on September 22, 2016 and is owned by Tianli Education as to 95% and Kong Linggang as to 5%, a PRC Non-School Entity
"Chengdu Tianzhan"	Chengdu Tianzhan Investment Co., Ltd. (成都天展投資有限公司), a limited liability company established in the PRC on April 10, 2012 and is owned by Sichuan Zhengcheng as to 57.33%, Mr. Tao as to 18.78%, Zhang Huaxuan as to 16.26%, Luzhou Sanyi as to 6.83% and Luzhou Xuhui as to 0.80%, a shareholder of Tianli Holding
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau Special Administrative Region and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), which came into effect on March 3, 2014 as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company" or "the Company"	Tianli Education International Holdings Limited (天立教育国际控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on January 24, 2017 and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company thereof, the Company's present subsidiaries

"Controlling Shareholders"	Mr. Luo and Sky Elite Limited
"Deed of Indemnity"	the deed of indemnity entered into on June 24, 2018 between our Company and each of the Controlling Shareholders
"Deed of Non-competition"	the deed of non-competition entered into on June 24, 2018 between our Company and each of the Controlling Shareholders
"Director(s)"	the director(s) of the Company
"Downward Offer Price Adjustment"	an adjustment that has the effect of setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range
"EIT"	enterprise income tax
"Eligible Employees"	156 selected employees, principals and teachers of the Group, including Mr. Luo, Ms. Yang Zhaotao, Mr. Wang Rui and Mr. Tao
"Eligible Non-Employees"	Mr. Xing Tao, Mr. Liao Bang, Mr. He Huaiti, Mr. Li Ning, Ms. Wang Shu, Mr. Li Bo and Mr. Liu Haifeng
"Eligible Persons"	those persons eligible to receive Share Awards under the Restricted Share Award Scheme, who are existing or past employees or service providers of the Company, any of its Subsidiaries or any of its affiliates or any other person as is determined by the Board, in its sole discretion, to be an eligible person
"Foreign Investment Catalogue"	the Guidance Catalogue of Industries for Foreign Investment (2017) (《外商投資產業指導目錄(2017)》), which was promulgated jointly by the Ministry of Commerce of the PRC (中華人民共和國商務部) 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 on July 28, 2017
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Green Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited

"Group", "our Group", "the Group", "we", "us", or "our"	our Company, our subsidiaries and our PRC Operating Entities, and, in respect of the period before we became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"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 dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 50,000,000 Shares being initially offered for subscription in the Hong Kong Public Offering, subject to reallocation
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated June 26, 2018 relating to the Hong Kong Public Offering and entered into by among others, our Company, our Controlling Shareholders and the Hong Kong Underwriters
"IFRS"	International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of us, our subsidiaries or any of their respective associates

"International Offer Shares"	the 450,000,000 Shares being initially offered in the International Offering for subscription or purchase under the International Offering together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option, subject to reallocation
"International Offering"	the offer of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S or any other available exemption from registration under the U.S. Securities Act
"International Underwriters"	the group of underwriters, led by the Sole Global Coordinator, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, the International Underwriters and our Company on or about July 4, 2018
"Joint Bookrunners"	China International Capital Corporation Hong Kong Securities Limited, Macquarie Capital Limited and Haitong International Securities Company Limited
"Joint Lead Managers"	China International Capital Corporation Hong Kong Securities Limited, Macquarie Capital Limited and Haitong International Securities Company Limited
"Latest Practicable Date"	June 20, 2018, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the listing committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about Thursday, July 12, 2018 on which the Shares are listed on the Hong Kong Stock Exchange and from which dealings in the Shares are permitted to commence on the Hong Kong Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time

"Luzhou Sanyi"	Luzhou Sanyi Investment Consulting Co., Ltd. (瀘州三益投資諮詢有限公司), a limited liability company established in the PRC on September 22, 2005, a shareholder of Tianli Holding
"Luzhou Xinlida"	Luzhou Xinlida Investment Co., Ltd. (瀘州市新利達投資有限公司), a limited liability company established in the PRC on March 6, 2014, which is directly wholly-owned by Liu Deng Yan and is a former shareholder of Tianli Education
"Luzhou Xingnanyang"	Luzhou Xingnanyang Investment Co., Ltd. (瀘州市興南陽投資有限公司), a limited liability company established in the PRC on September 4, 2013, which is owned by Luzhou Jianlan Investment Co., Ltd. as to 58%, Luzhou Xinghengtai Investment Co., Ltd. as to 38% and Luzhou Weite Investment Co., Ltd. as to 4% and is a former shareholder of Tianli Education
"Luzhou Xinshun"	Luzhou Xinshun Investment Co., Ltd. (瀘州欣順投資有限責任公司), a limited liability company established in the PRC on December 18, 2013, which is directly owned by Liu Wen and He Ye as to 85% and 15%, respectively and is a former shareholder of Tianli Education
"Luzhou Xuhui"	Luzhou Xuhui Investment Co., Ltd. (瀘州市旭輝投資有限公司), a limited liability company established in the PRC on May 27, 2011, which was an indirect shareholder of Tianli Education and a shareholder of Tianli Holding
"Luzhou Yuanyuan"	Luzhou Yuanyuan Education Consulting Co., Ltd. (瀘州原源教育諮詢有限公司), a limited liability company established in the PRC on December 20, 2013, which was an shareholder of Tianli Education
"Memorandum" or "Memorandum of Association"	the memorandum of association of the Company (as amended from time to time), conditionally adopted on June 24, 2018 with effect from the Listing Date, a summary of which is set out in Appendix IV to this prospectus
"MOE"	the Ministry of Education of the PRC
"Mr. Luo"	Mr. Luo Shi (羅實), our chairman of the Board, chief executive officer, founder, an executive Director and one of our Controlling Shareholders
"Mr. Tao"	Mr. Tao Yi (陶毅)

"Nanyuan Construction"	Luzhou Nanyuan Construction Engineering Co., Ltd. (瀘州市南苑建築工程有限公司), a limited liability company established in the PRC on June 30, 2000 and is wholly-owned by Tianli Holding, a connected person of the Company
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which Offer Shares are to be determined in the manner described in the section headed "Structure of the Global Offering" in this prospectus, subject to any Downward Offer Price Adjustment
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option
"Onshore Equity Incentive Scheme"	the onshore equity incentive scheme concerning equity interests in Tianli Education for participation by the Eligible Persons
"Over-allotment Option"	the option expected to be granted by us to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters), pursuant to which we may be required to allot and issue up to an aggregate of 75,000,000 Shares at the Offer Price to cover over-allocations in the International Offering, if any
"Participant(s)"	a Selected Person who accepts the offer of the grant of Share Awards in accordance with the terms of the Restricted Share Award Scheme
"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 Legal Adviser"	our legal adviser as to PRC law, Jingtian & Gongcheng

"PRC Non-School Entities" or "PRC Non-School Entity"	the entity(ies) which we control through the contractual arrangements, comprising, as at the Latest Practicable Date, Tianli Education, Luzhou Shenzhou Tianli Education Development Co., Ltd., Yibin Shenzhou Tianli Education Development Co., Ltd., Shenzhou Tianli Guangyuan Education Development Co., Ltd., Xichang Shenzhou Tianli Education Development Co., Ltd., Neijiang Shenzhou Tianli Education Development Co., Ltd., Ya'an Shenzhou Tianli Education Development Co., Ltd., Chengdu Tianli Kaixing Education Consulting Co., Ltd., Luzhou Lixin Investment Co., Ltd., Chengdu Jiaozi, Luzhou Tianli Jiaozi Education Technology Co., Ltd., Yibin Tianli Jiaozi Education Technology Co., Ltd., Guangyuan Tianli Jiaozi Education Technology Co., Ltd., Xichang Tianli Jiaozi Education Technology Co., Ltd., Luzhou Tianli Daren Education Technology Co., Ltd., Chengdu Shenzhou Tianli Education Consulting Co., Ltd., Chengdu Likai Education Consulting Co., Ltd., Ziyang Shenzhou Tianli Education Consulting Co., Ltd., Deyang Shenzhou Tianli Education Consulting Co., Ltd., Chengdu Tianli Huiai Education Management Co., Ltd., Neijiang Tianli Jiaozi Education Technology Co., Ltd., Chengdu Tianli Huixin Education Consulting Co., Ltd., Dongying Shenzhou Tianli Education Consulting Co., Ltd. and Xiangtan Shenzhou Tianli Education Consulting Co., Ltd.
"PRC Operating Entities" or "PRC Operating Entity"	the collective of PRC Operating Schools and PRC Non-School Entities
"PRC Operating School(s)	the schools which we control through the contractual arrangements which comprised, as at the Latest Practicable Date, Luzhou Tianli School, Luzhou Longmatan Tianli Elementary School, Luzhou Longmatan Tianli Culture and Arts Tutoring School, Yibin Cuiping District Tianli School, Chengdu Wuhou District Kinderworld Kindergarten, Renjie Education Tutoring School of Gong County, Guangyuan Tianli International School, Neijiang Tianli (International) School, Tianli Kindergarten of Gulin County, Gulin Tianli Jiaozi Culture and Arts Tutoring School Co., Ltd., Cangxi Tianli School, Xichang Tianli Jiaozi Culture and Arts Tutoring Co., Ltd., Xichang Tianli (International) School, Ya'an Tianli School, Neijiang Dongxing Tianli Jiaozi Tutoring School, Yibin Cuiping Tianzhan Tutoring School, Yibin Cuiping Tianjiao Tutoring School, Guangyuan Tianli Jiaozi Education and Tutoring School and Luzhou Jiangyang Tianli Culture and Arts Tutoring School and Ziyang Yanjiang District Tianli School

"Price Determination Date"	the date, expected to be on or about July 4, 2018, on which the Offer Price will be determined and, in any event, not later than July 6, 2018
"Registered Shareholders"	the shareholders of Shenzhou Tianli Education Investment Co., Ltd., namely Mr. Luo and Mr. Tao
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	a committee of the Board established by the Board to discharge the Board's responsibilities relating to the remuneration of Directors and executive officers of our Company
"Renminbi" or "RMB"	Renminbi yuan, the lawful currency of the PRC
"Reorganization"	the reorganization of the group of companies now comprising our Group conducted in preparation for the Listing, details of which are set out in the section headed "History and Reorganization" of this prospectus
"Reorganization transaction"	certain reorganization transaction approved by the Company involving contractual arrangements in connection with a possible public offering of securities
"Reporting Accountants"	Ernst & Young
"Restricted Share Award Scheme"	the restricted share award scheme for the award of Shares to eligible participants, conditionally adopted by our Company on January 26, 2018, the principal terms of which are set out in the section headed "Statutory and General Information — D. Restricted Share Award Scheme" in Appendix V to this prospectus
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC government authority responsible for matters relating to foreign exchange administration
"SAT"	State Administration of Taxation (中華人民共和國國家稅務總局), the PRC government authority responsible for matters relating to taxation
"Selected Person"	Eligible Persons selected by the Board or Authorized Administrators to be granted Share Awards under the Restricted Share Award Scheme at its sole discretion
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shanghai Yihong"	Shanghai Yihong Investment Management Partnership L.P. (上海熠宏投資管理合夥企業(有限合夥)), a limited liability partnership established in the PRC on December 25, 2015, which is directly owned by Du Nawei as to 99% and Shanghai Huashuo Investment Management Co., Ltd as to 1%
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of HK$0.1 each
"Share Awards"	an award of actual Shares, as specified in the Grant Letter, as replacement for the interests of certain Eligible Persons in Tianli Education transferred in connection with the Reorganization Transaction and having a value as may be determined by the Board, in its sole discretion; provided, however, in each case, each such Share Awards are subject to certain restrictions as specified by the Restricted Share Award Scheme and as may be determined by the Board, in its sole discretion, and may not be sold, assigned, transferred or otherwise disposed of, pledged or hypothecated as collateral for a loan or as security for the performance of any obligation or for any other purpose until such restrictions have been removed or as the Board shall determine in its sole discretion, if otherwise
"Share Option Scheme"	the share option scheme of our Company, conditionally adopted pursuant to a resolution of our Shareholders on June 24, 2018, the principal terms of which are summarized in the section headed "Statutory and General Information — E. Share Option Scheme" in Appendix V to this prospectus
"Shareholder(s)"	holder(s) of Shares
"Shenzhen Xieli"	Shenzhen Xieli Tianhai Investment Partnership L.P. (深圳市協力天海投資合夥企業(有限合夥)), a limited liability partnership established in the PRC on July 17, 2013, which is directly owned by Liu Chunlan as to 23.81%, Du Yuxiang as to 23.81%, Chen Daofu as to 19.05%, Chen Keliang as to 17.43%, Li Huiming as to 6.38%, Shenzhen Bu'en Shili Investment Management Co., Ltd. as to 4.76% and Zhang Shiyin as to 4.76%
"Sichuan Kangning"	Sichuan Kangning Investment Management Co., Ltd. (四川康寧投資管理有限公司), a limited liability company established in the PRC on August 15, 2013, which is directly wholly-owned by Liu Ning

"Sichuan Tianhe"	Sichuan Tianhe Zhida Corporate Management Consulting Co., Ltd. (四川天合致達企業管理諮詢有限公司), a limited liability company established in the PRC on November 1, 2016, which is directly owned by Mr. Tao as to 54.78%, Xing Tao as to 39.62%, Liu Haifeng as to 3.47%, Li Bo as to 1.07%, Li Ning as to 0.33%, Liao Bang as to 0.33%, Wang Shu as to 0.20% and He Huaiti as to 0.20%
"Sichuan Zhengcheng"	Sichuan Zhengcheng Investment Co., Ltd. (四川征程投資有限公司), a limited liability company established in the PRC on July 6, 2001
"Sole Sponsor", "Sole Global Coordinator" or "Stabilizing Manager"	China International Capital Corporation Hong Kong Securities Limited
"Structured Contracts"	collectively, the Exclusive Business Cooperation Agreement, the Exclusive Call Option Agreement, the School Sponsors' and Directors' Rights Entrustment Agreement, the School Sponsors' Powers of Attorney, the Directors' Powers of Attorney, the Shareholders' Rights Entrustment Agreement, the Shareholders' Powers of Attorney, the Equity Pledge Agreements, the Spouse Undertakings and the Loan Agreement, and any subsequent amendments and supplements to such agreements, further details of which are set out in "Structured Contracts" in this prospectus
"subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Tianli Education"	Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司), a limited liability company established in the PRC on April 19, 2013 and our principal operating subsidiary, it was formerly known as Sichuan Shenzhou Tianli Education Investment Co., Ltd. (四川神州天立教育投資有限公司)
"Tianli Holding"	Shenzhou Tianli Holdings Group Limited (神州天立控股集團有限公司), formerly Shenzhou Tianli Investment Group Limited (神州天立投資集團有限公司), a limited liability company established in the PRC on April 13, 2006, which is directly held by Sichuan Zhengcheng as to 53.96%, Chengdu Tianzhan as to 33.87%, Luzhou Sanyi as to 9.46% and Luzhou Xuhui as to 2.70%, a shareholder of Tianli Education
"Tibet Yongsi"	Tibet Yongsi Technology Co., Ltd. (西藏永思科技有限公司), a limited liability company established in the PRC on September 4, 2017, an indirect wholly-owned subsidiary of our Company

"Track Record Period"	the three financial years of the Company ended December 31, 2015, 2016 and 2017
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S. dollars" or "US$"	U.S. dollars, the lawful currency of the United States of America
"U.S." or "United States"	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
"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 at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investors Services Limited
"Withdrawal Mechanism"	a mechanism which requires the Company, among other things, to (a) issue a supplemental prospectus as a result of material changes in the information e.g. the offer price in the prospectus; (b) extend the offer period and to allow potential investors, if they so desire, to confirm their applications using an opt-in approach i.e. requiring investors to positively confirm their applications for shares despite the change
"Wuxi Shanglong"	Wuxi Shanglong Investment Consultancy Co., Ltd. (無錫市尚龍投資諮詢有限公司), a limited liability company established in the PRC on August 19, 2015, which is directly owned by Wu Caixia and Zhou Lijuan as to 66.67% and 33.33%, respectively

In this prospectus, the terms "associate," "connected person," "connected transaction," "controlling shareholder," "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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.

English translations of the names of certain entities, enterprises, nationals, facilities and regulations which were originally in other languages have been included in this prospectus for identification purposes only. To the extent there is any inconsistency between the names of these entities, enterprises, nationals, facilities, regulations and their English translations, the names in their original languages shall prevail.

This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"compulsory education"	Grade 1 to Grade 9 education, which all citizens in China must receive according to the Compulsory Education Law of the PRC (中華人民共和國義務教育法)
"early childhood education center(s)"	play-and-learn center(s) generally intended for children aging from 0 to 6 years old. Unlike kindergartens, such education institutions usually provide part-time study or education consulting services. Family members can accompany the children to attend the lessons or receive the consulting services.
"elementary school(s)"	schools that provide education for students in Grade 1 to Grade 5 or Grade 6
"fall semester"	the semester which generally starts on or around September 1 of each calendar year and ends in late January or early February of the next calendar year
"first-tier universities"	the first batch of universities that enroll students after the Gaokao. In general, among other things, the basic admission requirement for the relevant high school graduates is that they have achieved a certain level of high scores in the Gaokao as designated by the relevant PRC provincial education authorities, and that they choose such universities for their college entrance application. Generally, these universities have broadly-based strengths and advantages, such as school facilities, academic resources and scientific research capabilities, among other things, and frequently have special support from the PRC central and local governments
"formal education (學歷教育)"	education systems that provide students with the opportunity to earn official certificates from the PRC government
"fundamental education"	kindergarten, elementary school, middle school and high school level education
"Gaokao"	also known as the National Higher Education Entrance Examination (普通高等學校招生全國統一考試), is an academic examination held annually in the PRC. It is a prerequisite for entrance into almost all higher education institutions at the undergraduate level in the PRC
"Grade 1–12"	Grade 1 to Grade 12

"grade school(s)	school(s) that provide(s) part or all of Grade 1–12 educational program(s)
"high school(s)"	schools that provide education for students in Grade 10 through Grade 12
"K-9"	kindergarten to Grade 9
"K-12"	kindergarten to Grade 12
"middle school(s)"	schools that provide education for students in Grade 6 or Grade 7 through Grade 9
"private education penetration rate"	the rate calculated by dividing the total student enrollment in a certain educational program by the student enrollment in private education in that educational program
"private education"	the term "private education" used in this prospectus refers to private formal education
"private school(s)"	schools which are not administered by local, provincial or national governments
"public school(s)"	schools administered by local, provincial or national governments of the PRC
"school year" or "academic year"	the school year for all of our K-12 schools, which generally starts in September of each calendar year and ends in August of the next calendar year
"school sponsor" or "sponsor of the school"	the individual(s) or group(s) that funds or holds interests in an education institution
"secondary school(s)"	school(s) that include middle school(s) and high school(s)
"Zhongkao"	also known as the High School Entrance Examination (高級中等學校招生考試), the academic examination held annually in the PRC to distinguish middle 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 "aim," "anticipate," "believe," "could," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "seek," "should," "will," "would" and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the 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 us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

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

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks materialize or should underlying assumptions prove to be incorrect, our financial condition and actual results of operations may be materially and adversely affected and may vary significantly from those estimated, anticipated or projected, as well as from historical results.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, the forward-looking statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of the Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

An investment in our Shares involves various risks. Before investing in us, you should carefully consider all of the information set forth in this prospectus, and in particular, the specific risks set out below. Any of the risks and uncertainties described below could have a material adverse effect on our business, financial condition and results of operations or the trading price of the Shares, and could cause you to lose your investment. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which may differ in some respects from that which prevails in Hong Kong or other countries. Please be cautioned that the risks and uncertainties described below are not exhaustive.

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

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

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

The tuition fees we are able to charge is one of the most significant factors affecting our profitability. For the years ended December 31, 2015, 2016 and 2017, tuition fees constituted 74.6%, 73.1% and 72.0% of our total revenue, respectively. Our tuition fees have been determined based on demand for our educational programs, the cost of our operations, the geographic markets in which we operate our business, the tuition fees charged by our competitors, our pricing strategy to gain market share and the general economic conditions in China and in the areas in which our self-owned schools and a self-owned early childhood education center are located, subject to applicable approvals by local government. Pursuant to the Interim Measures for the Management of the Collection of Private Education Fees (《民辦教育收費暫行管理辦法》), the types and amounts of fees charged by private schools providing formal education must be approved by the relevant governmental pricing authority, and those charged by private schools providing non-formal education must be filed with the relevant governmental pricing authority. There can be no assurance that we will be able to maintain or raise the tuition fee levels we charge in the future due to various reasons, many beyond our control, such as failure to obtain necessary approvals for fee increases, and even if we are able to maintain or raise tuition fees, we cannot assure you how our tuition rates will impact the number of student applications and enrollment. Our business, financial position and results of operations may be materially and adversely affected if we fail to maintain or raise our tuition fees while attracting sufficient students.

We face intense competition in the PRC education sector, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departure of qualified teachers and increasing capital expenditure.

The education sector in China is fast evolving, highly fragmented and competitive, and we expect competition in this sector to continue and intensify. Furthermore, education institutions' performance is highly sensitive to demographic changes in China. Student enrollment in private fundamental education in China can be substantially affected by PRC government policies on family planning. In Sichuan Province where most of our operations are located, we compete with public and other private schools that offer fundamental education programs. We compete with these schools based on a range of factors, including, but not limited to, recruitment capability, expertise and reputation of teachers, students' academic achievements, school locations and facilities. Public schools may enjoy favorable treatment from government authorities in respect of, among other things, tax exemptions and government subsidies. Our competitors may adopt similar or better curricula, student support services and marketing strategies, with more appealing pricing and service packages than what we are able to offer. In addition, some of our competitors may have more resources than we do and may be able to dedicate greater resources than we can to school development and promotion and respond more quickly than we can to changes in student demand, market needs and/or new technologies. As such, we may need to lower our tuition fees and boarding fees or increase our spending in order to be competitive by retaining or attracting students and qualified teachers or identifying and pursuing new market opportunities. If we are unable to successfully compete for new students, maintain or increase our tuition levels, attract and retain qualified teachers or other key personnel, enhance the quality of our educational services or control the costs of our operations, our business, results of operations and financial condition may be materially and adversely affected.

Our business is heavily dependent on the market recognition of our "Tianli" brand and the reputation of our school network.

We believe that the market awareness and reputation of our "Tianli" brand is crucial to the success and growth of our business. Our ability to maintain our reputation depends on a number of factors, some of which are beyond our control. As we continue to grow in size and expand our programs 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 the reputation of our "Tianli" brand, including but not limited to, the degree of students' and their parents' satisfaction with our curriculum, our teachers and teaching quality, the grades of our students, accidents on campus, teacher or student scandals, negative press, interruptions to our educational services, failure to pass an inspection by a government educational authority, loss of certifications and approvals that enable us to operate our schools in the manner they are currently operated, and unaffiliated parties using our brand without adhering to our standards of education. In particular, any action of our entrusted schools or franchised early childhood education centers over which we have limited control (see "Business — Overview of Our School Network — Our Management System" in this prospectus for further information) that fails to adhere to our standards or otherwise negatively reflects on our brand could damage our reputation. Although we entered into a cooperation agreement with respect to each of our entrusted schools and franchised early childhood education centers which specified the entrusted school sponsor's or franchisee's obligations, our ability to monitor the operations of our entrusted schools and franchised early childhood education centers is limited. See the section headed "Business — Business Collaborations" in this prospectus for further information. We cannot assure you that any of our entrusted schools or franchised early childhood education centers will operate in strict compliance with the relevant cooperation agreement or otherwise fully adhere to relevant laws and regulations. If any of our entrusted schools or franchised early childhood education centers does not strictly follow the terms of the relevant cooperation agreement or otherwise does not comply with our operating policies, procedures or the relevant laws and regulations, diverges from the curriculum, teaching materials or level of instruction, our reputation and brand image may be negatively affected. Any negative impact on our brand or reputation may lead to a decrease in students' and their parents' interest in our schools, which would materially and adversely affect our business.

We have established and developed our student base primarily through a variety of marketing methods. However, we cannot assure you that these marketing efforts will be successful or sufficient in further promoting our brand or in helping us to maintain our competitiveness. If we are unable to further enhance our reputation and increase market awareness of our programs and services, or if we need 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 strengthen our reputation and brand recognition, we may not be able to maintain or increase student enrollment, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

We depend on our senior management, principal and administrators for the smooth operation of our school network and execution of our business plans. In addition, we rely significantly on our teachers to deliver high quality educational services to our students. Our teachers are critical to maintaining the quality of our programs and services and to upholding our reputation. As of December 31, 2017, we employed an aggregate of approximately 1,625 full time teachers.

The continuing services of our executive Directors, senior management team and principals are crucial to our future success. If one or more of our executive Directors or members of senior management as set out in the section headed "Directors and Senior Management" in this prospectus or our principals are unable or unwilling to continue their employment with us, we may not be able to replace them with qualified personnel in a timely manner, or at all, which may result in material adverse changes to our established brand image, reputation, service quality or standards, and in turn, may disrupt our business, and materially and adversely affect our business, results of operations and financial condition.

Furthermore, to maintain the quality of our educational services and further grow our business, we need to continue to attract and retain qualified teachers who share our educational philosophy and meet our high standards. We seek to hire teachers who have an excellent education background, expertise in their respective subject areas, strong record in application projects, and relevant professional qualifications. There are a limited number of teachers with the necessary experience and qualifications who meet our standards to teach our courses. Similarly, the pool of qualified personnel, such as principals, vice principals and other administrators, all of whom are crucial to the efficient and smooth running of the schools we operate or intend to acquire and/or establish, is relatively limited in China. As a result, we believe we will need to provide competitive compensation and benefits packages to attract and retain qualified teachers and administrative personnel. In addition, criteria such as work ethic, commitment and dedication are difficult to ascertain or verify during the recruitment process, particularly as we continue to expand and add teachers and other school personnel quickly in order to meet rising student enrollment.

We may not be able to retain experienced senior management members or other qualified personnel in the future. In the event we lose their services, or if any of our executive Directors or any member of our senior management team or other key personnel joins our competitor(s) or forms a competing entity, our business, results of operations and financial condition may be materially and adversely affected. In addition, we may not be able to hire and retain a sufficient number of qualified teachers and qualified administrative personnel at acceptable costs to keep pace with our anticipated growth while maintaining consistent teaching quality and the overall quality of our education programs across different schools. If we are unable to recruit and retain an appropriate number of qualified teachers and qualified administrative personnel, the quality of our services or education programs may decrease or be perceived to decrease, which may have a material and adverse effect on our reputation, business and results of operations.

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

We experienced steady growth and expansion during the Track Record Period, which has placed, and continues to place, significant pressure on our management and resources. To manage and support our growth, we must enhance our existing operational, administrative and technological systems, our financial and management controls, and recruit, train and retain qualified teachers and management personnel as well as other administrative and marketing personnel. All of these efforts require substantial management time and know-how, as well as the commitment of significant resources and expenditure. If we cannot adequately upgrade or strengthen our operational, administrative and technological systems and our financial and management controls to support our future expansion, we may not be able to effectively and efficiently manage the growth of our operations, recruit and retain qualified personnel, and integrate entities we acquire into our business operations. Any failure to effectively and efficiently manage our expansion may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material adverse effect on our business and financial results.

We plan to leverage our existing operations and resources to further expand our school network by opening additional schools. In addition, we plan to further improve the utilization rate of our existing self-owned K-12 schools. See the section headed "Business — Our Strategies" in this prospectus for more information. We may not succeed in executing our growth strategies due to a number of factors, including failure to do any of the following:

- increase student enrollment in our existing self-owned K-12 schools;
- accept all qualified students who would like to enroll in our self-owned K-12 schools due to the capacity constraints of our school facilities;
- identify cities with sufficient growth potential in which we can establish new schools;
- identify suitable acquisition targets;
- establish cooperation with potential third party partners;
- effectively execute our expansion plans;
- acquire or lease suitable land sites in the cities in which we plan to expand our operations;
- obtain government support or partner with local governments in cities where we already have schools or in cities or areas in which we plan to expand our operations;
- effectively market our schools or brand in new markets or promote ourselves in existing markets;

- replicate our successful growth model in new markets or new geographical locations outside of Sichuan Province;

- obtain the requisite licenses and permits from the authorities necessary to open new schools at our desired locations;

- continue to enhance our course materials or adapt our course materials to changing student needs and teaching methods;

- follow the expected timetable with respect to the development of new schools. In particular, the expected timetable is subject to various factors, including but not limited to, (i) as for our self-owned schools, the time we obtain the relevant land use right, the time we obtain the relevant licenses and permits for school construction and the actual timeline of completion of the construction, and (ii) as for the entrusted schools owned by third parties to which we provide management services, the timeline of school construction and the actual commencement of school operation which is under the control of the relevant school owner. As these factors are not under our control, we cannot guarantee that the expected timetable will be strictly followed; and

- achieve the benefits we expect from our expansion.

If we fail to successfully execute our growth strategies, we may not be able to maintain our growth rate and, as a result, our business, financial condition and results of operations may be materially and adversely affected.

Depreciation charge and interest expense incurred over the construction period of new self-owned K-12 schools and the expansion of our existing K-12 schools may result in a decrease in our net profit margin.

We plan to expand our school network mainly by opening new self-owned K-12 schools. We had entered into school investment agreements to develop eight self-owned K-12 schools as of the Latest Practicable Date. In addition, we are expanding our existing K-12 schools to accommodate the increasing demand for our education services in geographic markets where we already have presence and to upgrade the existing facilities in the relevant schools. Please refer to the sections headed "Business — Our K-12 Schools under Development and Planning" and "Future Plans and Use of Proceeds" in this prospectus for details. Our depreciation charge is expected to increase over the construction period of our new self-owned K-12 schools and the expansion of our existing K-12 schools, as it usually takes time for a new K-12 school or an expanded existing K-12 school to reach its full capacity or to be put into full use. Before a K-12 school is fully utilized, the increase of costs incurred by such school may outpace the increase of revenue generated. As a result, we may experience a short term decrease in our gross profit margin and net profit margin. In the meantime, the Group's interest expenses will increase as bank facilities are expected to be a source of funding for such construction and expansion in addition to internal resources and net proceeds from the Global Offering. As a result, although a portion of interest on bank loans will be capitalized, we expect to incur additional interest expenses which may result in a short term decrease in the Group's net profit and net profit margin.

Our K-12 education business depends on our ability to promptly and adequately respond to changes in admission requirements for higher-level education and testing materials.

Our high school students are subject to college level admissions and assessment tests administered by educational authorities in China or relevant educational institutions overseas, depending on where our students choose to apply for higher education. Our middle and elementary school students are subject to PRC high school and middle school entrance exams, as applicable. The admission scores for the various universities, high schools or middle schools in China usually change from year to year and so do the admission requirements for overseas universities. Testing materials may also change in terms of focus areas, format and the manner in which such tests are administered. These changes require us to continually update and enhance the courses and course materials we offer and to continually train our students to take standardized tests so as to maximize their performance on these tests. If we fail to adequately prepare our students for admission tests in our everyday classroom teaching and any test preparation courses we offer, our students' admissions rates to PRC and overseas universities, PRC high schools and PRC middle schools, as applicable, may decrease and our programs and services may become less attractive to students. Furthermore, if we fail to timely develop and introduce new educational services and programs in our K-12 schools based on the changing education standards in China and abroad, our ability to attract and retain students may decrease. As a result, our reputation, business, financial condition and results of operations may be materially and adversely affected.

Our K-12 school students' academic performance may fall and satisfaction with our K-12 educational services may decline.

The success of our business depends on our ability to maintain the quality of education services we provide, which includes students' satisfactory learning experience, and to ensure the academic performance of our students. Our K-12 schools may not be able to meet students' and parents' expectations for academic performance or help our high school graduates achieve their college admissions goals. A student may not experience the academic improvement that he or she expects, and his or her performance may otherwise decline significantly due to reasons beyond our control. There is no assurance that we can provide K-12 school learning experiences that are satisfactory to all of our K-12 school students. Student and parent satisfaction with our K-12 educational programs may decline. We may also experience negative publicity or a decrease in word-of-mouth referrals.

In addition, we cannot ensure that our high school students will be accepted by universities at rates we have experienced in the past. Any such negative developments could result in students' withdrawal from our K-12 schools or a decrease in applications to our K-12 schools, and therefore have an adverse impact on our reputation. If we fail to continue to attract and admit to our schools students of a suitable standard or at all, our business, financial condition and results of operations may be materially and adversely affected.

We are subject to various approvals, licenses, permits, registrations and filings for our education and other services in the PRC.

In order to conduct and operate our education business, we are required to obtain and maintain various approvals, licenses and permits and to fulfill registration and filing requirements pursuant to applicable laws and regulations. For instance, to establish and operate a school, we are required to obtain a private school operation permit from the local education bureau and to register with the local civil affairs bureau to obtain a certificate of registration for a privately operated non-enterprise entity for not-for-profit private schools, or register with the local administration for industry and commerce for for-profit private schools.

Given the significant amount of discretion the local PRC authorities may have in interpreting, implementing and enforcing relevant rules and regulations, as well as other factors beyond our control, while we intend to use our best efforts to obtain all requisite permits and complete all necessary filings, renewals and registrations on a timely basis, we cannot assure you that we will be able to obtain all required permits. If we fail to receive any required permit in a timely manner or obtain or renew any permits and certificates, we may be subject to fines, confiscation of the gains derived from our non-compliant operations, suspension of our non-compliant operations, compensation payments for 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.

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

We may, from time to time, renovate existing premises or construct new buildings. We may also develop new campuses and school premises as we grow in size and expand our business. Accordingly, we must obtain various permits, certificates and other approvals from the relevant administrative authorities at various stages of property development, including, among others, planning permits, construction permits, land use rights certificates, certificates for passing environmental assessments, certificates for passing fire control assessments and certificates for passing construction completion inspections. We may encounter problems in the future in fulfilling the conditions precedent to the receipt of these permits, certificates and approvals, and we may not always be able to obtain them in a timely manner, or at all. For more information, see the sections headed "Regulatory Overview" and "Business — Certificates, Permits and Licenses" in this prospectus.

In addition, if we fail to obtain requisite permits, certificates or approvals for campuses and school premises we plan to develop and construct in the future, we may be subject to administrative fines and other penalties or may be ordered to relocate our schools which could disrupt our business and cause us to incur additional expenses and hence may have a material adverse effect on our business, prospects, financial condition and results of operations.

Capacity constraints of our school facilities could limit our ability to grow and we are subject to regulatory guidance relating to the ratios between school site area/building area and the number of enrolled students.

The educational facilities of our schools are limited in space and size. We may not be able to admit all qualified students who would like to enroll in our schools due to the capacity constraints of our current school facilities. Furthermore, without additional facilities such as classrooms and dormitories, we may not be able to expand our capacity at our current campuses unless we relocate to other facilities in the local area with more space. If we fail to expand our capacity as quickly as the demand for our services grows, by opening additional schools or otherwise, we could lose potential students to our competitors, and our results of operations and business prospects could be materially and adversely affected.

During the Track Record Period and up to the Latest Practicable Date, our self-owned K-12 schools were subject to regulatory guidance in relation to the ratio of our school's site area/building area to the number of students enrolled ("**Ratio**"). As disclosed in the "Regulatory Overview" section in this prospectus, our self-owned K-12 schools shall comply with the requirements relating to the ratios between school building area/site area and number of students during the Track Record Period thereunder. Chengdu Wuhou District Kinderworld Kindergarten did not strictly comply with the requirement of ratio of site area per student, that the actual ratio was 12.96 sq.m per student while the regulatory requirement was 14 sq.m. per student, according to the Notice on Building Area of Urban Kindergartens (《城市幼兒園建築面積定額(試行)》), which was promulgated on July 14, 1988, and the Notice on Basic Requirements of Kindergartens in Sichuan Province (《四川省幼兒園辦園基本要求(試行)》), which was promulgated on May 12, 2006. As advised by our PRC Legal Adviser, as of the Latest Practicable Date, the relevant legislation did not state any penalty for a breach of the aforementioned requirement. Please refer to the section headed "Business — Overview of Our School Network — Our K-12 Schools" in this prospectus for details.

We cannot assure you that the regulations relating to the Ratio will not change in the future or that the relevant education authorities will not impose any fines or penalties on us for not reaching the levels set out in the monitoring index. If the regulations changed, or the relevant education authorities had different interpretations which resulted in the ratio between school site area and number of students becoming a compulsory requirement, in order to comply with such requirement, we would need to slightly reduce the student enrollment in the next school year to ensure strict compliance. If we are asked to reduce student enrollment based on that as of the end of 2017 fall semester, i.e. 216 students, the reduction in the number of students will be 20, which will in turn cause a reduction of approximately RMB1.8 million of revenue generated from tuition fees for one school year. We do not intend to acquire or rent extra site for strict compliance with the Ratio requirements.

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

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

On December 30, 2016, the Implementation Regulations for Classification Registration of Private Schools (《民辦學校分類登記實施細則》) (the "**Classification Registration Rules**") was promulgated by five PRC government authorities, including the MOE, which became effective on the same date. According to the Classification Registration Rules, existing private schools are required to choose to register either as not-for-profit or for-profit private schools with competent government authorities. If a school elects to register as a for-profit school, it is required to (i) undertake financial settlement, (ii) clarify the ownership of land, school premises and properties it accumulated during its operations, (iii) pay relevant taxes and fees, and (iv) obtain a new private school operation permit and re-register with relevant authorities. We are still unable to predict or estimate the potential costs and expenses in choosing and adjusting our structure. We may incur significant administration and financial costs when we choose to or we are required to complete the re-registration process, which may materially and adversely affect our business, financial condition and results of operations. However, we cannot assure you that the implementation of the relevant rules and regulations by the competent authorities will not deviate from our understanding.

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

In addition, if any of our self-owned schools chooses to be registered as a for-profit private school, there are uncertainties about the timing of the registration. There are also uncertainties relating to the types and extent of government support measures we may be able to enjoy. For instance, with respect to the preferential tax treatment contemplated by the Decision, the Decision does not specify whether any of our self-owned schools will be required to pay additional taxes as the relevant PRC tax laws have not been amended to distinguish between for-profit private schools and not-for-profit private schools, and there is currently no clarity as to whether the tax treatment will change for any of our self-owned schools after the Decision becomes effective. According to the Decision, while land will be supplied to private schools by the government through allocation or other means, for-profit private schools are not expected to enjoy the same treatment as public schools and not-for-profit private schools. Since the implementation regulations have not been promulgated by the local government authorities as of the Latest Practicable Date, there is uncertainty as to whether and how our self-owned schools will be able to benefit from any such additional supporting measures as contemplated or at all. We enjoyed preferential tax treatment during the Track Record Period, and the preferential tax treatment with regard to the PRC corporate income tax has direct impact on our net profit. Based on the assumption that we did not enjoy any preferential tax treatment with regard to the PRC corporate income tax during the Track Record Period, our net profit for the years ended December 31, 2015, 2016 and 2017 would have decreased by RMB6.9 million, RMB18.5 million and RMB40.3 million, respectively. We cannot assure you that favorable tax and other supportive treatment contemplated under the Decision will not change or that they continue to apply to our self-owned schools after the Decision becomes effective. Accordingly, as of the Latest Practicable Date, we were not able to quantify the impact that the Decision may have on our business, results of operations, financial condition and prospects.

We are exposed to geographic concentration risks as all of the self-owned and entrusted schools we currently operate are located in Sichuan Province.

During the Track Record Period, we operated all of our self-owned and entrusted schools in Sichuan Province. Our student base mainly comes from Sichuan Province. We expect that we will continue to source a majority of our students, and generate a majority of our revenue from our schools in Sichuan

Province in the foreseeable future. Accordingly, we are susceptible to factors adversely affecting the PRC private education industry, or any other factors adversely affecting the geographic areas in which we operate our business.

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

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

We experienced steady growth in our revenue during the Track Record Period. Such growth was primarily driven by increases in the tuition fees our self-owned schools charge and in the number of students enrolled at our self-owned schools. Our financial condition and results of operations may fluctuate due to a number of other factors, many of which are beyond our control, including: (i) shifts in public perception of the private education industry in China; (ii) our ability to maintain and increase student enrollment at our self-owned schools and maintain and raise tuition fees and boarding fees; (iii) general economic and social conditions and government regulations or actions pertaining to the provision of private education in China, and in particular, Sichuan Province; (iv) increased competition and market perception and acceptance of any newly introduced education programs in any given year; (v) expansion and related costs in a given period; and (vi) our ability to control our cost of sales and other operating costs, and enhance our operational efficiency. In addition, we may not be successful in continuing to increase the number of students admitted to our self-owned schools, and we may not be successful in carrying out our growth strategies and expansion plans.

Other than Tianli Kindergarten of Gulin County, Chengdu Wuhou District Kinderworld Kindergarten and Cangxi Tianli School, all of our self-owned K-12 schools enjoyed tax-exempt status with respect to PRC corporate income tax during the Track Record Period, based on the confirmations from the relevant local tax bureaus and local office of the SAT. If these schools are required by the PRC tax authorities to pay corporate income tax in the future, our profitability may be adversely impacted.

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

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

For our self-owned grade schools, tuition fees and boarding fees are generally paid in advance prior to the beginning of each school year. For our self-owned kindergartens, tuition fees are generally paid in advance at the beginning of every semester. Tuition and boarding fees received are initially recorded as deferred revenue and then recognized proportionately over the relevant period of the applicable program. Accordingly, we have experienced, and expect to continue to experience, seasonal fluctuations in our results of operations in connection with the term of our education programs. However, our costs and expenses vary significantly from time to time and do not necessarily correspond with our recognition of revenue. We expect fluctuations in our revenue and results of operations to continue. These fluctuations could result in volatility and adversely affect the price of our Shares.

As we currently provide meal catering services at our self-owned K-12 schools, we may be exposed to potential liabilities if we cannot maintain food quality standards, which could adversely and materially affect our business.

As we provide meal catering services at each of our self-owned K-12 schools, we may be exposed to potential liabilities if we are not able to maintain food quality standards. Although we strive to maintain the quality of food we provide, we cannot assure you that we will always meet the food quality standards required by applicable laws and regulations or maintain proper operations of our canteens at our self-owned K-12 schools. As such, we cannot assure you that incidents and other issues caused by poor food quality will not occur in the future and, if we are unable to manage these incidents effectively, our teachers' and students' health could suffer and medical emergencies could potentially occur. Any of the foregoing could seriously damage our reputation and affect our student enrollment, which would have a material and adverse effect on our business, financial condition and results of operations.

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

We could be held liable for accidents or injuries or other harm to students or other people at our school premises, 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, did not adequately maintain our school facilities or provided insufficient supervision to our students and therefore may be held liable for accidents or injuries suffered by our students or other people at our school premises. In 2015, one of our students was accidentally injured on campus, and she and her parents as her legal representatives sued us for damages. We reached a RMB84,251 settlement with the injured student and her parents, which was fully paid in 2016. In addition, if any of our students or teachers commits any acts of violence, we could face allegations that we failed to provide adequate security or were otherwise responsible for his or her actions. Furthermore, in such events, our schools may be perceived to be unsafe, which may discourage prospective students from applying for or attending our schools. 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 renew our insurance policies in the future at reasonable prices or at all. A liability claim against us or any of our employees could adversely affect our reputation and student enrollment and retention. In addition, such claim may create unfavorable publicity, cause us to pay compensation, incur costs in defending such claim, and divert the time and attention of our management, all of which may have a material adverse effect on our business, prospects, financial condition and results of operations.

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

Our schools lease a number of properties from a related party and certain Independent Third Parties. As of the Latest Practicable Date, our schools leased certain properties. See the section headed "Business — Properties" in this prospectus for further details. We are not in a position to effectively control the quality, maintenance and management of such premises, buildings and facilities. In the event that the quality of the school premises, buildings and facilities deteriorates, or if any or all of our landlords fail to properly maintain and renovate such premises, buildings or facilities in a timely manner or at all, the operation of our schools could be materially and adversely affected. In addition, if any of our landlords terminates any existing lease agreement, refuses to continue to lease its premises to us when such lease agreement expires, or increases rent to a level not acceptable to us, we will be forced to relocate our operations to other locations. We may not be able to find suitable premises for such relocation without incurring significant time and costs, or at all. If this occurs, our business, results of operations and financial condition could be materially and adversely affected.

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

As of the Latest Practicable Date, we leased certain properties and we had not been provided with the building ownership certificates by the landlords for two leased properties. As a result, there is a risk that the landlords from whom we lease such properties may not have valid building ownership certificates for the premises they lease to us, or otherwise may not have the right to lease such premises to us. According to our PRC Legal Adviser, in the event that our landlords do not have valid building ownership certificates, we may face challenges from property owners or other third parties to the lessors' rights. If any of our leases were terminated as a result of challenges by third parties to the lessors' rights, we may be forced to relocate the affected premises and incur significant expenses, which may affect our operations, and could adversely affect our business, financial condition and results of operations.

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

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

The Property Valuation Report set out in Appendix III to this prospectus with respect to the appraised values of our properties in Sichuan Province is based on various assumptions, which may be subjective and uncertain in nature. The assumptions that Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**") used in the property valuation report include, among others: (i) buildings under construction as of the valuation date will be developed and completed in accordance with the latest development proposal; and (ii) the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement that could affect the value of the property interest.

Certain of the assumptions used by JLL in reaching the appraised values of our properties may be inaccurate or unreasonable and the value of our property interests in the property valuation report could be different from their market value. Hence, the appraised values of our properties should not be taken as their actual realizable values or a forecast of their realizable values. Unexpected changes to our properties and to the national and local economic conditions may affect the values of these properties. You should not place undue reliance on such values attributable to these properties as appraised by JLL.

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

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

We recorded net current liabilities as of December 31, 2015, 2016 and 2017, and we may record net current liabilities in the future.

As of December 31, 2015, 2016 and 2017, we recorded net current liabilities of RMB191.8 million, RMB196.1 million and RMB265.3 million, respectively. We recorded net current liabilities as of each of these dates primarily because (i) we recorded large amounts of deferred revenue, which primarily consisted of advanced payments of tuition fees and boarding fees received from students that had not been recognized as of the respective dates, (ii) we had substantial amounts of outstanding bank loans which were primarily incurred to support our business expansion and fund our working capital, (iii) we recorded amounts due to related parties, which primarily consisted of payables to related parties in relation to the construction of our schools, and (iv) we recorded substantial amounts of other payables and accruals, which primarily consisted of payables for purchase of property, plant and equipment, miscellaneous advances from students, and accrued bonuses and other employee benefits. Please see the section headed "Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position — Current Assets and Current Liabilities" in this prospectus for further information. We cannot assure you that we will be able to obtain adequate financing to meet our future working capital requirements. In addition, we cannot assure you that we will be able to obtain additional working capital to execute our growth strategies, or that future expansion of our school network will not materially and adversely impact the current or future level of working capital.

We recorded a significant decrease in interest income during the Track Record Period due to repayment of loan from a related party.

For the years ended December 31, 2015 and 2016, our Group advanced loans to Tianli Holding, a related party of our Group. Interest under such loans was charged based on the monthly balance of interest bearing receivables at each month end and at an interest rate of 15% per annum. The loans were fully repaid by Tianli Holding during the year ended December 31, 2016. As a result, we recorded interest income from related parties of RMB11 million, RMB35 million and nil for the years ended December 31, 2015, 2016 and 2017, respectively. Such interest income was not of recurring nature.

We maintain limited insurance coverage.

We maintain various insurance policies for all of our self-owned schools, such as school liability insurance to safeguard against risks and unexpected events. In particular, we have purchased earthquake insurance for all of the schools in respect of which we own the relevant properties. See the section headed "Business — Insurance" in this prospectus for more information. However, our insurance coverage is still limited in terms of amount, scope and benefit. Consequently, we are exposed to various risks associated with our business and operations. We are nevertheless 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, strikes, terrorist attacks and social instability or any other events beyond our control. The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business-related insurance products. We do not have any business disruption insurance or key-man life insurance. Any business disruption, litigation or legal proceedings or natural disaster, such as epidemics, pandemics or earthquakes, or other events beyond our control could result in substantial costs and the diversion of our resources. Our business, financial condition and results of operations may be materially and adversely affected as a result.

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

Unauthorized use of any of our intellectual property may adversely affect our business and reputation. We rely on a combination of patent, trademark and trade secret laws to protect our intellectual property rights. Nevertheless, third parties may obtain and use our intellectual property without due authorization. The practice of intellectual property rights enforcement action by the PRC regulatory authorities is in its early stage of development and is subject to significant uncertainty. We may also need to resort to litigation and other legal proceedings to enforce our intellectual property rights. Any such action, litigation or other legal proceedings could result in substantial costs 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 using our intellectual property without authorization. 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 educational programs do not or will not infringe the intellectual property rights of third parties. As of the Latest Practicable Date, we did not encounter any material claim for intellectual property infringement. However, there is no guarantee that in the future third parties will not claim that we have infringed their proprietary rights.

Although we plan to defend ourselves vigorously in any such litigation or legal proceedings, there is no assurance that we will prevail in these matters. Participation in 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 lose the ability to use the related content or materials, which in turn could materially and adversely affect our educational programs and our operations. Any similar claim against us, even without any merit, could also hurt our reputation and brand image. Any such event could have a material and adverse effect on our business, financial condition and results of operations.

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

We adopted the Share Option Scheme on June 24, 2018, under which we may issue options to purchase up to a total of 200,000,000 Shares to our Directors, senior management and employees for their contribution to our Group and to attract and retain key personnel. The fair value of the services received in exchange for the grant of these share options will be recognized as share-based compensation expenses, which will have an adverse effect on our profits. Moreover, exercise of the share options that we have granted or plan to grant will increase the number of our Shares in circulation. Any actual or perceived sales of additional Shares acquired upon the exercise of the share options that we have granted or plan to grant may adversely affect the market price of our Shares.

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

Pursuant to PRC laws and regulations, we are required to participate in various employee social insurance plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance, and the housing provident fund, and contribute to these plans and fund at the levels specified by the relevant local government authorities from time to time at locations where we operate our business. During the Track Record Period, we did not make full contributions to the social insurance plans and the housing provident fund as required under the relevant laws and regulations. We estimate that the aggregate amount of social insurance payments and housing provident fund contributions that we did not pay during the years ended December 31, 2015, 2016 and 2017 was approximately RMB9.6 million, RMB13.6 million and RMB14.2 million, respectively. See the section headed "Business — Legal Proceedings and Compliance" in this prospectus for details. However, we cannot assure you that the relevant local government authorities will not require us to pay the outstanding amount within a prescribed time or impose late fees or fines on us, which may materially and adversely affect our business, financial condition and results of operations.

Unauthorized disclosure 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 otherwise could adversely affect our reputation.

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

We face risks relating to natural disasters, health epidemics or terrorists attacks in China.

Our business could be materially and adversely affected by natural disasters, such as earthquakes, floods, landslides, outbreaks of health epidemics such as avian influenza and severe acute respiratory syndrome, or SARS, or Influenza A virus, such as H5N1 subtype and H5N2 subtype flu viruses, as well as terrorist attacks, other acts of violence or war or social instability in the region in which we operate or those generally affecting China. In particular, as many of our students are boarding students and some of our self-owned K-12 schools provide on-campus accommodation to our teachers 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 premises 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 a significant decline in the number of students applying to or enrolled in our school network. 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 determine 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.

Foreign investment in the education industry in China is extensively regulated and subject to numerous restrictions. Under the Foreign Investment Catalogue, foreign investors are prohibited from investing in primary and middle schools in the PRC for students in grades one through nine. In addition, preschool education, high school education and higher education are restricted industries for foreign investors, and foreign investors are only allowed to invest in preschool education, high school education and higher education in cooperative ways and the domestic party shall play a dominant role in the cooperation. Furthermore, under the Implementing Opinions of the Ministry of Education on Encouraging and Guiding the Private Fund into the Educational Field to Promote Healthy Development of Private Education, which was issued by the MOE on June 18, 2012, the foreign portion of the total investment in a Sino-foreign cooperative education institution such as a preschool, high school or higher education, should be below 50%. According to the relevant regulations, foreign investors investing in preschools, high schools and higher education must be foreign education institutions, with relevant qualifications and experience. See the "Regulatory Overview" section in this prospectus for more information.

We entered into a series of arrangements pursuant to which our wholly owned subsidiary, Tibet Yongsi, receives full economic benefits from our PRC Operating Entities. Please see the "Structured Contracts" section in this prospectus for details. We may enter into similar arrangements during the future expansion of our school network.

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

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

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

Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the Draft Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

The Ministry of Commerce of the People's Republic of China ("**MOFCOM**") published a discussion draft of the proposed Foreign Investment Law ("**Draft Foreign Investment Law**") in January 2015 aiming to, upon its enactment, replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. While MOFCOM solicited comments on the Draft Foreign Investment Law 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 viability of our current corporate structure, corporate governance and business operations in many aspects. Please see the section headed "Structured Contracts — Development in the PRC Legislation on Foreign Investment" in this prospectus for further details.

Among other things, the Draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of "actual control" in determining whether a company is considered a foreign-invested enterprise ("**FIE**"). Once an entity is determined to be an FIE, it will be subject to the foreign investment restrictions or prohibitions set out in a "negative list", to be separately issued by the State Council later. If the investment amount of an FIE exceeds certain thresholds or its business falls within the negative list, market entry clearance by the MOFCOM would be required.

Under the Draft Foreign Investment Law, variable interest entities, or consolidated affiliated entities, that are controlled via contractual arrangement would also be deemed to be FIEs, if they are ultimately "controlled" by foreign investors.

Although the Draft Foreign Investment Law was released for consultation purposes, there is substantial uncertainty regarding the Draft Foreign Investment Law, including with respect to its final content (especially the provisions dealing with VIE structure), adoption timeline or effective date. Mr. Luo, the founder of our Company and chairman of the Board, is a Chinese national and will be capable of exerting significant influence at Board meetings and Shareholders' meetings of the Company (as applicable) despite the fact that Mr. Luo is only interested in approximately 43.13% of the issued capital of our Company immediately upon completion of the Global Offering (assuming no exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), and hence is the "actual controller" of the Company. However, our PRC Legal Adviser advised that it is still unclear as at the Latest Practicable Date as to (i) what level of "actual control" is required to qualify as a domestic enterprise; (ii) how domestic enterprises operated by foreign investors under a contractual arrangement are to be regulated; and (iii) what businesses are to be classified as "restricted businesses" or "prohibited businesses" in the negative list under the Draft Foreign Investment Law.

If, upon its enactment, the current Draft Foreign Investment Law (i) does not recognize our structure under our Structured Contracts as domestic investment; (ii) does not provide any preferential treatment to investors from Hong Kong, Macau and Taiwan; (iii) requires Tibet Yongsi to apply for access permission (准入許可), a government permit that allows foreign investors to invest in "restricted" and/or "prohibited" businesses on the negative list, our Structured Contracts may be regarded as invalid and illegal if we cannot obtain such access permission. As a result, our Group would not be able to continue our business in China through the Structured Contracts. In the extreme case-scenario, we may be required to unwind the Structured Contracts and/or dispose of our business under the Structured Contracts, which could have a material and adverse effect on our business, financial condition and result of operations. In addition, the measures adopted or to be adopted by us including the undertaking given by Mr. Luo (as set out in the section headed "Structured Contracts — Development in the PRC Legislation on Foreign Investment" in this prospectus) to maintain control over and receive economic benefits from our PRC Operating Entities alone may not be effective in ensuring compliance with the Draft Foreign Investment Law (if and when it becomes effective) because the Draft Foreign Investment Law has not been finalized and its final form for implementation may contain different requirements. In the event that our Company no longer has a sustainable business after the aforementioned unwinding of the Structured Contracts or disposal or 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 or even result in delisting of our Company. We will disclose, as soon as possible, updates of changes to the Draft Foreign Investment Law that will materially and adversely affect us as and when they occur. For details of the Draft Foreign Investment Law and the negative list and its potential impact on our Company, and our potential measures to maintain control over and receive economic benefits from our PRC Operating Entities, please refer to the section headed "Structured Contracts — Development in the PRC Legislation on Foreign Investment" in this prospectus.

Given that the relevant government authorities have broad discretion in interpreting the foreign investment laws and there are uncertainties as to the three possible approaches proposed in the Explanatory Notes on the treatment of existing contractual arrangements before the Draft Foreign Investment Law becomes effective as further described in the section headed "Structured Contracts —

Development in the PRC Legislation on Foreign Investment" in this prospectus, in the worst case scenario, the Structured Contracts may be regarded by the relevant government authorities as invalid and illegal and our Group's operation of our self-owned schools ("**Relevant Businesses**") may be ordered by the relevant government authorities to be discontinued under the existing structure and may not be sustainable in the event that: (i) the operation of the Relevant Businesses were to be recognized on the negative list, (ii) our Structured Contracts were to not be deemed as a domestic investment by the relevant government authorities, and (iii) there were to be no special treatment of investors from Hong Kong, Macau and Taiwan who control a domestic enterprise. As a result, we would not be able to operate the Relevant Businesses through the Structured Contracts and would lose our rights to receive the economic benefits of our PRC Operating Entities under the Structured Contracts, and the financial results of our PRC Operating Entities would no longer be consolidated into that of our Group and we would have to derecognize their assets and liabilities according to the relevant accounting standards.

Furthermore, the undertaking given by Mr. Luo (as set out in the section headed "Structured Contracts — Development in the PRC Legislation on Foreign Investment" in this prospectus) may impact our ability to finance our future expansion plans or use Shares as consideration for acquisitions or as a form of equity incentive for our management and employees. In addition, if the measures in Mr. Luo's undertaking are impractical to be carried out, this may have an adverse effect on our Structured Contracts. We also cannot assure you that such undertaking will not serve as a disincentive to parties proposing to acquire a material interest in our Shares or control of our Company, which may have a negative impact on the price and liquidity of our Shares.

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

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

If the parties under such Structured Contracts refuse to carry out our directions in relation to everyday business operations, we will be unable to maintain effective control over the operations of our PRC Operating Entities. If we were to lose effective control over our PRC Operating Entities, it may negatively influence our ability to consolidate the financial results of our PRC Operating Entities with our financial results. Given that revenue from our PRC Operating Entities constitutes substantially all of the revenue in our consolidated financial statements for the years ended December 31, 2015, 2016 and 2017, our financial position would be materially and adversely impacted if we were to lose effective control over our PRC Operating Entities. In addition, losing effective control over our PRC Operating

Entities may negatively impact our operational efficiency and brand image. Further, losing effective control over our PRC Operating Entities may impair our access to their cash flow from operations, which may reduce our liquidity.

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

Our control over our PRC Operating Entities is based upon the Structured Contracts we have entered into with, among others, our PRC Operating Entities, Registered Shareholders and the directors of our PRC Operating Entities. 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 the other parties to the Structured Contracts in respect of our PRC Operating Entities on the other hand, the Registered Shareholders will act completely in our interest or that the conflicts of interest will be resolved in our favor. In the event that such conflicts of interest cannot be resolved in our favor, we would have to rely on legal proceedings which could result in disruption to our business and we are subject to uncertainty as to the outcome of any such legal proceedings. If we are unable to resolve such conflicts, our business, financial condition and results of operations could be materially and adversely affected.

The school sponsor interests in our PRC Operating Schools held by the Registered Shareholders are not capable of being pledged in favor of our WFOE, Tibet Yongsi, under PRC laws. Our Structured Contracts with respect to our PRC Operating Schools contain alternative arrangements that may not achieve the level of protection equivalent to typical contractual arrangements with equity pledge arrangements.

A set of relevant contractual arrangements adopted for the purpose of controlling an entity typically includes equity pledge arrangements in favor of the controlling entity to prevent the registered legal owners of the controlled entity from transferring their legal interests without authorization by the controlling entity. Such equity pledge arrangements also serve as collateral to secure the controlled entity's obligations under the relevant contractual arrangements. However, according to the relevant PRC laws and regulations, the relevant sponsor interests of our PRC Operating Schools are not capable of being pledged in favor of our WFOE. As a result, we have adopted alternative measures in our Structured Contracts, including (i) pursuant to the Exclusive Business Cooperation Agreement, the Registered Shareholders and each of our PRC Operating Entities have undertaken that, without prior written consent of Tibet Yongsi or its designated party, they shall not conduct or cause to conduct any activity or transaction which may have an actual impact on the assets, business, staff, obligations, rights or operations of our PRC Operating Entities or on the ability of the Registered Shareholders and each of our PRC Operating Entities have undertaken to perform the obligations under the Structured Contracts; (ii) pursuant to the Exclusive Call Option Agreement, the Registered Shareholders and Tianli Education have further undertaken to Tibet Yongsi that, among others, they shall not sell, assign, transfer or otherwise dispose of or create any encumbrance over school sponsor interests or equity interests (as applicable) in any of our PRC Operating Entities without prior written consent of Tibet Yongsi; and (iii) our Company has taken measures to ensure that the company seals of our PRC Operating Entities are properly secured, are within the full control of our Company and cannot be used by the Registered Shareholders or our PRC Operating Entities without our permission. Such measures include arranging for the company seals of our PRC Operating Entities to be kept in the safe custody of the finance department recommended by Tibet Yongsi and setting up lines of authority for using the company seals, financial chops and business registration certificates such that the company seals, financial chops and business registration certificates can only be used under direct authorization of our Company or Tibet Yongsi. See the section headed "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts" in this prospectus for further details. These measures, however, have certain inherent risks when compared to typical contractual arrangements with equity pledge arrangements. We cannot assure you that they will always be effective in preventing unauthorized legal transfer of the sponsor interests by the Registered Shareholders, including our WFOE that is in possession of the relevant company seals, financial chops and business registration certificates to effect a legal transfer of the sponsor interests.

Our exercise of the option to acquire the sponsor interests or equity interests of our PRC Operating Entities may be subject to certain limitations and we may incur substantial costs.

We may incur substantial costs in the exercise of the option to acquire the sponsor interests or equity interests in our PRC Operating Entities. Pursuant to the Structured Contracts, Tibet Yongsi has the exclusive right to require the sponsors or shareholders of our PRC Operating Entities to transfer their sponsor interests or equity interests in our PRC Operating Entities, in whole or in part, to Tibet Yongsi or a third party designated by Tibet Yongsi at any time and from time to time, at the lowest price allowed under PRC laws and regulations at the time of transfer. If the relevant PRC authorities determine that the purchase prices for acquiring our PRC Operating Entities are below the market value, they may require Tibet Yongsi to withhold individual income tax for ownership transfer income with reference to the market value. The amount of the tax may be substantial, which could materially and adversely affect our business, financial condition and results of operations.

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

Under the applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the terms of any Structured Contract do not represent an arm's-length price and adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could increase our tax liabilities. In addition, the PRC tax authorities may have reason to believe that our subsidiaries or PRC Operating Entities are avoiding/evading their tax obligations, and we may not be able to rectify such contravention within the time limit set by the PRC tax authorities or at all. As a result, the PRC tax authorities may impose late payment fees and other penalties on us for under-paid taxes, which could materially and adversely affect our business, financial condition and results of operations.

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

We rely on dividend and other payments from Tibet Yongsi to pay dividends and other cash distributions to our Shareholders and any limitation on the ability of Tibet Yongsi to pay dividends to us would materially and adversely limit our ability to pay dividends to our Shareholders.

Our Company is a holding company and our ability to pay dividends and other cash distributions to our Shareholders, service any debt we may incur and meet our other cash requirements depends significantly on our ability to receive dividends and other distributions from Tibet Yongsi, our PRC subsidiary. Tibet Yongsi's income in turn depends on the service fees paid by our PRC Operating Entities and its operation activities in our entrusted schools and franchised early childhood education centers. However, there are restrictions under PRC laws for the payment of dividends to us by Tibet Yongsi. For example, under PRC laws and regulations, Tibet Yongsi 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. In addition, at the end of each fiscal year, each of our schools which is a private school is required to allocate no less than 25% of its annual net income to the development fund of the school for the construction or maintenance of the school properties or purchase or upgrade of school facilities. Consequently, Tibet Yongsi is restricted in its ability to transfer a portion of its net assets to us or any of our other subsidiaries in the form of dividends, loans or advances. The foregoing restrictions on the ability of Tibet Yongsi to pay dividends to us and the limitations on the ability of our PRC Operating Entities to pay service fees to Tibet Yongsi could materially and adversely limit our ability to pay dividends to our Shareholders.

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

Pursuant to the Decision, sponsors of private schools may choose to establish not-for-profit or for-profit private schools (with the exception that schools providing compulsory education can only be established as not-for-profit entities) and will no longer be required to indicate whether they require reasonable returns or not. Sponsors of for-profit private schools are entitled to retain the profits and proceeds from the schools and the operation surplus may be allocated to the sponsors pursuant to the PRC Company Law and other relevant laws and regulations. Sponsors of not-for-profit private schools are not entitled to any distribution of profits or revenue from the not-for-profit schools they operate and all operation surpluses of the schools shall be used for the operation of the schools. However, the Decision is silent on any requirement for a development fund of the not-for-profit schools or for-profit schools.

As a holding company, our ability to pay dividends and other cash distributions to our Shareholders depends solely on our ability to receive dividends and other distributions from the WFOE (i.e. Tibet Yongsi), which in turn depends on the service fees paid to it from our PRC Operating Entities. Pursuant to the Decision, sponsors of not-for-profit schools are not allowed to receive operating profits. Nevertheless, our not-for-profit schools will continue to pay service fees to Tibet Yongsi in accordance with the Structured Contracts, which, as advised by our PRC Legal Adviser, will not be regarded as a distribution of operating profits of schools to the investors/school sponsors (please refer to the section headed "Structured Contracts — Legality of the Structured Contracts — PRC Legal Opinions" in this prospectus for further details).

However, if the relevant PRC government authorities take a different view in the future, they may seek to confiscate any or all of the service fees that have been paid by our not-for-profit schools to the WFOE, even retrospectively, to the extent that such service fees are tantamount to "operating profits" received by the sponsors of these schools which will then be 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.

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

We currently conduct our business in China substantially through our Structured Contracts. As part of these arrangements, substantially all of our educational-related assets, permits and licenses that are important to the operation of our business are held by our PRC Operating Entities. If any of these PRC Operating Entities is wound up, and all or part of their assets become subject to liens or rights of third-party creditors or are distributed to other persons of higher priority than the school sponsor or the shareholders of the companies in accordance with the applicable PRC laws and regulations, we may be unable to continue some or substantially all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of our PRC Operating Entities undergoes a voluntary or involuntary liquidation proceeding as provided by the applicable PRC laws and regulations, including the Law on the Promotion of Private Schools of the PRC, our PRC Operating Entities may be required to distribute their assets to other persons of higher priority than the school sponsor of the shareholders of the companies, or its equity owner or unrelated third-party creditors may claim rights relating to some or all of these assets. This 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 each of the school sponsors or shareholders of our PRC Operating Entities undertakes pursuant to the Structured Contracts that in the event of dissolution or liquidation of our PRC Operating Entities, Tibet Yongsi or its designated person shall have the right to exercise all school sponsors' and shareholders' rights on behalf of the school sponsors and shareholders of our PRC Operating Entities shall instruct all of our PRC Operating Entities to transfer assets directly to Tibet Yongsi or its designated person before such dissolution or liquidation, we may not be able to exercise our rights in a timely manner and our business, financial condition and operations may be materially and adversely affected.

If we are not able to execute or manage our overseas expansion strategies effectively, our ability to capitalize on new business opportunities would be hindered.

As disclosed in the section headed "Structured Contracts — Plan to Comply with the Qualification Requirement" in this prospectus, to prepare for the potential expansion of our business to overseas, we have established a UK subsidiary, Tianli Education (UK) Limited, which will serve as the main operating hub of our overseas business and acquire well-established local K-12 education groups or schools in the UK gradually.

We have no prior experience in establishing and/or operating schools in the UK or elsewhere outside of the PRC, and we may encounter barriers and challenges upon entering into such markets, including failure to obtain relevant regulatory approvals, which may result in delay or inability to carry out our overseas expansion plans. We also plan to hire local administrators and teachers with relevant experience operating well-established local K-12 education groups or schools in the UK, but we cannot assure you we will be able to identify and hire suitable candidates or that we will be able to work effectively with them. We may not be able to attract students to enroll in our overseas schools due to our lack of market recognition in the region.

Furthermore, costs incurred may exceed our current expectations and we may need to make additional investments in developing our school overseas and may not be able to effectively manage our costs or generate sufficient revenue to justify the investment made. We cannot assure you that such an overseas expansion plans will be successful. Further, we may not successfully integrate our operations and the operations of the K-12 education groups or schools that we acquire in the UK in a timely manner, or at all. We may not continue to strengthen our 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 and recruitment personnel in view of the expansion plan. We may not realize the anticipated benefits or synergies of the acquisitions to the extent, or in the timeframe we anticipate, 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 K-12 education groups or schools as a result of a change in management. Failure to do so may result in a material adverse effect on our brand and reputation.

RISKS RELATING TO DOING BUSINESS IN CHINA

Adverse changes in PRC economic, political and social conditions as well as government policies could adversely affect our business and prospects.

Substantially all of our operations are located in China. Accordingly, our business, prospects, financial condition and results of operations may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

The economic, political and social conditions in the PRC differ from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past few decades, growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the Chinese government has implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, and since 2012, the Chinese economy has slowed down. Any prolonged slowdown in the Chinese economy may reduce the demand for our services and materially and adversely affect our business and results of operations.

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

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

We may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" within the PRC is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control over and overall management of the business, personnel, accounts and properties of an enterprise. In April 2009, the SAT issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like our Company and our non-PRC subsidiaries, the criteria set out in the circular may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe none of our entities outside of China are a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that we or any of our subsidiaries outside of China is a PRC resident enterprise for PRC enterprise income tax purposes, then we or such subsidiary could be subject to PRC tax at a rate of 25% on its world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realised on the sale or other disposition of our ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our Company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

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

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System ("**FI CMIS**"), and registration with other governmental authorities in China. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE, or its local branches, and (ii) each of our PRC subsidiaries may not procure loans which exceed the difference between its registered capital and its total investment amount as recorded in FI CMIS. Any medium or long term loan to be provided by us to our PRC Operating Entities must be recorded and registered by the National Development and Reform Committee and the SAFE or its local branches. We may not be able to complete such recording or registration on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such recording or registration, our ability to use the proceeds of this offering and to capitalise our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, ("**SAFE Circular 19**"). SAFE Circular 19 took effect on June 1, 2015. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capital of foreign-invested enterprises and allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, but continues to prohibit foreign-invested enterprises from using Renminbi funds converted from their foreign exchange capital for expenditure beyond their business scope. On June 9, 2016, the SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange ("**SAFE Circular 16**"). SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using Renminbi funds converted from their foreign exchange capital for expenditure beyond their business scope, investing and financing (except for securities investment or non-guaranteed bank products), providing loans to non-affiliated enterprises, or constructing or purchasing real estate not for self-use. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer to and use in China the net proceeds from this offering, which may adversely affect our business, financial condition and results of operations.

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 pressure on the PRC to allow more flexible exchange rates of 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.

Our revenue and costs are mostly denominated in Renminbi, and a significant portion of our financial assets are also denominated in Renminbi. We rely entirely on dividends and other fees paid to us by our PRC subsidiary, Tibet Yongsi. Tibet Yongsi's income in turn depends on the service fees paid by our

PRC Operating Entities and its operation activities in our entrusted schools and franchised early childhood education centers. Any significant change in the exchange rate of the Hong Kong dollar against Renminbi may materially and adversely affect the value of, and any dividends payable on, our Shares in Hong Kong dollars. For example, a further appreciation of Renminbi against the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into Renminbi, as Renminbi is the functional currency of our PRC subsidiary, Tibet Yongsi, and our PRC Operating Entities inside China. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payment of dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would lessen the amount of the Hong Kong dollars available.

The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our net revenue in Renminbi. Under our current corporate structure, our company in the Cayman Islands relies on dividend payments from our PRC subsidiary, Tibet Yongsi, to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE, by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulation, such as the overseas investment registrations by the beneficial owners of our Company who are PRC residents. However, approval from or registration with appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

In light of the flood of capital outflows of China in 2016 due to the weakening of Renminbi, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement. More restrictions and a substantial vetting process have been put in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government may at its discretion further restrict access to foreign currencies in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

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

The economy of China has been experiencing significant growth, leading to inflation and increased labor costs. According to the National Bureau of Statistics of China, the year-over-year change in the consumer price index in China was 1.5% in June 2017. China's overall economy and the average wage in the PRC are expected to continue to grow. Future increases in China's inflation and material increases in the cost of labor may materially and adversely affect our profitability and results of operations unless we are able to pass on these costs to our students by increasing tuition fees.

Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which legal cases have limited value as precedents. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in China. Our subsidiaries are subject to various PRC laws and regulations generally applicable to companies in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties.

In particular, PRC laws and regulations concerning the private education industry are developing and evolving. Although we have taken measures to comply with the laws and regulations that are applicable to our business operations and avoid conducting any non-compliant activities under the applicable laws and regulations, the PRC governmental authorities may promulgate new laws and regulations regulating the private education industry in the future. We cannot assure you that our business would not be deemed to violate any new PRC laws or regulations relating to private education. Moreover, developments in the private education industry may lead to changes in PRC laws, regulations and policies or in the interpretation and application of existing laws, regulations and policies that may limit or restrict private education institutions like us, which could materially and adversely affect our business and operations.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations.

Failure to obtain any government grants or the discontinuation, reduction or delay of any of the government grants currently enjoyed by us in the future could materially and adversely affect our business, financial condition and results of operations.

During the Track Record Period, we received various government grants from PRC local government authorities for the purpose of promoting private education in certain geographic areas. Government grants received are either related to operating costs arising from teaching activities at some of our self-owned K-12 schools or related to certain assets of some of our self-owned K-12 schools. Government grants related to operating costs are applied on a systematic basis against our costs of sales of the relevant periods. Government grants related to operating costs that have been received but yet to be expensed are recorded as deferred income. See the sections headed "Financial Information — Key Components of Our Results of Operations — Cost of Sales" and "Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position — Deferred Income" in this prospectus for more information. The government grants recognized in profit or loss (including the government grants related to assets which were amortized to profit or loss by way of a reduced depreciation) for the years ended December 31, 2015, 2016 and 2017 were RMB26.9 million, RMB38.3 million and RMB86.7 million, respectively. While these government grants were recurring in nature during the Track Record Period, the relevant governmental authorities may decide to reduce, eliminate or cancel such government grants at any time. We cannot assure you of the continued availability of the government grants currently enjoyed by us. The discontinuation, reduction or delay of these governmental grants could adversely affect our financial condition and results of operations.

The heightened scrutiny over acquisitions from the PRC tax authorities may have an adverse impact on our business or our acquisition.

On February 3, 2015, the SAT promulgated the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (the "**Circular 7**"), which provides comprehensive guidelines relating to, and heightened the PRC tax authorities' scrutiny on indirect transfers, by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise. For further details, please see "Regulatory Overview" in this prospectus.

There is uncertainty as to the application of the Circular 7. The Circular 7 may be determined by the tax authorities to be applicable to our offshore restructuring transactions or the sale of the shares of our offshore subsidiaries, where non-resident enterprises being transferors were involved. Furthermore, we, our non-resident enterprises and our PRC subsidiaries may be required to spend valuable resources to comply with the Circular 7 or to establish that we and our non-resident enterprise should not be taxed under the Circular 7 for our previous and future restructuring or disposal of the shares of our offshore subsidiaries, which may have a material adverse effect on our financial condition and results of operations.

We may be subject to penalties, including restriction on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute profits to us, if our PRC resident shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations.

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with and obtain approval from local branches of the SAFE in connection with their direct or indirect offshore investment activities. The Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles ("**SAFE Circular 37**"), was promulgated by the SAFE in July 2014 and requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. These regulations apply to our shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into the PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into the PRC and deemed to have been evasive or illegal, and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We have requested PRC residents holding direct or indirect interests in our Company to our knowledge to make the necessary applications, filings and amendments as required by applicable foreign exchange regulations. Due to a lack of detailed implementation rules regarding the registration requirements and the foregoing uncertainty, as of the Latest Practicable Date, some individual Shareholders of our Company who are PRC citizens are applying for remedial registration with the competent local branches of the SAFE. We are committed to complying with and to ensuring that our Shareholders who are subject to the regulations will comply with the relevant SAFE rules and regulations. However, due to the inherent uncertainty in the implementation of the regulatory requirements by PRC authorities, such registration might not be always be available in all circumstances as prescribed by those regulations. In addition, we may not always be able to compel them to comply with Circular 37 or other related regulations. We cannot assure you that the SAFE or its local branches will not release explicit requirements or interpret the relevant PRC laws and regulations otherwise. Failure by any such Shareholders to comply with Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC or overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or make other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

As there is uncertainty concerning the reconciliation of these foreign exchange regulations with other approval requirements, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant governmental authorities. We cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our results of operations and financial condition. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

Certain judgments obtained against us by our shareholders may not be enforceable.

We are an exempted company incorporated in the Cayman Islands while substantially all of our assets are located in China and substantially all of our current operations are conducted in China. In addition, a majority of our current directors and officers are nationals and residents of China and substantially all of the assets of these persons are located in China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. In addition, because there are no clear statutory and judicial interpretations or guidance on a PRC court's jurisdiction over cases brought under foreign securities laws, it may be difficult for you to bring an original action against us or our PRC resident officers and directors in a PRC court based on the liability provisions of non-PRC securities laws. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to the Global Offering, no public market for our Shares existed. The initial issue price range for our Shares was the result of negotiations among us and the Sole Global Coordinator (for itself and 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 the 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 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, our Group 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 private education industry and companies;
- changes in laws and regulations in China;
- our inability to compete effectively in the market; and
- political, economic, financial and social developments in China and worldwide.

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

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

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 unaudited pro forma adjusted consolidated net tangible asset value ranging from HK$1.01 per Share (assuming an Offer Price of HK$2.26 per Offer Share) to HK$1.11 per Share (assuming an Offer Price of HK$2.66 per Offer Share), and existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. Please refer to Appendix II in this prospectus for an illustrative and pro forma statement of adjusted net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis as set out therein for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible assets attributable to owners of our Company as of December 31, 2017 as if it had taken place on December 31, 2017. As such pro forma adjusted net tangible assets of our Group 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 at December 31, 2017 or at any future date. If we issue additional Shares in the future, purchasers of our Offer Shares may experience further dilution.

Possible setting of the Offer Price after making a Downward Offer Price Adjustment.

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Offer Share. It is therefore possible that the final Offer Price will be set at HK$2.04 per Offer Share upon the making of a full Downward Offer Price Adjustment. In such a situation, the Global Offering will proceed and the Withdrawal Mechanism will not apply. If the final Offer Price is set at HK$2.04, the estimated net proceeds we will receive from the Global Offering will be reduced to approximately HK$934.79 million assuming the over-allotment is not exercised and such reduced proceeds will be used as described in the "Future Plans and Use of Proceeds — Use of Proceeds" section of this prospectus.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, senior management and Controlling Shareholders, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and Controlling Shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

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 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 43.13% of our Shares. As such, our Controlling Shareholders will have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. These actions may be taken even if they are opposed by our other Shareholders, including those who purchased Shares in the Global Offering. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders.

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

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

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

During the Track Record Period, we did not declare or distribute any dividend to our Shareholders. 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 PRC laws, including (where required) approval 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, see the section headed "Financial Information — Dividends" in this prospectus.

We have significant discretion as to how we will use the net proceeds from 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 for purposes including the expansion of our school network, the improvement of our school facilities, and our faculty and staff training. Please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus 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 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 the section headed "Waivers from Compliance with the Listing Rules and Exemption from the Companies (Winding Up and Miscellaneous Provisions) Ordinance" in this prospectus for further details. There is no assurance that the Stock Exchange will not revoke any of these waivers 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.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various Independent Third Party sources, including the industry expert report, contained in this document.

This document, particularly the sections headed "Business" and "Industry Overview", contains information and statistics relating to the fundamental education market. Such information and statistics have been derived from a third-party report commissioned by us and publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics included in this document being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. You should consider carefully the importance placed on such information or statistics.

We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than under Hong Kong law, you may have less protection of your shareholder rights than you would under Hong Kong law.

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Cayman Companies Law and the common law of the Cayman Islands. The rights of shareholders to take legal action against our Directors and us, 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 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 established under statutes and judicial precedent in other jurisdictions, such as Hong Kong. See the section headed "Appendix IV — Summary of the Constitution of Our Company and Cayman Islands Law" to this prospectus.

As a result of all of the above, our public Shareholders may have more difficulty in protecting their interests through actions against our management, Directors or major Shareholders than they would as public Shareholders of a corporation incorporated in Hong Kong.

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 contain, 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 that such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility from 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.

In making your investment decision regarding our Shares, you should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong. 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.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set forth herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, agents, employees or advisors or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or purchase made under it shall, under any circumstances, constitute a representation that there has been no change or development in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

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

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Applicant Forms contain the terms and conditions of the Hong Kong Public Offering.

The Listing, and permission to deal in, the Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or around the Price Determination Date, subject to determination of the final Offer Price of the Offer Shares. Further information regarding the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" in this prospectus.

If, for any reason, the Offer Price is not agreed among our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) by the Price Determination Date, the Global Offering will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

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

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, without limitation to the following, 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 and sales 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 ON THE 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 the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

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

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 July 12, 2018, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on July 12, 2018. The Shares will be traded in board lots of 1,000 Shares each. The stock code of the Shares will be 1773.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they 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 Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, advisers, agents or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchasing, holding or disposing of, or dealing in, the Shares or exercising of any rights attaching to the Shares.

REGISTER OF MEMBERS AND HONG KONG STAMP DUTY

Our principal register of members will be maintained by our Cayman Island share registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. All Offer Shares will be registered on the Company's Hong Kong register of members in Hong Kong. Dealings in the Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date 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 advisors for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

STABILIZATION AND OVER-ALLOTMENT OPTION

Details of the arrangement relating to the stabilization and Over-allotment Option are set out under the section headed "Structure of the Global Offering" in this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

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

STRUCTURE OF THE GLOBAL OFFERING

The indicative Offer Price range is HK$2.26 to HK$2.66. We have reserved the right to make a Downward Offer Price Adjustment to provide flexibility in pricing the Offer Shares. The ability to make a Downward Offer Price Adjustment does not affect our obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in the prospectus.

If it is intended to set the final Offer Price at more than 10% below the bottom end of the indicative Offer Price range, the Withdrawal Mechanism will be applied if the Global Offering is to proceed.

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.

EXCHANGE RATE CONVERSION

For the purpose of illustration only, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. Unless otherwise specified, (i) the conversions between Renminbi and HK dollars were made at the rate of RMB0.82282 to HK$1.00, (ii) the conversions between Renminbi and U.S. dollars were made at the rate of RMB6.45848 to US$1.00 and (iii) the conversions between U.S. dollars and Hong Kong dollars were made at the rate of HK$7.8492 to US$1.00.

No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. The translated English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

OTHER

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

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

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

We do not have sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. The Group's management, business operations and assets are primarily based outside Hong Kong. The principal management headquarters and senior management of the Group are primarily based in China. The Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, the Group and therefore would not be in the best interests of the Company and the Shareholders as a whole. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorised representatives, namely Mr. Wang Rui, an executive Director, our chief financial officer and joint company secretary, and Mr. Wong Yu Kit, a joint company secretary, to be the principal communication channel at all times between the Stock Exchange and the Company. Each of our authorised representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorised representatives are authorised to communicate on our behalf with the Stock Exchange;

(b) we have implemented a policy to provide the contact details of each Director (such as mobile phone numbers, office phone numbers, residential phone numbers, email addresses and fax numbers) to each of the authorised representatives, to their alternate representative and to the Stock Exchange. This will ensure that each of the authorised representatives, the alternate representative and the Stock Exchange will have the means to contact all the Directors (including the independent non-executive Directors) promptly as and when required, including means to communicate with the Directors when they are travelling;

(c) we will ensure that all Directors who are not ordinarily resident in Hong Kong have valid travel documents to visit Hong Kong and will be able to come to Hong Kong to meet with the Stock Exchange within a reasonable period of time when required;

(d) we have retained the services of a compliance adviser, being Red Solar Capital Limited (the "**Compliance Adviser**"), in accordance with Rule 3A.19 of the Listing Rules. The Sole Sponsor submits, on behalf of our Company, that the Compliance Adviser will serve as an alternative channel of communication with the Stock Exchange in addition to the authorised representatives of our Company. The Compliance Adviser will provide our Company with professional advice on ongoing compliance with the Listing Rules. We will ensure that the Compliance Adviser has prompt access to our Company's authorised representatives and Directors who will provide to the

Compliance Adviser such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties. The Compliance Adviser will also provide advice to us in compliance with Rule 3A.23 of the Listing Rules; and

(e) meetings between the Stock Exchange and the Directors could be arranged through the authorised representatives or the Compliance Adviser, or directly with the Directors within a reasonable time frame. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorised representatives and/or the Compliance Adviser in accordance with the Listing Rules.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

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

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

In assessing "relevant experience", the Stock Exchange will consider the individual's:

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

(b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

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

(d) professional qualifications in other jurisdictions.

Our Company appointed Mr. Wang Rui and Mr. Wong Yu Kit as joint company secretaries of the Company on June 24, 2018. Mr. Wong Yu Kit is a fellow member of the Hong Kong Institute of Chartered Secretaries and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Mr. Wang Rui has been an executive Director and the chief financial officer of our Company since January 31, 2018. Our Company believes that Mr. Wang Rui, by virtue of his knowledge and experience in handling corporate administrative matters, is capable of discharging his functions as a joint company secretary. Further, our Company believes that it would be in the best interests of our Company and the corporate governance of the Group to have as its joint company secretary a person such as Mr. Wang Rui who possesses the relevant experience of the Group's financial, operational and investor relations matters.

Accordingly, while Mr. Wang Rui does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 such that Mr. Wang Rui may be appointed as a joint company secretary of our Company. The waiver was granted for a three-year period on the condition that Mr. Wong Yu Kit, as joint company secretary, will work closely with, and provide assistance to, Mr. Wang Rui in the discharge of his duties as our joint company secretary for an initial period of three years from the date of the Listing. In addition, Mr. Wang Rui will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the Listing Date. We will further ensure that Mr. Wang Rui has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. The waiver will be revoked immediately if Mr. Wong Yu Kit ceases to provide assistance to Mr. Wang Rui as the joint company secretary during the three years after the Listing. Before the expiration of the initial three-year period, the qualification of Mr. Wang Rui will be reevaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for ongoing assistance will continue. In the event that Mr. Wang Rui fulfills all the requirements stipulated at the end of the initial three-year period, the above joint company secretaries arrangement would no longer be necessary for our Company.

See the section headed "Directors and Senior Management" in this prospectus for further information regarding the qualifications of Mr. Wang Rui and Mr. Wong Yu Kit.

CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute continuing connected transactions of our Company under the Listing Rules following the completion of the Global Offering. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with (i) the announcement and independent shareholders' approval requirements, and (ii) the annual cap requirement set out in Chapter 14A of the Listing Rules for such continuing connected transactions. For further details in this respect, see the section headed "Connected Transactions" in this prospectus.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. LUO Shi (羅實)	Room 301, Unit 1 Building 1, 36 Ludao Road Wuhou District Chengdu City Sichuan Province PRC	Chinese
Ms. YANG Zhaotao (楊昭濤)	No. 1, Lv Yang Ju Junlin Tianxia, 666 Jinliang Road Chengdu City Sichuan Province PRC	Chinese
Mr. WANG Rui (王鋭)	Room 2404, Building 6 Phase 3, Changcheng Peninsula Town Zhuojin Road Hi-Tech Zone, Chengdu City Sichuan Province PRC	Chinese
Non-executive Director		
Mr. TIAN Mu (田畝)	Room 202, Unit 2 Building 16 6 Zijing West Road Hi-Tech Zone, Chengdu City Sichuan Province PRC	Chinese
Independent Non-executive Directors		
Mr. LIU Kai Yu Kenneth (廖啟宇)	Flat C, 16/F Block 13 Braemar Hill Mansions North Point Hong Kong	British
Mr. YANG Dong (楊東)	Room 7, Unit 2 Building 1, 4 Baishou Road Jinniu District, Chengdu City Sichuan Province PRC	Chinese

Name	Residential Address	Nationality
Mr. CHENG Yiqun (程益群)	Room 1703, Building 1 202 Guangnei Dajie Xicheng District Beijing China	Chinese

Please see the section headed "Directors and Senior Management" in this prospectus for further details.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor and Sole Global Coordinator	China International Capital Corporation Hong Kong Securities Limited 29th Floor One International Finance Centre 1 Harbour View Street Central, Hong Kong
Joint Bookrunners and Joint Lead Managers	China International Capital Corporation Hong Kong Securities Limited 29th Floor One International Finance Centre 1 Harbour View Street Central, Hong Kong Macquarie Capital Limited Level 18, One International Finance Centre 1 Harbour View Street Central Hong Kong Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Chambers Hong Kong
Legal Advisers to Our Company	*As to Hong Kong and U.S. laws:* Shearman & Sterling 12/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong

	As to PRC law: Jingtian & Gongcheng 31/F, One Aerospace Center No. 7 Xin Guang Hua Street Jinjiang District, Chengdu Sichuan, the PRC
	As to Cayman Islands law: Maples and Calder (Hong Kong) LLP 53/F, The Center 99 Queen's Road Central Hong Kong
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Company Website	www.sztljyjt.com *(The information on the website does not form part of this prospectus)*
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This section contains certain information, statistics and data which are derived from official government publications and industry sources as well as a commissioned report from Frost & Sullivan, an Independent Third Party (the "Frost & Sullivan Report"). The information from official government publications and the Frost & Sullivan Report may not be consistent with information available from other sources within or outside the PRC and Hong Kong. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering (excluding Frost & Sullivan in respect of the Frost & Sullivan Report and the information therein) and no representation is given as to its accuracy.

SOURCES OF INFORMATION

We commissioned Frost & Sullivan, an independent market research consulting firm which is principally engaged in the provision of market research consultancy services, to conduct a detailed analysis of the fundamental education market in China, the private fundamental education market in China, Western China and Sichuan province, and the private tutoring market in China, Western China and Sichuan province. Frost & Sullivan is a global consulting company and an Independent Third Party. Founded in 1961, it has 40 offices worldwide with over 2,000 industry consultants, market research analysts and economists. We have agreed to pay a fee of RMB580,000 to Frost & Sullivan for the preparation of the Frost & Sullivan Report. Figures and statistics disclosed in this section and those disclosed elsewhere in this prospectus and attributed to Frost & Sullivan or the Frost & Sullivan Report have been extracted from the Frost & Sullivan Report and published with the consent of Frost & Sullivan.

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

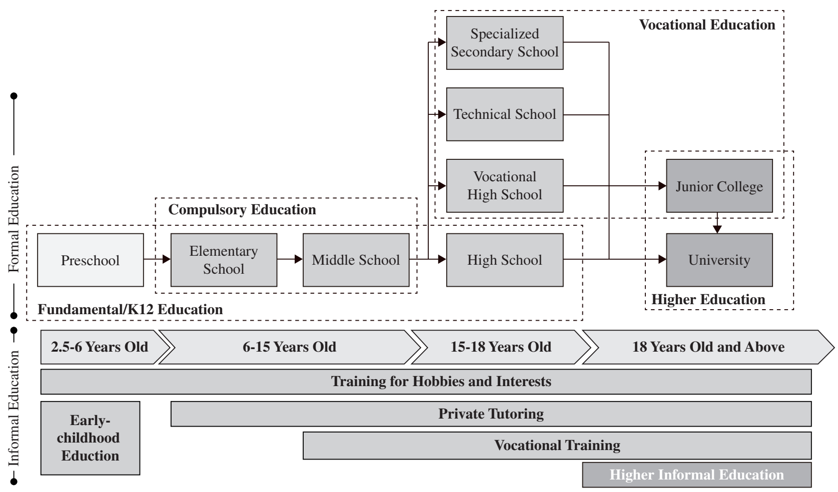
Based on and subject to the aforesaid, our Directors believe that the disclosure of future projections and industry data in this section is not biased or misleading. We believe that the sources of the information in this section are appropriate sources and we have taken reasonable care in extracting and reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. After taking reasonable care and based on Frost & Sullivan's views, our Directors confirm that there has been no adverse change in the market information since the date of the Frost & Sullivan Report up to the Latest Practicable Date which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF FUNDAMENTAL EDUCATION MARKET IN CHINA

Overview of the Education System in China

China's education system in general can be categorized into formal education and informal education. Formal education in China primarily comprises of fundamental education and higher education. Fundamental education can be further divided into four stages: preschool, elementary school, middle school and high school. The following diagram illustrates the composition of the China's education system.

Illustration of China's Education System



Source: Frost & Sullivan Report

Overview of Fundamental Education Market in China

In China, preschool education is not compulsory and mainly targets children aging from three to six years old. Preschool education is mainly provided in the form of kindergarten programs in urban areas and preschool classes in rural areas. Although both public and private capitals are allowed to invest in preschool education institutions, a majority of the preschool education institutions in China are invested and operated by private capitals.

Elementary school education is the first stage of the nine-year compulsory education in China. It usually has a term of five or six years. Most elementary schools in China are invested and operated by governmental public funds.

Middle school education is the second stage of the nine-year compulsory education in China, which usually has a term of three or four years. After graduation from middle schools, students can participate in the entrance examination for high schools. Most middle schools in China are invested and operated by governmental public funds.

High school education in China usually has a term of three years. It is not compulsory, but is a prerequisite for admission to college and postgraduate studies (excluding adult education) in China. High school students who pass the graduation examination are allowed to attend the national college entrance examination, or the Gaokao. High school graduates in China are generally granted a PRC high school diploma. A small number of high schools issue international diplomas, such as International Baccalaureate, American and Canadian diplomas, to their graduates. Most high schools do not offer their graduates dual diplomas.

Market Size of the Fundamental Education Market in China

The total revenue of China's fundamental education market increased from RMB1,671.0 billion in 2012 to RMB2,433.7 billion in 2016, representing a CAGR of 9.9%. It is expected to continue to grow at a CAGR of 8.7% from 2016 to 2021, reaching RMB3,688.6 billion in 2021.

From 2012 to 2016, the total student enrollment of China's fundamental education market has increased slightly from 206.1 million to 210.2 million. Driven by increasing enrollment rates and a growing school age population, it is expected to grow at a faster pace in the future, reaching 229.2 million in 2021.

OVERVIEW OF PRIVATE FUNDAMENTAL EDUCATION MARKET IN CHINA

Overview of Private Fundamental Education Market in China

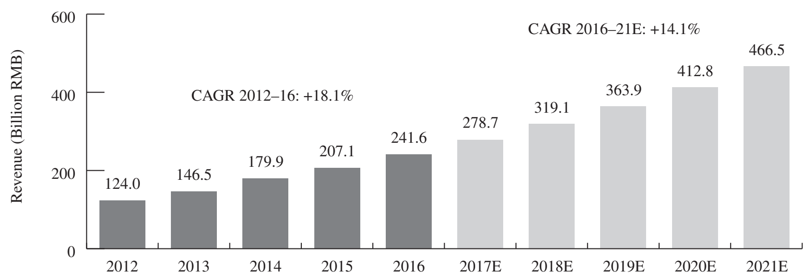
Private education in China was first allowed under PRC law in early 1980s to bridge the shortage of public resources. Private education has since experienced rapid growth and become an important segment in the PRC education system. Private education is expected to develop further, mainly driven by strong policy support from the PRC government and the increasing demand from parents.

Private schools in China usually follow the curriculum planned and required by the PRC educational authorities. Nevertheless, private schools have more flexibility to provide diversified courses as compared to public schools which generally only provide exam-oriented courses. Private schools in China usually charge higher tuition fees than public schools as they have less support from public funds.

Revenue of Private Fundamental Education Market in China

The total revenue of China's private fundamental education market increased from RMB124.0 billion in 2012 to RMB241.6 billion in 2016, and is expected to reach RMB466.5 billion in 2021, representing a CAGR of 18.1% from 2012 to 2016 and 14.1% from 2016 to 2021. This rapid growth was primarily driven by the parents' and students' rising preference for private schools, which resulted in an increased student enrollment in private schools, as well as increased tuition fees charged by private schools. The following chart sets forth the total revenue of China's private fundamental education market from 2012 to 2016, and a forecast of such revenue from 2017 to 2021:

Revenue of Private Fundamental Education Market (China), 2012–2021E



Source: Frost & Sullivan Report

Revenue Source of Fundamental Education: Comparison of Public and Private Schools

The education industry, as one of the most critical social undertakings, is commonly dominated by the government or relevant social institutions. Accordingly, it is widely accepted that a majority of the revenue of China's fundamental education market is sourced from government appropriation, especially in the case of public schools. For instance, about 90.9% of the revenue of the public schools in China's fundamental education market was sourced from government appropriation in 2016, while tuition and miscellaneous fees accounted for only approximately 3.5% of such revenue.

On the contrary, private schools are mainly supported by tuition and miscellaneous fees and other sources of revenue like funding provided by investors and donations. Tuition and miscellaneous fees as the majority of revenue source contributed approximately 71.4% of the total revenue of private schools in China's fundamental education market in 2016.

Drivers of Private Fundamental Education Market in China

Development of China's private fundamental education market is driven primarily by the following factors:

- **Chinese families' focus on children's education:** In China, children's education has always been highly valued by parents. Parents are willing to incur high costs in order for their children to receive high-quality education. In addition, an increasing number of Chinese parents would like their children to receive differentiated education that is not exam-oriented, which is usually provided by premium private schools.

- **Government support:** Since the 1980s, the PRC government, both at the central and the local levels, has launched a series of policies to encourage the development of private education institutions. For example, the PRC government expenditure on private education increased at a CAGR of 26.2% from 2012 to 2016. The PRC government also encourages private investment to invest in the education sector. For example, the Decision on Amending the Law for Promoting Private Education of the PRC, which became effective on September 1, 2017, provides additional supportive measures to private schools. Additionally, the 12th Five-Year Plan for National Economic and Social Development issued by the National People's Congress in 2011 encouraged private capital to enter the education sector and ensured that private schools enjoy the same legal status as public schools. In some regions, local governments have implemented favorable policies, such as providing free land or financial support for campus building, to attract renowned private school operators.

- **Increase in private investment:** With the continuous development of the PRC education sector and support from the PRC government, China's private fundamental education market has attracted increasing attention from private investors and significant investments have been made by them in the form of private investment and initial public offering, among others. We expect that private investors will continue to enter this sector and become an important funding channel for China's private fundamental education market.

- **Increase in income and wealth:** As China's economy grows, Chinese households' income and wealth have increased significantly. As such, Chinese parents are likely to increase their spending on education as most Chinese families highly value children's education.

- **Relaxation of One-Child Policy:** In previous years, student enrollment of China's private fundamental education market was negatively affected by the decreasing school-age population caused by low birth rate. The Two-Child Policy is expected to keep China's birth rate at a stable level, thus supporting the development of China's fundamental education market. The policy is likely to affect China's population starting from the end of 2016, and school-age population from 2019.

Market Restraints of Private Fundamental Education Market in China

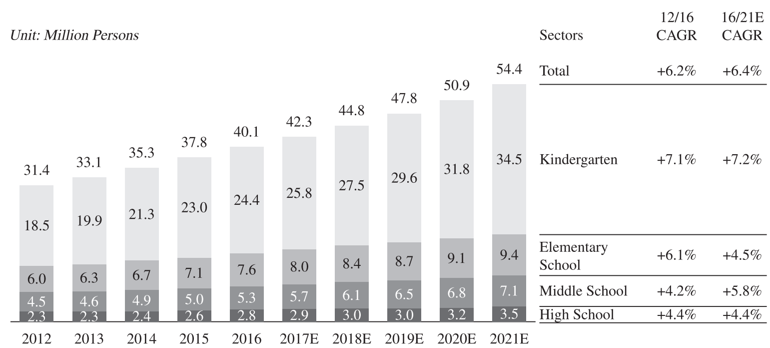
Compared with public education which has dominated the education market in China and occupied a lot of educational resources, private education is an emerging market. A majority of qualified teachers also work in public schools. Therefore, most of the school-age population in China will continue to receive public education. In addition, public schools generally have longer history than private schools, which tend to lead parents to believe public schools are more experienced and trustworthy than private schools.

In China, private schools usually charge higher fees than public schools because, among other factors, more public funds go to public schools instead of private schools. For instance, in 2016, private high schools charged average annual tuition and miscellaneous fees of approximately RMB9,958 while public ones only charged approximately RMB1,756. Higher fees charged by private schools have become a barrier for many Chinese students to attend private schools, but it is likely to be weakened by the continuous increase in income and wealth of Chinese households.

Student Enrollment of Private Fundamental Education Market in China

China's private fundamental education market has experienced a steady growth from 2012 to 2016. The total student enrollment of China's private fundamental education market has increased from 31.4 million in 2012 to 40.1 million in 2016, representing a CAGR of 6.2%. It is expected to continue to increase at a CAGR of 6.4% from 2016 to 2021, reaching 54.4 million in 2021. The following chart sets forth the total student enrollment of China's private fundamental education market from 2012 to 2016, and a forecast of such enrollment from 2017 to 2021:

Total Student Enrollment of Private Fundamental Education Market (China), 2012–2021E



Source: Frost & Sullivan Report

Penetration Rate of Private Fundamental Education Market in China

The penetration of private schools in China's fundamental education market has increased from 2012 to 2016, which has indicated that more students have chosen to attend private schools. Such increase is likely to continue in the coming years. The penetration rates of private kindergartens, private elementary schools, private middle schools and private high schools in China are expected to increase from 55.2%, 7.6%, 12.3% and 11.8% in 2016, respectively, to 60.7%, 9.1%, 14.8% and 14.1% in 2021, respectively.

Comparison between Private Schools and Public Schools in China

As compared to public schools, private schools have the following features:

- **Flexibility in enrollment requirements:** Private schools generally have more flexible enrollment plans and fewer limitations regarding students' background, whereas public schools usually have more requirements, such as permanent residency in the cities in which the public schools are located.

- **Flexibility in operation:** Private schools in China generally have higher level of independence on operation and development strategies, while public schools, which are generally under the direct administration of relevant government authorities, have less independence on daily operation and development strategies.

- **Awareness of competition:** Private schools are more focused on continuously enhancing their competitiveness, as compared to public school which depend on financial support from the government and face lower operation pressure.

- **Flexibility and diversity in operating mechanism:** The operating mechanism of private schools is usually more flexible and diversified than that of public schools. Private schools have their own recruiting system and performance-based incentive mechanism, which increase the flexibility in teacher recruitment and encourage the teachers to improve teaching quality.

- **Average tuition and miscellaneous fees:** Private schools generally charge higher tuition and miscellaneous fees compared with public schools. Annual average tuition and miscellaneous fees charged by private high schools, middle schools, elementary schools and kindergartens were estimated to be RMB9,958, RMB4,260, RMB3,839 and RMB3,823, respectively, in 2016. In China, elementary schools and middle schools fall under compulsory education. Public schools in China do not charge tuition fee or miscellaneous fees for compulsory education.

Private Fundamental Education Market in Second Tier and Third Tier Cities in China

The private fundamental education market in tier-one cities has experienced a lower growth rate in terms of revenue as compared with the average growth rate of China's private fundamental education market. Revenue of the private fundamental education market in tier-one cities grew from RMB14.5 billion in 2012 to RMB26.2 billion in 2016, representing a CAGR of 16.0%. It is expected to continue to grow at a CAGR of 13.4% from 2016 to 2021, reaching RMB49.1 billion in 2021.

The private fundamental education market in lower tier cities, i.e. second tier and third tier cities, has shown a higher growth rate in terms of revenue as compared with the average growth rate of China's private fundamental education market. One main reason lies in the fact that public education resources in lower tier cities are generally more limited given the limited fiscal budget of the local governments.

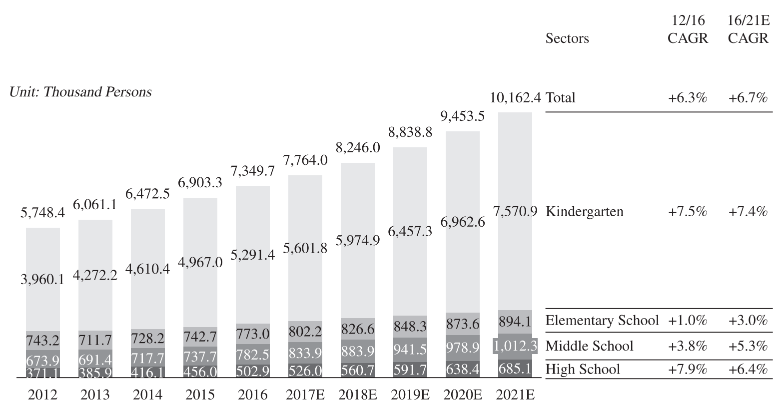
PRIVATE FUNDAMENTAL EDUCATION IN WESTERN CHINA

Overview of Private Fundamental Education Market in Western China

Western China consists of Yunnan Province, Guizhou Province, Sichuan Province, Chongqing, Tibet Autonomous Region, Shaanxi Province, Ningxia Province, Gansu Province, Qinghai Province, Xinjiang Uygur Autonomous Region and Inner Mongolia Autonomous Region, accounting for 23.6% of the total population and 17.8% of the national GDP of China in 2016.

The total student enrollment of the private fundamental education market in Western China has increased from approximately 5.7 million in 2012 to approximately 7.3 million in 2016, representing a CAGR of 6.3%. It is expected to continue to grow at a CAGR of 6.7% from 2016 to 2021, reaching approximately 10.2 million in 2021. The chart below sets forth the student enrollment of the private fundamental education market in Western China from 2012 to 2016, and a forecast of such enrollment from 2017 to 2021:

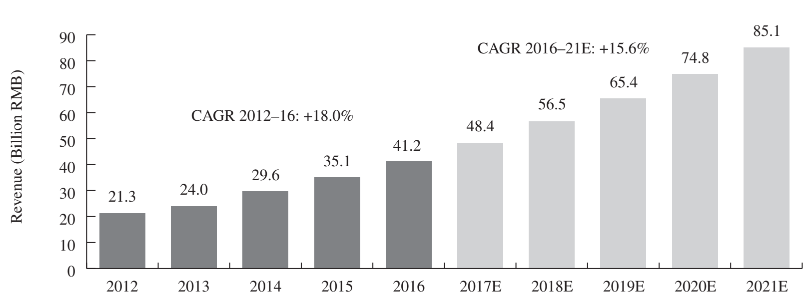
Total Student Enrollment of Private Fundamental Education Market (Western China), 2012–2021E



Source: Frost & Sullivan Report

Revenue of the private fundamental education market in Western China has grown from RMB21.3 billion in 2012 to RMB41.2 billion in 2016, representing a CAGR of 18.0%. It is expected to continue to grow at a CAGR of 15.6% from 2016 to 2021, reaching RMB85.1 billion in 2021. The chart below sets forth the revenue of the private fundamental education market in Western China from 2012 to 2016, and a forecast of such revenue from 2017 to 2021:

Revenue of Private Fundamental Education Market (Western China), 2012–2021E



Source: Frost & Sullivan Report

The expected revenue growth in the private fundamental education industry in Western China is mainly driven by the growth in both student enrollment and average tuition and miscellaneous fees. With the increasing number of school-age population and the enhancing preference and demand for private education, total student enrollment of private fundamental education market in Western China is expected to increase with a CAGR of approximately 6.7% from 2016 to 2021. Moreover, the average tuition fee for private fundamental education in Western China is expected to continue to increase with a CAGR of approximately 12% in the same period, given that (i) although the fundamental education industry in Western China is highly fragmented and competitive, compared with the growing demand for fundamental education, there will still be relatively short supply in both public and private fundamental education institutions in the next few years; and (ii) relevant PRC government authorities have been gradually lifting certain restrictions on the private education industry and have given more autonomy to the private schools in determining their tuition fees. Thus, the expected increasing average tuition fee is likely to further drive the growth of the private fundamental education industry in Western China in the future.

Market Drivers of Private Fundamental Education Market in Western China

The major market drivers of the private fundamental education market in Western China are as follows:

- **Support from local government:** Local provincial governments in Western China are making continuous efforts in supporting the development of private education. In 2012, the Finance Department of Sichuan province promulgated the Interim Procedures of the Management of Special Funds for Provincial Non-government Education (四川省省級民辦教育發展專項資金管理暫行辦法, the "**Interim Procedures**"), elaborating the supporting target of the special funds, the applicable range of the special funds, and the requirement for schools that apply for the special funds. The purpose of the Interim Procedures is to further promote the sustained development of Sichuan's private education through regulating and guiding the use of the funds, setting out the conditions for target schools, and stating the assessment process. Sichuan, as a key province in Western China, the establishment of special funds for private education and the standard operating instruction of the special funds plays an exemplary role for other provinces of the Western China. In addition, the Standing Committee of the 11th Provincial People's Congress of Yunnan Province adopted the Non-government Education Regulation of Yunnan Province in 2012. Other provinces in Western China also enacted many supportive policies to continuously promote the development of private education.

- **Improved quality of private education:** During the early phase of their development, private schools offering fundamental education in Western China did not have sufficient resources or experience, which resulted in a gap between their teaching quality and that of public schools offering fundamental education in the same region. Driven by favorable government policies, those private schools gradually had more access to quality resources. Favorable government policies also attracted renowned national private education brands to open schools in Western China. Overall, the teaching quality of the private fundamental education market in Western China has increased significantly, motivating more parents to choose private education over public.

- **Increase in income and wealth:** Household expenditure on leisure and educational activities in Western China is likely to increase following an increase in household income and wealth driven by continuous and strong economic development and urbanization process.

Tuition and Miscellaneous Fees of Private Fundamental Education Industry in Western China

According to the Frost & Sullivan Report, the average annual tuition and miscellaneous fees of private fundamental education industry in Western China increased from RMB2,326 in 2012 to RMB4,129 in 2016, which correlated to the increase in per capita GDP in Western China. As Western China's economy continues to develop and per capita GDP in Western China continues to increase, the average tuition and miscellaneous fees for private fundamental education industry in Western China is expected to grow to RMB7,288 by 2021 with a CAGR of approximately 12%.

Development Trends of Private Fundamental Education Market in Western China

The major development trends of the private fundamental education market in Western China are as follows:

- **Increased penetration:** The penetration of private schools in the fundamental education market in Western China is expected to continue to increase, primarily because (i) young generation of parents has increasingly shown interest in education focusing on all-round development of children, which is expected to benefit private schools that offer abundant extracurricular courses and resources; and (ii) Western China's private education market is continuously improving in terms of teaching quality, motivating more parents to choose to enroll their children into private schools.

- **Local brand development:** More local education brands are expected to emerge and establish their market presence. The private fundamental education market in Western China is relatively less developed and therefore highly fragmented. However, driven by economic development, improving policy environment and increasing experience accumulated by local players, local brands are expected to rapidly develop with the rise of local market leaders that are highly competitive in terms of resource integration and commercial operations.

- **Increased differentiation between private education and public education:** Competition among private schools and with public schools in Western China is expected to further intensify. Compared with developed markets such as those in Beijing and Shanghai, private fundamental education in Western China currently does not differ substantially from public fundamental education. In the coming years, private schools in Western China are expected to offer more distinctive courses, such as foreign language courses, sports and art courses, and international environment courses, further differentiating themselves from public schools.

- **Industry consolidation:** Western China's fundamental education market is undergoing reform and is expected to observe increasing consolidation through ownership transfer and merger and acquisition following the development of leading private education operators. Moreover, the increased involvement of the capital markets in Western China's fundamental education market is expected to speed up the industry consolidation process.

Competitive Landscape of Private Fundamental Education in Western China

The fundamental education industry in China is highly fragmented, and participants in the industry face increasingly intense competition from their peers. Furthermore, an education institution's performance is sensitive to demographic changes in China. Student enrollments in private fundamental education in China are affected by PRC government policies on family planning.

The private fundamental education market in Western China is fragmented as no private fundamental education group's market share exceeded 0.5% in 2017. The top five private fundamental education groups in West China together accounted for 1.1% of the private fundamental education market in Western China in terms of student enrollment in 2017.

We ranked second in the private fundamental education market in Western China in terms of student enrollment with a market share of 0.3% in 2017. The remaining top five players in the private fundamental education market in Western China in terms of student enrollment had market shares of 0.3%, 0.2%, 0.2% and 0.2%, respectively, in 2017.

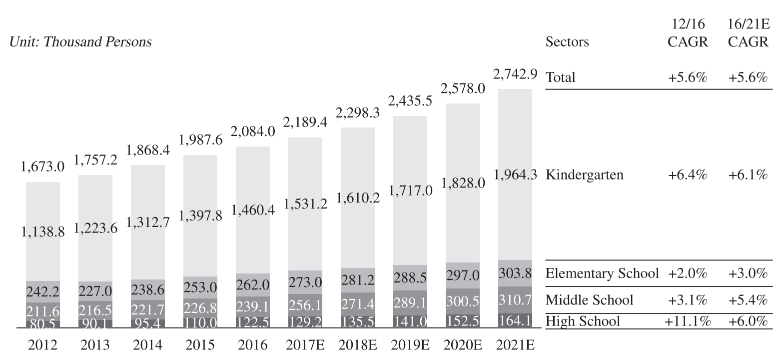
PRIVATE FUNDAMENTAL EDUCATION MARKET IN SICHUAN PROVINCE

Overview of Private Fundamental Education Market in Sichuan province

Owing to its large population, Sichuan Province is one of the largest private fundamental education markets in China in terms of student enrollment. In Western China, Sichuan Province also has the highest penetration rate of private fundamental education.

The private fundamental education market in Sichuan Province has shown a steady growth from 2012 to 2016. The total student enrollment of the private fundamental education market in Sichuan Province has increased from approximately 1.7 million in 2012 to approximately 2.1 million in 2016, representing a CAGR of 5.6%. It is expected to continue to increase at a CAGR of 5.6% from 2016 to 2021, reaching approximately 2.7 million in 2021. The chart below sets forth the student enrollment of the private fundamental education market in Sichuan Province from 2012 to 2016, and a forecast of such student enrollment from 2017 to 2021:

Total Student Enrollment of Private Fundamental Education Market (Sichuan Province), 2012–2021E



Source: Frost & Sullivan Report

The revenue of the private fundamental education market in Sichuan Province has shown a higher growth rate than the private fundamental education market in China. It has grown from RMB5.5 billion in 2012 to RMB10.9 billion in 2016, representing a CAGR of 18.7%, and is expected to grow at a CAGR of 15.5% from 2016 to 2021, reaching RMB22.4 billion in 2021.

The expected revenue growth in the private fundamental education industry in Sichuan province is mainly driven by the growth in both student enrollment and average tuition and miscellaneous fees. With the increasing number of school-age population and the enhancing preference and demand for private education, total student enrollment in private fundamental education market in Sichuan province is expected to increase with a CAGR of approximately 5.6% from 2016 to 2021. Moreover, the average tuition fee for private fundamental education in Sichuan province is expected to continue to increase with a CAGR of approximately 14% in the same period, given that (i) although the fundamental education industry in Sichuan province is highly fragmented and competitive, compared with the growing demand for fundamental education, the education resources in both public and private fundamental 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 education industry and have given more autonomy to the private schools in determining their tuition fees. Thus, the expected increasing average tuition fee is likely to further drive the growth of the private fundamental education industry in Sichuan province in the future.

Penetration Rate of Private Fundamental Education in Sichuan Province

Overall, the penetration rate of private schools in the fundamental education market in Sichuan Province has increased from 2012 to 2016, and is likely to continue to increase in the coming years. The penetration rates of private kindergartens, private elementary schools, private middle schools and private high schools in Sichuan province are expected to increase from 56.3%, 4.8%, 9.8% and 8.5% in 2016, respectively, to 62.4%, 5.2%, 11.6% and 12.3% in 2021, respectively.

Competitive Landscape of Private Fundamental Education in Sichuan Province

The private fundamental education market in Sichuan Province is fragmented. The top five private fundamental education groups in Sichuan Province in total accounted for 3.6% of the private fundamental education market in Sichuan Province in 2017 in terms of student enrollment.

We ranked second in the private fundamental education market in Sichuan Province in terms of student enrollment with a market share of 1.0% in 2017. The remaining top five groups in the private fundamental education market in Sichuan Province in terms of student enrollment had market shares of 1.1%, 0.6%, 0.6% and 0.4%, respectively, in 2017.

Tuition and Miscellaneous Fees of Private Fundamental Education Industry in Sichuan Province

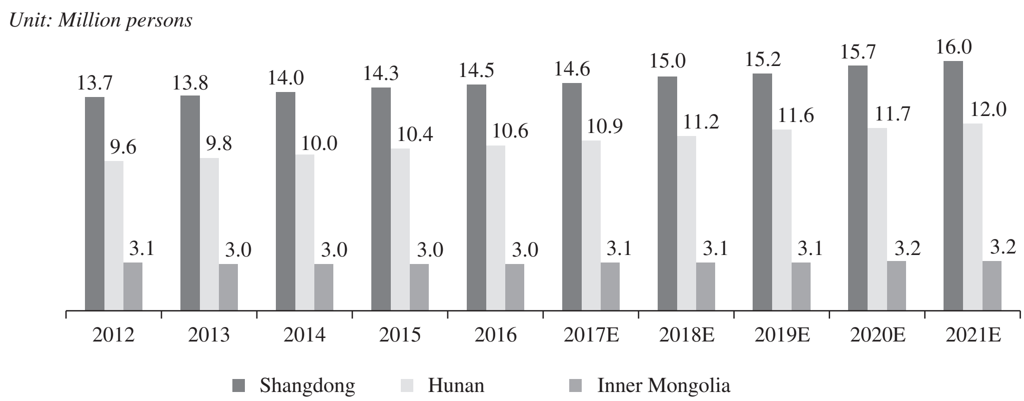
According to the Frost & Sullivan Report, the average annual tuition and miscellaneous fees of private fundamental education industry in Sichuan province increased from RMB2,025 in 2012 to RMB3,813 in 2016, which correlated to the increase in per capita GDP in Sichuan province. As Sichuan's economy continues to develop and per capita GDP in Sichuan province continues to increase, the average tuition and miscellaneous fees for private fundamental education industry in Sichuan province is expected to grow to RMB7,314 by 2021 with a CAGR of approximately 14%.

OVERVIEW OF THE PRIVATE FUNDAMENTAL EDUCATION INDUSTRY IN SHANDONG, HUNAN AND INNER MONGOLIA

In addition to Sichuan province, where the majority of our schools are located, we also plan to enter new markets including Shandong, Hunan and Inner Mongolia.

According to Frost & Sullivan Report, the total number of students enrolled in the fundamental education in Shandong, Hunan and Inner Mongolia changed from 13.7 million, 9.6 million and 3.1 million, respectively, in 2012 to 14.5 million, 10.6 million and 3.0 million, respectively, in 2016. The following diagram sets forth the number of students enrolled in the fundamental education in Shandong, Hunan and Inner Mongolia from 2012 to 2016, as well as a forecast of student enrollment expected from 2017 to 2021.

Total Number of Student Enrollments of Fundamental Education Market (Shandong, Hunan, Inner Mongolia), 2012–2021E

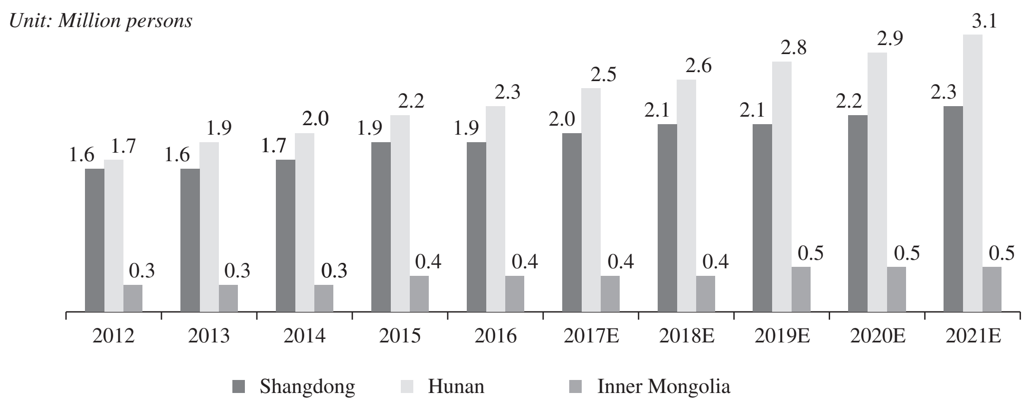


Source: Frost & Sullivan Report

According to the Frost & Sullivan Report, the fundamental education market in Shandong, Hunan and Inner Mongolia is highly competitive and fragmented. As of 2016, the number of kindergartens in Shandong, Hunan and Inner Mongolia was approximately 19,000, 14,000 and 3,700 respectively. The number of primary schools in Shandong, Hunan and Inner Mongolia was approximately 10,000, 8,400 and 1,700 respectively. The number of secondary schools (middle and high schools) in Shandong, Hunan and Inner Mongolia was approximately 3,500, 4,000 and 1,000, respectively.

In contrast to the relatively stable or slightly increasing trend of student enrolment of overall fundamental education, the number of students enrolled in private fundamental education in Shandong, Hunan and Inner Mongolia increased from 1.6 million, 1.7 million and 0.3 million, respectively, in 2012 to 1.9 million, 2.3 million and 0.4 million, respectively, in 2016. It is expected that the student enrolment will continue to increase from 2016 to 2021 at a CAGR of 3.3%, 6.0% and 6.8%, respectively, in Shandong, Hunan and Inner Mongolia. In 2016, Students enrolled in private fundamental education account for around 13.3%, 21.8% and 12.9% for overall student enrollments in Shandong, Hunan and Inner Mongolia. The following diagram sets forth the number of students enrolled in private fundamental education in Shandong, Hunan and Inner Mongolia from 2012 to 2016, as well as a forecast of student enrolment expected from 2017 to 2021.

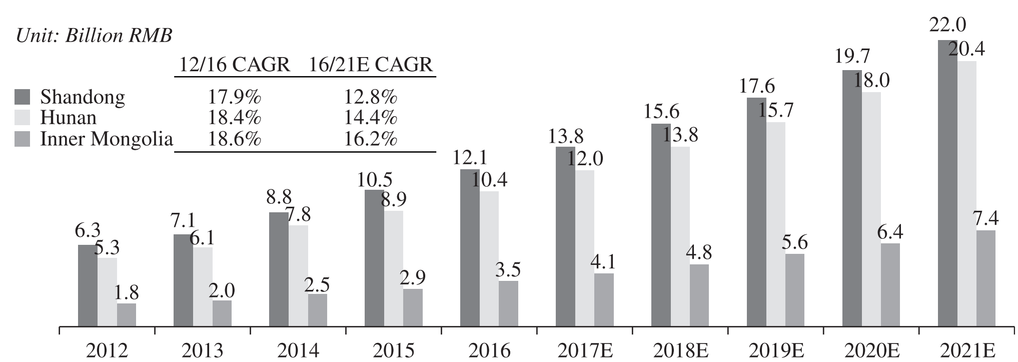
Total Number of Student Enrollments of Private Fundamental Education Market (Shandong, Hunan, Inner Mongolia), 2012–2021E



Source: Frost & Sullivan Report

The total revenue of private fundamental education market in Shandong, Hunan and Inner Mongolia increased from RMB6.3 billion, RMB5.3 billion and RMB1.8 billion, respectively in 2012 to RMB12.1 billion, RMB10.4 billion and RMB3.5 billion, respectively in 2016, and is expected to reach RMB22.0 billion, RMB20.4 billion and RMB7.4 billion, respectively in 2021, representing a CAGR of 17.9%, 18.4% and 18.6% from 2012 to 2016 and 12.8%, 14.4% and 16.2% from 2016 to 2021.

Revenue of Private Fundamental Education Market (Shandong, Hunan, Inner Mongolia), 2012–2021E



Source: Frost & Sullivan Report

Drivers of Revenue Growth in Private Fundamental Education Market in Shandong, Hunan and Inner Mongolia

The drivers of revenue growth in private fundamental education market in Shandong, Hunan, and Inner Mongolia include close attention given to their children's education by parents, strong demand for high-quality educational resources, increase in general household income and affordability, and the encouragement and support from the local governments.

OVERVIEW OF PRIVATE TUTORING MARKET

Overview and Market Size of Private Tutoring Market in China

Private tutoring market can be divided into after-school tutoring, extra-curricular tutoring, and play-and-learn centers (早教中心).

The total revenue of the private tutoring market in China has grown from RMB431.4 billion in 2012 to RMB747.2 billion in 2016, representing a CAGR of 14.7%. It is expected to continue to grow at a CAGR of 13.4% from 2016 to 2021, reaching RMB1,400.6 billion in 2021.

With increasing disposable income and growing emphasis on children's all-around development, more parents have decided to have their children learn at least one type of art, such as a musical instrument, painting and calligraphy. China's private tutoring market is fragmented, as none of the leading players have a market share of more than 5%.

Specific Market Drivers of Private Tutoring Market in China

As higher education resources are very limited in China, it has become a common for children in China to attend tutorial centers from a young age. In 2017, 50.7% of the high school graduates had access to higher education, and 12.6% of the high school graduates who participated in the Gaokao in 2017 were admitted to tier-one universities. In Sichuan Province, only 10.6% of high school graduates who participated in the Gaokao in 2016 were admitted to first-tier universities, leading to more intensive competition for higher education resources.

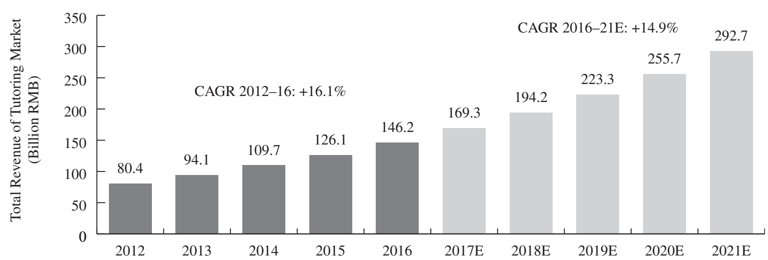
Given the limited higher education resources and the rapid development of the entertainment and recreation industry in China, which has revealed a different career path, many families also consider seeking diversified careers for their children. Many parents are therefore letting their children receive art or music tutoring to develop additional skills.

In China, tutoring services are provided only by private entities and private tutorial centers, which do not receive financial support from government authorities. The operation of private tutorial centers depends on the tuition fees they charge. Therefore, private tutoring is more expensive than public education. However, increase in household income and wealth has enabled parents to spend more on their children's education.

Overview and Market Size of Private Tutoring Market in Western China

The total revenue of the private tutoring market in Western China has grown from RMB80.4 billion in 2012 to RMB146.2 billion in 2016, representing a CAGR of 16.1%. It is expected to continue to grow at a CAGR of 14.9% from 2016 to 2021, reaching RMB292.7 billion in 2021. A majority of the revenue of the private tutoring market in Western China comes from Sichuan Province. The chart below sets forth the revenue of the private tutoring market in West China from 2012 to 2016, and a forecast of such revenue from 2017 to 2021:

Total Revenue of Private Tutoring Market (Western China), 2012–2021E

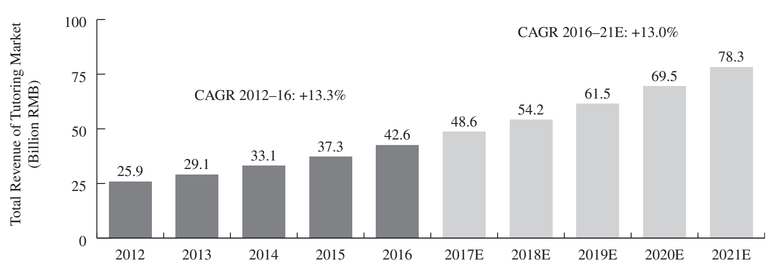


Source: Frost & Sullivan Report

Overview and Market Size of Private Tutoring Market in Sichuan Province

The total revenue of the private tutoring market in Sichuan Province has grown from RMB25.9 billion in 2012 to RMB42.6 billion in 2016, representing a CAGR of 13.3%. It is expected to continue to grow at a CAGR of 13.0% from 2016 to 2021, reaching RMB78.3 billion in 2021. The chart below sets forth the revenue of the private tutoring market in Sichuan Province from 2012 to 2016, and a forecast of such revenue from 2017 to 2021:

Total Revenue of Private Tutoring Market (Sichuan), 2012–2021E



Source: Frost & Sullivan Report

The private tutoring market in Sichuan Province is fragmented. Most of such national players have more than ten campuses in Sichuan Province, a majority of which are located in Chengdu. Local players have a wider coverage of campuses in Sichuan Province, and some players focus on extra-curricular tutoring services.

A summary of the main PRC laws, rules and regulations applicable to our current business and operations is set out below.

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

Foreign Investment in Education Industry

Catalogue for the Guidance of Foreign Investment Industries

Pursuant to the Foreign Investment Catalogue, which was amended and promulgated by the National Development and Reform Commission (中華人民共和國國家發展和改革委員會, the "**NDRC**") and the Ministry of Commerce of the PRC (中華人民共和國商務部, the "**MOFCOM**") on June 28, 2017 and became effective on July 28, 2017, pre-school education, ordinary senior high school education and higher education belong to a restricted category and are limited to the cooperative joint venture operations led by Chinese parties, which means the principal or the chief executive officer of such schools shall be a PRC national, and the representatives of Chinese parties in the board of directors, the executive council or the joint administration committee of the Sino-foreign Cooperative Educational Institution shall be no less than 50%. Foreign investment is prohibited from compulsory education, according to the Foreign Investment Catalogue.

Sino-foreign Cooperative Education

The State Council of the PRC (中華人民共和國國務院, the "**State Council**") promulgated the Regulations of the PRC on Sino-foreign Cooperative Education (《中華人民共和國中外合作辦學條例》, the "**Regulations on Sino-foreign Cooperative Education**") on March 1, 2003, which was amended on May 31, 2013 and became effective on July 18, 2013, and the Ministry of Education of the PRC (中華人民共和國教育部, the "**MOE**") promulgated the Implementing Measures for the Regulation of the PRC on Sino-foreign Cooperative Education (《中華人民共和國中外合作辦學條例實施辦法》) on June 2, 2004, which became effective on July 1, 2004. These regulations shall govern the establishment of educational institutions in the PRC by foreign educational institutions together with Chinese educational institutions that mainly aim to enroll Chinese citizens. Foreign educational institutions, other foreign institutions or individuals alone shall not establish educational institutions that mainly aim to enroll Chinese citizens in the PRC. The Chinese and foreign cooperators applying to establish a Sino-foreign cooperative educational institution shall have relevant educational qualifications and be qualified to provide high quality education services.

Sino-foreign cooperative educational institutions may not conduct compulsory education or education with a special nature, such as military, police training or political education in the PRC.

All Sino-foreign cooperative educational institutions shall be approved by the competent government authority, and Sino-foreign cooperative educational institutions shall obtain the Sino-foreign cooperative education operating licenses (中外合作辦學許可證). Application to establish a Sino-foreign cooperative educational institution providing educational services at or above undergraduate level shall be subject to examination and approval of the State Council; application to establish a Sino-foreign cooperative educational institution providing high-level professional training or informal educational services shall be subject to examination and approval of the people's government of the province, autonomous region, or municipality directly under the central government where the institution is to be located. Application to establish a Sino-foreign cooperative educational institution providing mid-level formal education, self-education courses, after-school education or preschool education shall be subject to examination and approval of the administrative department for education under the people's government of the province, autonomous region, or municipality directly under the central government where the institution is to be located. Sino-foreign cooperative educational institution established without approval shall be banned by relevant administrative department, ordered to refund the fees collected from its students and fined up to RMB100,000.

According to the Implementing Opinions of the Ministry of Education on Encouraging and Guiding the Private Fund into the Educational Field to Promote 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 promulgated by the MOE on June 18, 2012, the proportion of offshore funds in a cooperative educational institution shall be lower than 50%.

Foreign Investment Law of the PRC (Exposure Draft)

MOFCOM promulgated the Foreign Investment Law of the PRC (Exposure Draft) (《中華人民共和國外國投資法(草案徵求意見稿)》, the "**Draft Foreign Investment Law**") and its explanatory notes (the "**Explanatory Notes**") on January 19, 2015, which explains the guiding ideology of the Draft Foreign Investment Law, the basic principal, the main contents, the interim plans and the approaches to handle the foreign investment of which foreign investors gain control via contract. If the Foreign Investment Law of the PRC is passed and takes effect in the future, it will entirely replace the current foreign investment legal framework, i.e. the Sino-foreign Equity Joint Ventures Law of the PRC (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Ventures Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Law of the PRC on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》, the "**Wholly Foreign-Owned Enterprises Law**").

The Draft Foreign Investment Law adopts a unified access system for foreign investment, and will issue a Catalogue of Special Administrative Measures (特別管理目錄, the "**Negative List**"), which applies to the foreign investment on prohibited and restricted industry sectors. However, since the Negative List has not been published as of the Latest Practicable Date, the differences between the Negative List and the Foreign Investment Catalogue are still unknown.

Foreign investors acquiring shares, equities, share of properties, voting rights or other similar interests of a domestic enterprise, or controlling a domestic enterprise via contracts shall be recognized as the "foreign investment" for the purpose of the Draft Foreign Investment Law. Unless otherwise provided by the State Council, such domestic enterprise shall not engage in any prohibited industries mentioned in the Negative List; and shall only engage in the restricted industries mentioned in the Negative List upon the approval of the competent authority of foreign investment.

Foreign investors or foreign-invested enterprises conducting investments on the prohibited industries listed in the Negative List, or on the restricted industries listed in the Negative List without approval, shall be asked to stop such investment, or to dispose the equity or other assets within a prescribed time limit. The competent authority of foreign investment shall also confiscate illegal gains, or impose a fine counting from RMB100,000 to RMB1,000,000 or up to 10% of the illegal investment.

However, if a foreign investor conducting investment within the restricted industry listed in the Negative List is controlled by a PRC investor, it can submit documentary evidence to demonstrate that its investment can be identified as the investment of the PRC investor.

As for the variable interest entity structure (the "**VIE structure**"), the Explanatory Notes does not provide explicit instructions on how to deal with the existing foreign investments through the VIE structure, which may engage in the restricted industries provided by the Negative List, after the Draft Foreign Investment Law becoming effective. However, it does provide three solutions for such foreign-invested enterprise with the VIE structure:

(i) declaring to the competent department of foreign investment under the State Council that it is "actually controlled" by PRC investor to keep the VIE structure, and the relevant body shall continue its operation;

(ii) applying to the competent department of foreign investment under the State Council to recognize it as been "actually controlled" by PRC investor; after been recognized, it shall keep the VIE structure and the relevant body shall continue its operation;

(iii) applying for the accessing permit to the competent department of foreign investment under the State Council, which will make a decision based on a comprehensive consideration of factors including the "actual controller" of such foreign-invested enterprise.

Education Law of the PRC

Under the Education Law of the PRC (《中華人民共和國教育法》, the "**Education Law**"), which was promulgated by the National People's Congress of the PRC (中華人民共和國全國人民代表大會, the "**NPC**") on March 18, 1995 and was amended by the Standing Committee of the National People's Congress of the PRC (中華人民共和國全國人民代表大會常務委員會, the "**Standing Committee of the NPC**") on August 27, 2009, the State encouraged enterprises, institutions, social groups, social organizations and individuals to establish and operate not-for-profit schools or other not-for-profit educational institutions, in accordance with the PRC laws and regulations. However, pursuant to the Educational Law revised by the Standing Committee of the NPC on December 27, 2015, which took effect on June 1, 2016, such provision prohibition was narrowed and schools or other educational institutions solely or partly run with fiscal expenditure or donated assets, shall not be for-profit organizations.

The Education Law has stipulated the basic requirements which shall be fulfilled in order to establish a school or other educational institution. It also provides that the establishment, alternation or termination of a school or other educational institution shall, in accordance with the relevant PRC laws and regulations, go through the procedures of examination, authorization, registration or filing.

Regulatory Requirements in relation to Site/Building Area per Student

High schools, middle schools and elementary schools

According to the Notice on Standards of Facilities of Private Education Institutes of Sichuan Province (《四川省民辦教育機構分類設置標準(試行)》), which was promulgated on April 30, 2002, and the Notice on Basic Standards of Education Institutes for Compulsory Education in Sichuan Province (《四川省義務教育學校辦學條件基本標準(試行)》), which was promulgated on October 31, 2012, the high schools, middle schools and elementary schools of our Group shall comply with the following requirements relating to the ratios of school building area/site area to the number of students during the Track Record Period:

Requirements which are applicable to private education institutes:

Type of institutes	Building area per student (sq.m.)	Site area per student (sq.m.)
High school	≥5	≥12
Middle school	≥4	≥10
Elementary school	≥3	≥8

Requirements which are applicable to education institutes which offer compulsory education services:

1. *Requirements for site area per student in the central districts of big cities*

	Scale of operation (Number of class)	Site area per student (sq.m.)
Middle School	12 classes	≥21
	18 classes	≥21
	24 classes	≥18
	30 classes	≥16
Elementary School	12 classes	≥21
	18 classes	≥16
	24 classes	≥14
	30 classes	≥16

2. *Requirements for site area per student outside the central districts of big cities*

	Scale of operation (Number of class)	Site area per student (sq.m.)
Middle School	12 classes	≥30
	18 classes	≥29
	24 classes	≥25
Elementary School	6 classes	≥34
	12 classes	≥29
	18 classes	≥23
	24 classes	≥20

3. *Requirements for building area per student in cities*

	Scale of operation (Number of class)	Building area per student (sq.m.)
Middle School	12 classes	≥7.95
	18 classes	≥7.09
	24 classes	≥6.64
	30 classes	≥6.40
Elementary School	12 classes	≥6.61
	18 classes	≥5.78
	24 classes	≥5.38
	30 classes	≥5.12

Kindergartens

According to the Notice on Building Area of Urban Kindergartens (《城市幼兒園建築面積定額(試行)》), which was promulgated on 14 July 1988, and the Notice on Basic Requirements of Kindergartens in Sichuan Province (《四川省幼兒園辦園基本要求(試行)》), which was promulgated on 12 May 2006, our kindergartens shall comply with the following requirements relating to the ratios between school building area/site area and number of students during the Track Record Period:

Scale of operation (Number of class)	Building area per student (sq.m.)	Site area per student (sq.m.)
6 classes	≥9.9	≥15
9 classes	≥9.2	≥14
12 classes	≥8.8	≥13

Private Education

Establishment of Private Schools

According to the Law on the Promotion of Private Schools of the PRC (《中華人民共和國民辦教育促進法》, the "**Private Schools Promotion Law**"), which was promulgated by the Standing Committee of the NPC on December 28, 2002 and was revised on June 29, 2013 and November 07, 2016, and the Implementation Rules for the Law on Promotion of Private Schools of the PRC (《中華人民共和國民辦教育促進法實施條例》), which was promulgated by the State Council on March 5, 2004 and became effective on April 1, 2004, the requirements of the establishment of private schools shall conform to those of the establishment of public schools of the same grade and same type. The establishment of private schools conducting formal education, pre-school education, education for self-study examination and other education shall be examined and approved by the administrative department for education at or above the county level, while the establishment of private schools conducting vocational qualification training and vocational skill training shall be examined and approved by the administrative department for labor and social welfare at or above the county level and shall make a copy to the administrative department for education at the same level for record. A duly approved private school will be granted an operating license (辦學許可證), and shall be registered with the administrative department for civil affairs as a private non-enterprise institution (民辦非企業單位).

Pursuant to Private Schools Promotion Law, the sponsors of private schools shall make their own choice on whether to establish for-profit or the not-for-profit private schools. However, for-profit private schools shall not be engaged in compulsory education. The sponsors of a not-for-profit private school shall not obtain any profits from the school's operation, and the entire balance of such private school shall be used on its operation. The sponsors of a for-profit private school may obtain operation profits, and the balance of such private school shall be allocated in accordance with relevant laws and regulations.

According to the Private Schools Promotion Law, the charging items and standards of a private school shall be determined based on the cost of school operation, the market requirements and other factors, and shall be published to the public and supervised by the relevant authorities. The explicit charging policy of not-for-profit private schools shall be formulated by the people's government of the province, autonomous region, or municipality directly under the central government; the charging standards of for-profit schools may be determined by themselves on a market regulating bases.

Based on the Private Schools Promotion Law, private schools enjoy preferential tax treatments provided by the State. Furthermore, not-for-profit private schools enjoy the same preferential tax treatment as that for public schools.

In the light of the Private Schools Promotion Law, when a private school is terminated, the remaining assets of a not-for-profit private school after debt retirement shall continue to be used in the operation of other not-for-profit private schools; the remaining assets of a for-profit private school after debt retirement shall be disposed in accordance with the relevant provisions of the Company Law of the PRC《中華人民共和國公司法》.

Collection of Private Education Fees

Pursuant to the Interim Measures for the Management of Collection of Private Education Fees (《民辦教育收費管理暫行辦法》), which was promulgated by the NDRC, the MOE and the Ministry of Labor and Social Security of the PRC (currently known as the Ministry of Human Resources and Social Security of the PRC中華人民共和國人力資源和社會保障部) on March 2, 2005 and took effect on April 1, 2005, private schools may charge the educatees for tuition (or training expenses) and may also collect residential fees from educatees who live in the dormitories of schools. The charging standards of the private school conducting formal education shall be examined by the administrative department for education or the administrative department for labor and social security and be approved by the competent pricing authority. The private school providing informal education may determine its own charging standards and file with the competent pricing authority.

Under the Interim Measures for the Management of Collection of Kindergarten Fees (《幼兒園收費管理暫行辦法》), which was promulgated by the NDRC, the MOE and the Ministry of Finance of the PRC (中華人民共和國財政部, the "**MOF**") on December 31, 2011 and became effective on January 30, 2012, the charging standards on the teaching and caring fees and the residential fees of the private kindergartens shall be conducted after filing with the local competent pricing authority and the administrative department for education.

According to the Notice of the NDRC and the MOF on Cancellation of Fee Charge Permit System and Reinforcement of the Inwards and Afterwards Supervision (《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》), which was promulgated by the NDRC and the MOF on January 9, 2015, the fee charge permit system was cancelled nationwide.

The Latest Development of Private School Regulations

The Decision on Amending the Private Education Law

The Decision of the Standing Committee of the National People's Congress on Amending the Private Schools Promotion Law (全國人民代表大會常務委員會關於修改《中華人民共和國民辦教育促進法》的決定, the "**Decision**"), which was promulgated on 7 November 2016 and became effective on 1 September 2017, has made certain amendments to the Private Education Law, including, among other things, the following.

Prior to the promulgation and implementation of the Decision, private schools should have been registered with the Ministry of Civil Affairs or its local counterparts as a non-enterprise institution on not-for-profit purpose according to the Education Law, the Law for Promoting Private Education of the PRC and the Interim Administrative Regulations on the Registration of Private Non-enterprise Institution (《民辦非企業單位登記管理暫行條例》). Furthermore, entities and individuals who establish private schools are commonly referred to as "school sponsors" rather than "owners" or "shareholders". The school sponsors of a private school may choose to require "reasonable returns" from the annual school-operation balance of the school after deduction of costs for school operations, donations received, government subsidies (if any), the reserved development fund and other expenses as required by the regulations from the school revenue of that year. The election to establish a private school the school sponsors of which require reasonable returns must be set out in the articles of association of the school. The percentage of the school's annual net balance that can be distributed as reasonable returns shall be determined by the school's executive council, board of directors or other form of the decision-making body, taking into consideration the following factors: (i) items and criteria for the school's fees, (ii) the ratio of the school's expenses used for educational activities and improving the educational conditions to the total fees collected; and (iii) the school operation level and educational quality. The relevant information relating to the school operation level and the quality of education shall be publicly disclosed before the determination of the percentage of the school's annual net balance that can be distributed as reasonable returns. Such information and the decision to distribute reasonable returns shall also be filed with the approval authorities within 15 days from the decision made. However, none of the current PRC laws and regulations provide a formula or guidelines for determining what constitutes a "reasonable return". In addition, no current PRC laws or regulations set forth any requirements or restrictions on a private school's ability to operate its education business that differ based on such school's status as a school the school sponsor of which requires reasonable returns or a school the school sponsor of which does not require reasonable returns.

According to the Decision, the article that "school sponsors of a private school may choose to require reasonable returns" has been deleted. The Decision has established a new system to categorize private schools, i.e. private schools are either for-profit or not-for-profit schools — the Decision no longer makes a distinction between schools whose sponsors require reasonable returns and those whose sponsors do not require reasonable returns. According to the Decision, as long as a private school does not involve in the provision of compulsory education, the school sponsor of such private school can choose to register and operate the school as either a for-profit or a not-for-profit private school. School sponsors of for-profit private schools are allowed to receive income from the operation of the schools and the balance of operating such schools is permitted to be dealt with in accordance with the PRC Company Law and other relevant laws and administrative regulations, while school sponsors of not-for-profit private schools are prohibited from getting income from the operation of their schools and the balance of operating the schools shall only be used for the operation of such schools. Furthermore, the remaining assets upon liquidation of for-profit private schools are permitted to be dealt with in accordance with the relevant provisions of the PRC Company Law and that of not-for-profit private schools shall only be used for the operation of other not-for-profit private schools.

Further, pursuant to the Decision, for-profit private schools are entitled to make their own decisions about the fees collection in accordance with the market situations while the fees collection of not-for-profit private schools shall be subject to concrete measures to be promulgated by the provincial, autonomous regional or municipal government. In addition, private schools are entitled to tax and land preferential policies in accordance with the PRC laws, with the general principle that not-for-profit private schools shall enjoy the tax and land preferential policies equivalent to those applicable to public schools. If school sponsors of private schools established prior to the promulgation date of the Decision choose to register and operate their schools as not-for-profit private schools, they shall procure their schools to amend their articles of association in accordance with the Decision and continue the operation of their schools in accordance with such revised articles of association. Furthermore, upon the termination of such not-for-profit private schools, the government authority may award certain compensation or reward to the school sponsors who have made capital contribution to such schools out of the assets of the schools upon their liquidation and then apply the remaining of the assets for the operation of other not-for-profit private schools. If school sponsors of private schools established prior to the promulgation date of the Decision choose to register and operate their schools as for-profit private schools, the schools shall go through certain 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.

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

According to the Implementing Regulations for the Supervision and Administration of For-Profit Private Schools (《營利性民辦學校監督管理實施細則》), which was issued jointly by the Ministry of Education, the Ministry of Human Resources and Social Security and the State Administration for Industry and Commerce on December 30, 2016 and became effective on December 30, 2016，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, the social organization or individual running a profit-private school shall have financial strength appropriate to the level, type and scale of the school, and their net assets or monetary funds shall be able to satisfy the needs of the school construction and development. Furthermore, the social organization running the for-profit private schools shall be a legal person that in good credit standing, and shall not be listed as an enterprise operating abnormally or be listed as an enterprise that be in materially non-compliance of laws or be dishonest. Individuals running for-profit private schools should be a PRC citizen who resides 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 board of directors, boards of supervisors (or supervisors), administrative organs, organizations of the communist party of china, the employee representatives' assembly as well as the labor union. 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 Company Law and other relevant regulations and include all of their income into their financial accounts and issue legal invoice and other documents as required by tax authorities for such income. For Profit Private Schools enjoy legal person property rights and shall be entitle to manage and use all of its assets in accordance with applicable regulations in its duration. The sponsors of For Profit Private Schools shall neither withdraw his/her share of registered capital nor mortgage the teaching facilities for loans or guarantee. And the balance of the school operation could only be distributed upon the annual financial settlement.

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

The division, merger, termination and other major changes of for-profit schools shall be subject to the approval of the board of the school, the approval by relevant governmental authorities as well as the registration requirements by the industry and commerce departments. And the division, merger, termination as well as 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 provincial governments.

Implementing Regulations on Classification Registration of Private Schools

According to the Implementing Regulations on Classification Registration of Private Schools (《民辦學校分類登記實施細則》) (the "**Classification Registration Rules**"), which were issued jointly by the Ministry of Education, the Ministry of Human Resources and Social Security, the Ministry of Civil Affairs, the State Commission Office of Public Sectors Reform and the State Administration for Industry and Commerce on December 30, 2016 and became effective on December 30, 2016, the establishment of private schools is subject to prior approval. Private Schools that have obtained such approval shall apply for the registration certificate or business license in accordance with the classification registration regulations after they be granted with the license for school operation by competent governmental authorities.

The Classification Registration Rules shall be applicable to private schools. Not-for-profit 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 affair department for registration as private non-enterprise entities. Not-for-profit 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 administrative authority for registration of public institutions for registration as public institutions. For profit schools shall apply to the industry and commerce department for registration in accordance with the jurisdiction provisions set out by relevant laws and regulations. Additionally, existing private schools are required to choose to register either as not-for-profit or for-profit private schools with competent government authorities. If a school elects to register as a for-profit school, it is required to (i) undertake financial settlement, (ii) clarify the ownership of land, school premises and properties it has acquired during its operations, (iii) pay relevant taxes and fees, and (iv) obtain a new private school operation permit and re-register with the relevant authorities.

The Implementing Regulations on Classification Registration of Private Schools in Sichuan Province (the "**Sichuan Implementing Regulations**") were promulgated by the Education Department of Sichuan Province and other four relevant departments of Sichuan Province on May 2, 2018. The Sichuan Implementing Regulations are expected to be implemented on June 1, 2018 and will be valid for five years.

The Sichuan Implementing Regulations mainly provide for the approval procedures of newly established for-profit or not-for-profit private schools and the requirements of classification registration of the existing private schools (defined as those which were established before November 7, 2016). According to the Sichuan Implementing Regulations, after the implementation of the classification registration, (i) any existing private school which chooses to register as a not-for-profit private school shall amend its articles of association accordingly, enhance its corporate governance structure and internal management rules in continuing with its operations, and (ii) any existing private school that chooses to register as a for-profit private school shall re-register and then continue its operations only after conducting financial settlement, clarifying the ownership of assets, paying relevant taxes and fees and completing the cancellation registration procedures of the original school.

Kindergartens

The Regulations on the Management of Kindergartens《幼兒園管理條例》, which were promulgated by the then called National Education Committee of the PRC (中華人民共和國國家教育委員會, the "**NEC**") on September 11, 1989 and became effective on February 1, 1990, applies to kindergartens admitting, nursing and educating preschool children above 3 years old. The nursery's staff, educators, medical staff and other staff in the kindergartens must be qualified in accordance with the PRC laws and regulations. The kindergartens may be operated after registration with the administrative department for education.

Safety and Health Protection of Schools

Health

Pursuant to the Regulations on the Sanitary Work of Schools《學校衛生工作條例》, which was enacted by the Ministry of Health of the PRC (中華人民共和國衛生部, the "MOH", currently known as the National Health and Family Planning Commission of the PRC, 中華人民共和國國家衛生和計劃生育委員會) on June 4, 1990 and became effective on June 4, 1990, regular high schools must be equipped with school hospitals or health departments in charge of the health care of teachers and students.

According to the Administrative Regulations on Medical Institutions (《醫療機構管理條例》), which were promulgated by the State Council on February 26, 1994 and became effective on September 1, 1994, and to the Implementation Measures of the Administrative Regulations on Medical Institution (《醫

療機構管理條例實施細則》), which were promulgated by the MOH on August 29, 1994 and became effective on September 1, 1994, medical institutions shall apply to the administrative department of health for the medical institution practicing license (醫療機構執業許可證) before operation.

Pursuant to the Administrative Measures on Healthcare of Nursery and Kindergarten (《託兒所幼兒園衛生保健管理辦法》), which were promulgated by the MOE together with the MOH on September 6, 2010 and became effective on November 1, 2010, nursery and kindergarten shall equip with health centers and on-site medical staff or health care personnel to take charge of the sanitary work.

Refectory

Under the Food Safety Law of the PRC (《中華人民共和國食品安全法》), which were promulgated by the Standing Committee of the NPC on February 28, 2009 and amended on April 24, 2015 and became effective on October 1, 2015, the refectories of schools, nurseries, kindergartens and other institutions equipped with dining halls shall obtain relevant permit(s) for catering services from the food and drug administrative department at or above the county level strictly in accordance with the PRC laws, regulations and the food safety standards (食品安全標準).

Safety

Under the Administrative Measures on Security Management for Primary School, Secondary School and Kindergartens (《中小學幼兒園安全管理辦法》), which were formulated by the MOE on June 30, 2006 and became effective on September 1, 2006, primary schools, secondary schools and kindergartens must have full-time or part-time security personnel.

According to the Administrative Regulations on Management of Security Service (《保安服務管理條例》), which were promulgated by the State Council on October 13, 2009 and became effective on January 1, 2010, enterprises hiring security personnel must file with the local public security administration.

LAWS AND REGULATIONS RELATING TO LABOR

Employment Contracts

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》, the "**Labor Contract Law**"), which was promulgated by the Standing Committee of the NPC on June 29, 2007 and became effective on January 1, 2008, and was amended on December 28, 2012 and became effective on July 1, 2013, governs the relationship between employers and employees, and provides specific provisions in relation to the terms and conditions of an employment contract. The Contract Law stipulates that the employment contract must be in writing and be signed. It imposes stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

Employee Social Insurance and Housing Provident Funds

Under applicable PRC laws and regulations, including the Social Insurance Law of The PRC (《中華人民共和國社會保險法》), which were promulgated by the Standing Committee of the NPC on October 28, 2010 and became effective on July 1, 2011, and the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which were promulgated by the State Council on April 3, 1999 and amended on March 24, 2002, employers and/or employees (as the case may be) are required to contribute to a number of social security funds, including funds for basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and to housing provident funds as well. These payments are made to local administrative authorities. Employers who fail to contribute the above-mentioned funds may be fined and ordered to rectify within a stipulated time limit.

LAWS AND REGULATIONS RELATING TO THE TAXATION

Enterprise 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 by the NPC on March 16, 2007 and became effective on January 1, 2008, and amended on February 24, 2017 and became effective on the same day and to the Implementation Rules of 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 by the State Council on December 6, 2007 and became effective on January 1, 2008, enterprises are divided into resident enterprises and non-resident enterprises. Resident enterprises shall pay enterprise income tax on their incomes obtained in and outside the PRC at the rate of 25%. Non-resident enterprises setting up institutions in the PRC shall pay enterprise income tax on the incomes obtained by such institutions in and outside the PRC at the rate of 25%. Non-resident enterprises with no institutions in the PRC, and non-resident enterprises whose incomes having no substantial connection with their institutions in the PRC, shall pay enterprise income tax on their incomes obtained in the PRC at a reduced rate of 10%.

According to the Notice of the MOF and the SAT 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**"), which was promulgated on February 5, 2004 and became effective on January 1, 2004, and the Notice of the MOF and the SAT on Issues Concerning Strengthening the Administrative over the Collection of Business Tax on Education 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**"), which was promulgated on January 12, 2006 and became effective on January 1, 2006, schools are not required to pay enterprise income tax on fees which collected upon approval and incorporated under the fiscal budget management, or under the special account management of the funds outside the fiscal budget. Schools are not required to pay enterprises income tax on the financial allocations and the special subsidies, which obtained from government authorities or institutions at higher levels, as well.

According to the Private Schools Promotion Law and its implementing rules, not-for-profit private schools shall enjoy the same preferential tax treatment as that for public schools. Meanwhile, private schools shall enjoy preferential taxation policies prescribed by the State Council.

Enterprise Income Tax on Indirect Transfer by Non-Resident Enterprises

Pursuant to the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》(the "**Circular 7**"), which was promulgated by the SAT on February 3, 2015 and became effective on February 3, 2015, if a non-resident enterprise indirectly transfers equities and other assets of a resident enterprise to evade its obligation of paying enterprise income tax by implementing arrangements that are not for reasonable commercial purpose, such indirect transfer shall, in accordance with the Article 47 of the EIT Law, be re-identified and recognized as a direct transfer of equities and other assets of the resident enterprise.

The assets, such as the equity of resident enterprises, mentioned in the Circular 7, refer to the assets directly hold by non-resident enterprises and the assets, properties or equity interests obtained by non-resident enterprises, which shall pay the enterprise income tax in accordance with relevant PRC tax regulations (hereinafter the "**Chinese taxable assets**").

Indirect transfer of the Chinese taxable assets means that non-resident enterprises transfer the equity or similar interests of a foreign enterprise (not including the offshore-registered resident enterprises), which directly or indirectly holds the Chinese taxable assets, bringing the same or similar effects as those of the direct transfer of Chinese taxable assets, which also includes a shareholder-change results from the reorganization of such non-resident enterprise.

Pursuant to the Circular 7, indirect transfer of the Chinese taxable assets may not be re-identified as a direct transfer of equities or other assets of the resident enterprise in accordance with the Article 47 of the EIT Law if one of the following circumstances is satisfied: (i) a non-resident enterprise buys and sells equity of the same listed foreign enterprise in the open market and obtains the proceeds from indirect transfer of Chinese taxable assets; and (ii) a non-resident enterprise directly holds and transfers Chinese taxable assets, the proceeds from the transfer of such assets can be exempted from enterprise income tax in the PRC in accordance with the applicable provisions of tax conventions or arrangements.

According to the Circular 7, the indirect transfer of Chinese taxable assets shall be recognized as having reasonable commercial purpose if it conforms to the following conditions simultaneously:

- the transaction parties are in any of the following equity relations:

  (a) the equity transferor holds, directly or indirectly, more than 80% of the transferee's equity;

  (b) the equity transferee holds, directly or indirectly, more than 80% of the transferor's equity; or

  (c) more than 80% of the equity of the transferee and transferor is held, directly or indirectly, by the same party.

  If more than 50% (exclusive) of the value of a foreign enterprise's equity is generated from, directly or indirectly, the immovable properties in the PRC, the shareholding ratio aforementioned in (a) to (c) should be 100%.

  The aforementioned indirectly held equity shall be calculated according to the product of shareholding ratios of all enterprises in the shareholding chain.

- the Chinese income tax on the possible indirect transfer afterwards shall be no less than that on the same or similar transactions if the current indirect transaction did not occur; and

- the equity transferee pays all the transfer considerations with the equity of its enterprise or with the equity of the enterprise with which it has shareholding relationship (excluding equities of a listed company).

Income Tax In Relation To Dividend Distribution

Under Implementing Rules for the Law of the PRC on Wholly Foreign-Owned Enterprises《中華人民共和國外資企業法實施細則》which was promulgated by the Ministry of Foreign Economic Relations and Trade of the PRC on December 12, 1990 and amended by the State Council on February 19, 2014, and which came into the force on March 1, 2014, foreign-invested enterprises may not distribute after-tax profits unless they have made allocations to reserve funds and to bonus and welfare funds for their employees as required by the PRC laws and regulations, and have set off financial losses of the previous accounting years.

According to the EIT Law and the Implementation Rules, dividends paid to its foreign investors are subject to a withholding tax rate of 10%, unless relevant tax agreements entered into by the PRC government provide otherwise.

The SAT and the Hong Kong government 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避免雙重徵稅和防止偷漏稅的安排》(the "**Arrangement**") on August 21, 2006. According to the Arrangement, the withholding tax rate on dividends paid by a PRC resident to its shareholder, who is a Hong Kong resident and directly holds at least 25% of its equity, is 5%, and otherwise which is 10%, and vice versa.

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定股息條款有關問題的通知》was enacted by the SAT on February 20, 2009 and became effective on February 20, 2009. Pursuant to that, a taxpayer of the other party, who directly holds a certain percentage (normally 25% or 10%) of equity interests of a PRC company, shall be entitled to the tax treatment specified in the tax agreements if all of the following requirements are satisfied: (i) such taxpayer obtaining dividends shall be a company; (ii) the equity interests and voting shares of a PRC company directly hold by such taxpayer shall reach the stipulated percentage; and (iii) the equity interests of a PRC resident enterprise directly owned by such taxpayer shall satisfy the stipulated percentage at any time during the 12 months prior to the obtainment of the dividends.

According to the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers《非居民納稅人享受稅收協定待遇管理辦法》, which was promulgated by SAT on August 27, 2015 and became effective on November 1, 2015, the qualified non-resident taxpayers shall enjoy the convention treatment during tax declaration or during withholding declaration via withholding agents, and shall be subject to the subsequent management by tax authorities.

Value-Added Tax

Pursuant to the Provisional Regulations on Value Added Tax of the PRC《中華人民共和國增值稅暫行條例》(the "**VAT Regulations**"), which was promulgated by the State Council on December 13, 1993 and took effect on January 1, 1994, and was amended on November 10, 2008 and February 6, 2016 respectively, and to the Rules for the Implementation of the Provisional Regulations on Value Added Tax of the PRC《中華人民共和國增值稅暫行條例實施細則》, which was promulgated by the MOF on December 25, 1993 and was amended on December 15, 2008 and October 28, 2011 respectively, taxpayers engaging in selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value added tax. Unless provided otherwise, the rate of the value added tax shall be 17%.

The MOF and the SAT promulgated 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》) on March 23, 2016, which took effect on May 1, 2016. According to that, the Value Added Tax Pilot Program has been promoted to nationwide since May 1, 2016, and income derived from nursing services provided by nurseries or kindergartens and from educational services provided by schools conducting formal education shall be exempted from value added tax.

Other Tax-exemption Items

Pursuant to the Circular 39 and the Circular 3, the real properties and land used by schools, nurseries and kindergartens established by enterprises shall be exempted from house property tax and urban land use tax. Cultivated land expropriated by schools upon approval shall be exempted from agrarian occupation tax. Schools or educational institutions established with non-state fiscal educational budgets upon the approval of the relevant educational administrative or labor administration department, which hold the operating license and are opened to the public, shall be exempted from deed tax on land or houses they own and use for educational purposes.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE REGISTRATION

According to the Administrative Regulations of the PRC on Foreign Exchange (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on January 29, 1996, and was amended on January 14, 1997 and August 5, 2008 respectively, as for the international receipts and payments on current account, domestic or foreign institutions or individuals are permitted to reserve foreign exchange and make payments with their own foreign exchange funds via valid documents, and can also purchase foreign exchange from financial institutions to make such payments, which shall be based on genuine and lawful transactions. Foreign institutions or individuals who seek to make direct investment in the PRC shall, after approval by the relevant competent department, register with the foreign exchange administrative authority. Domestic institutions or individuals who seek to engage in the issuance or trading of negotiable securities or derivatives overseas shall register with the State Council foreign exchange administrative department as required. Any such domestic institution or individual required to obtain approval from or file with the relevant competent authority in accordance with state provisions shall go through the approval or filing procedure before making the above-mentioned registrations.

The State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) (the "**SAFE**") has promulgated the Circular of the SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局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 "**Circular 37**") on July 4, 2014 to replace the Circular of the SAFE on Relevant Issues Concerning Foreign Exchange Administration for Financing and Return Investments by Domestic Residents through Special-Purpose Overseas Companies (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the "**Circular 75**"). According to the Circular 37, domestic residents shall apply to the SAFE to register foreign exchange for overseas investments before contributing money to Special Purpose Vehicles (the "**SPVs**") using legitimate domestic and overseas assets or rights and interests. In the event of any alteration in the basic information, such as shareholders, name and operating duration of the individual domestic residents, or key information, such as increases or decreases in capital, or equity transfers, swaps, consolidations, or splits, the registered overseas SPVs shall timely submit a change in the registration of the foreign exchange for overseas investments with the foreign exchange bureaus.

Pursuant to the Circular on Further Simplifying and Improving Policies for Foreign Exchange Administration for Direct Investment《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》(the "**Circular 13**")，which was promulgated by SAFE on February 13, 2015 and became effective on June 1, 2015, two administrative approval items, namely, registration and verification of foreign exchange under domestic and overseas direct investment were cancelled. Banks shall, in accordance with the Circular 13 and the Operating Guidelines for Foreign Exchange Transactions for Direct Investment《直接投資外匯業務操作指引》, directly verify and handle the registration of foreign exchange under domestic or overseas direct investment.

LAWS AND REGULATIONS RELATING TO MERGERS AND ACQUISITIONS BY FOREIGN INVESTORS

The Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors《關於外國投資者併購境內企業的規定》(the "**M&A Provisions**") was promulgated by MOFCOM, the State Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), SAT, SAIC, China Securities Regulatory Commission (中國證券監督管理委員會) and SAFE on August 8, 2006, became effective on September 8, 2006, and was amended on June 22, 2009 by the MOFCOM. Under the M&A Provisions, the following scenarios qualify as an acquisition of domestic enterprise by foreign investor:

- a foreign investor acquires equity in a domestic non-foreign invested enterprise or subscribes the increased capital of such domestic enterprise thereby converting it into a foreign-invested enterprise

- a foreign investor establishes a foreign-invested enterprise to purchase the assets of a domestic enterprise via agreement and to operates such assets;

- a foreign investor purchases the assets of a domestic enterprise via agreement, contributes such assets as capital to establish a foreign-invested enterprise, and continues to operate such assets.

LAWS AND REGULATIONS RELATING TO FOREIGN-INVESTED ENTERPRISES

According to the Wholly Foreign-Owned Enterprises Law, the approval items regarding to the establishment and change of a wholly foreign-owned enterprise, which provided by Article 6, Article 10 and Article 20, shall be subjected to the record-filing administrative measures as long as the wholly foreign-owned enterprise does not involve the implementation of special access management measures prescribed by the state.

According to the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises《外商投資企業設立及變更備案管理暫行辦法》(the "**Record-filing Interim Administrative Measures**"), which was promulgated by the MOFCOM on October 8, 2016 and became effective on October 8, 2016 which was amended on July 30, 2017, the designated representatives or entrusted agents of a foreign-invested enterprise, which falls into the record-filing scope, in the case of the changed matters provided in the Record-filing Interim Administrative Measures, shall fill in online and submit an Application for Record-filing of the Change of Foreign-invested Enterprises (外商投資企業變更備案申報表) and the relevant documents through the comprehensive administration system within 30 days upon the occurrence of the change to initiate the record-filing procedures.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

The PRC is a signatory party to major intellectual property conventions, including the Paris Convention for the Protection of Industrial Property, the Madrid Agreement Concerning the International Registration of Marks and Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, the Patent Cooperation Treaty, the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure, and the Agreement on Trade-Related Aspects of Intellectual Property Rights. The PRC has adopted legislations related to intellectual property rights, including copyrights, trademarks and patents.

Regulations on Copyrights

According to the Copyright Law of the PRC《中華人民共和國著作權法》, which was promulgated by the Standing Committee of the NPC on September 7, 1990 and was amended on October 27, 2001 and February 26, 2010 respectively, and to the Implementing Regulations of the Copyright Law of the PRC《中華人民共和國著作權法實施條例》, which was promulgated by the State Council on August 2, 2002 and was amended on January 8, 2011 and January 30, 2013 respectively, copyrights and the copyright-related rights and interests are protected under the laws and regulations.

Regulations on Trademarks

The Trademark Law of the PRC《中華人民共和國商標法》(the "**Trademark Law**") was promulgated by the Standing Committee of the NPC on August 23, 1982 and was amended on February 22, 1993, October 27, 2001 and August 30, 2013, respectively, and the Implementation Regulations on the Trademark Law of the PRC《中華人民共和國商標法實施條例》was promulgated by the State Council on August 3, 2002 and was amended on April 29, 2014. These laws and regulations provide the basic legal framework for the regulations of trademarks in the PRC. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective trademarks and certificate trademarks. The Trademark Office under the State Administration for Industry and Commerce is responsible for the registration and administration of trademarks throughout the country. Trademarks are granted on a term of ten years. Applicants may apply for extension twelve months prior to the expiration of the ten-year term.

Under the Trademark Law, any of the following conducts shall constitute an infringement of the exclusive right to use a registered trademark:

- using a trademark that is identical with or similar to a registered trademark on the same or similar kind of commodities without the authorization of the trademark registrant;
- selling commodities which infringe upon the exclusive right to use the registered trademark;
- counterfeiting or making, without authorization, representations of a registered trademark, or sale of such representation of a registered trademark;
- replacing the trademark and reselling the products without the consent of the registrant of the replaced trademark;
- providing conveniences to help others to infringe the exclusive rights to use the registered trademark on purpose; and
- creating other damages to others' exclusive rights to use the registered trademarks.

Violation of the Trademark Law may result in the imposition of fines, and confiscation and destruction of the infringing commodities.

Regulations on Domain Names

The Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) was promulgated by the Ministry of Information Industry on August 24, 2017 and became effective on November 1, 2017. Pursuant to that, the domain name registration in the PRC applies the "first to file" principle, otherwise the provisions prescribed in the detailed rules of implementation on the registration of domain names in domains shall prevail. Upon the completion of domain name registration, the applicant of the domain name becomes the holder of the registered domain name.

OVERVIEW

We are a leading private education service provider in Western China, according to the Frost & Sullivan Report.

Our history can be traced back to 2002 when our founder, Mr. Luo, established our first school, Luzhou Tianli School, to provide private education services in the PRC. We primarily offer K-12 educational services supplemented by tutoring services for K-12 students and pre-kindergarten children. Mr. Luo, our founder and chairman and Controlling Shareholder, has accumulated over 15 years of experience in the education sector. Please refer to the section headed "Directors and Senior Management" in this prospectus for further details.

We have established a school network consisting of (i) 19 self-owned schools and one early childhood education center which are owned and operated by us, (ii) five entrusted schools to which we provide management services, and (iii) three franchised early childhood education centers to which we have licensed the right to use our brand. As of the Latest Practicable Date, our school network consisted of 13 K-12 schools in operation, which administered four high school programs, six middle school programs, eight elementary school programs and six kindergarten programs, 11 tutorial centers and four early childhood education centers across eight cites in China. For details of our self-owned, entrusted schools and franchised early childhood education centers, see the section headed "Business — Overview of Our School Network" in this prospectus.

KEY MILESTONES

The following is a summary of our Group's key development milestones:

Year	Event
2002	Our first school, Luzhou Tianli School, was established
2009	Luzhou Longmatan Tianli Elementary School, our first elementary school, was established
2010	Our first tutorial center, Luzhou Longmatan District Tianli Culture and Arts Tutoring School, was established
2013	We expanded outside Luzhou through the establishment of Affiliated Kindergarten of Luzhou Tianli School and Yibin Cuiping District Tianli School
2014	Guangyuan Tianli International School and Neijiang Tianli (International) School were established
2016	Xichang Tianli (International) School was established
	Luzhou Tianli School was recognized as Sichuan Province First-tier Demonstrative School (四川省一級示範學校) by the Sichuan Province Education Department
2017	Ya'an Tianli School and Cangxi Tianli School were established

Please refer to the section headed "Business — Awards and Recognition" in this prospectus for further details of the awards and recognitions received by our schools.

HISTORY OF OUR GROUP

Early History of our Group before establishment of Tianli Education (2003 to 2013)

Establishment of our first schools

Mr. Luo, our founder and chairman, together with Liu Ning, Wang Jian and Bao Liangwen (each an Independent Third Party), established our Group's first school, Luzhou Tianli School, on January 22, 2002. Luzhou Tianli School provides middle school and high school programs, primarily for students from Sichuan, Guizhou and Yunnan Provinces and Chongqing City.

Subsequently, as our Group continued to develop, Luzhou Longmatan Tianli Elementary School was founded by Mr. Luo, together with Wang Jian, Liu Ning, Liu Dengyan and Tian Mu (Mr. Tian is our non-executive Director) and Sichuan Province Luzhou Senior High School on August 10, 2015. Luzhou Longmatan District Tianli Culture and Arts Tutoring School was founded by Luzhou Tianli School as its sponsor in September 2010, and Yibin Cuiping District Tianli School was founded by Tianli Holding, Mr. Luo, Wang Jian, Liu Ning, Liu Dengyan and Tian Mu on November 7, 2012. School sponsor interests in these three schools were subsequently transferred to Tianli Education, please see the paragraph headed "— History of Our Group — Development of our Group since establishment of Tianli Education (2013 to Present) — Transfer of school sponsor interests in three schools to Tianli Education" of this section.

Shareholding of Tianli Holding

Tianli Holding was established as a PRC limited liability company on April 23, 2004. It has held school sponsor interests in Yibin Cuiping District Tianli School since December 25, 2015, in addition to other business activities including real estate investment. Upon the establishment of Tianli Education, Tianli Holding was held by Sichuan Zhengcheng as to 46.97%, Luzhou Zhongtian Shangye Investment Co., Ltd. as to 25.28%, Chengdu Tianzhan as to 16.91% Luzhou Sanyi as to 8.43% and Luzhou Xuhui as to 2.41%.

Mr. Luo, through various layers of corporate entities, has held a controlling interest in Tianli Holding since its incorporation and as at the Latest Practicable Date. In preparation for the Global Offering, certain share transfers and changes in the share capital of Tianli Holding took place. As a result, Mr. Luo, through Tianli Holding, held a 45.13% controlling interest in Tianli Education, a holding company established with the primary purpose of holding school sponsor interests/equity interests in our PRC Operation Schools, immediately before entering into the Structured Contracts. For details of the shareholding structure of Tianli Holding, please refer to the table set out in the paragraph headed "Corporate Reorganization — 9. Issuance of Shares to the offshore holding companies" below of this section.

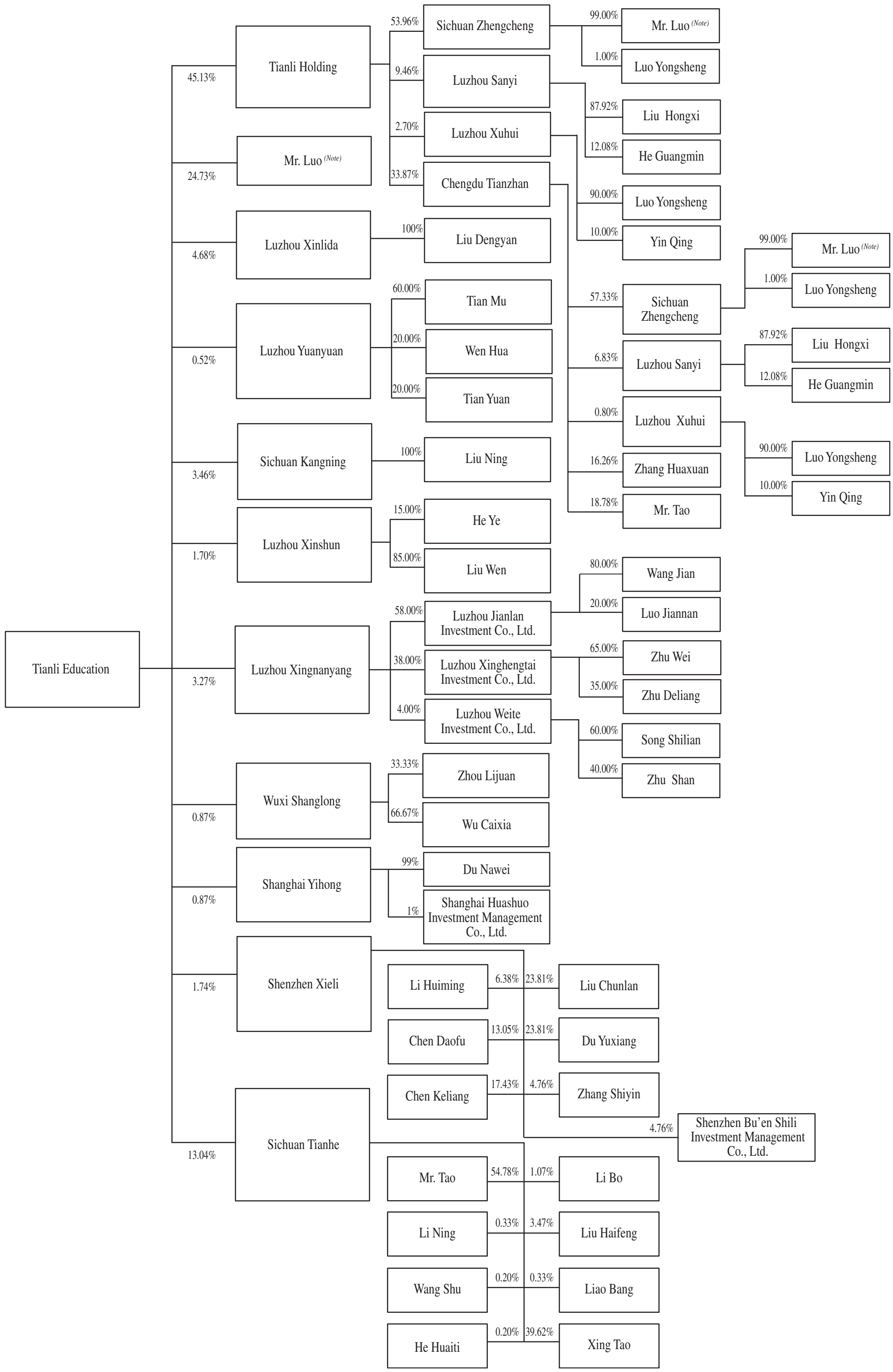
Development of our Group since establishment of Tianli Education (2013 to Present)

Establishment of Tianli Education

On April 19, 2013, Tianli Education was established with a registered capital of RMB10 million contributed by Tianli Holding as to 54%, Mr. Luo as to 19.5%, Wang Jian as to 8.75%, Liu Dengyan as to 8.25%, Liu Ning as to 8.25% and Tian Mu as to 1.25%. Tianli Education was set up as the key operating entity to hold certain school sponsor interests in our PRC Operating Schools and equity interests in some of the Group's intermediate holding companies. Since its establishment, Tianli Education has been controlled by Mr. Luo.

From April 2014 to October 2017, there were certain shareholding changes concerning Tianli Education, despite such changes, Mr. Luo has remained the only Controlling Shareholder of Tianli Education. Please refer to the section headed "Statutory and General Information — A. Further Information about our Group — 3. Changes in the share capital or registered capital of our subsidiaries and PRC Operating Entities" in Appendix V to this prospectus for further details of the historical changes to Tianli Education's shareholding and share capital.

As of December 15, 2017, immediately before the transfer of shares in Tianli Education by its shareholders to the Registered Shareholders, the shareholding structure of Tianli Education was as follows:



Note: Mr. Luo's controlling interest in Tianli Education was maintained through his direct shareholding (24.73%) and Tianli Holding (via Sichuan Zhengcheng (24.11%) and Chengdu Tianzhan (8.67%)).

Transfer of school sponsor interests in three schools to Tianli Education

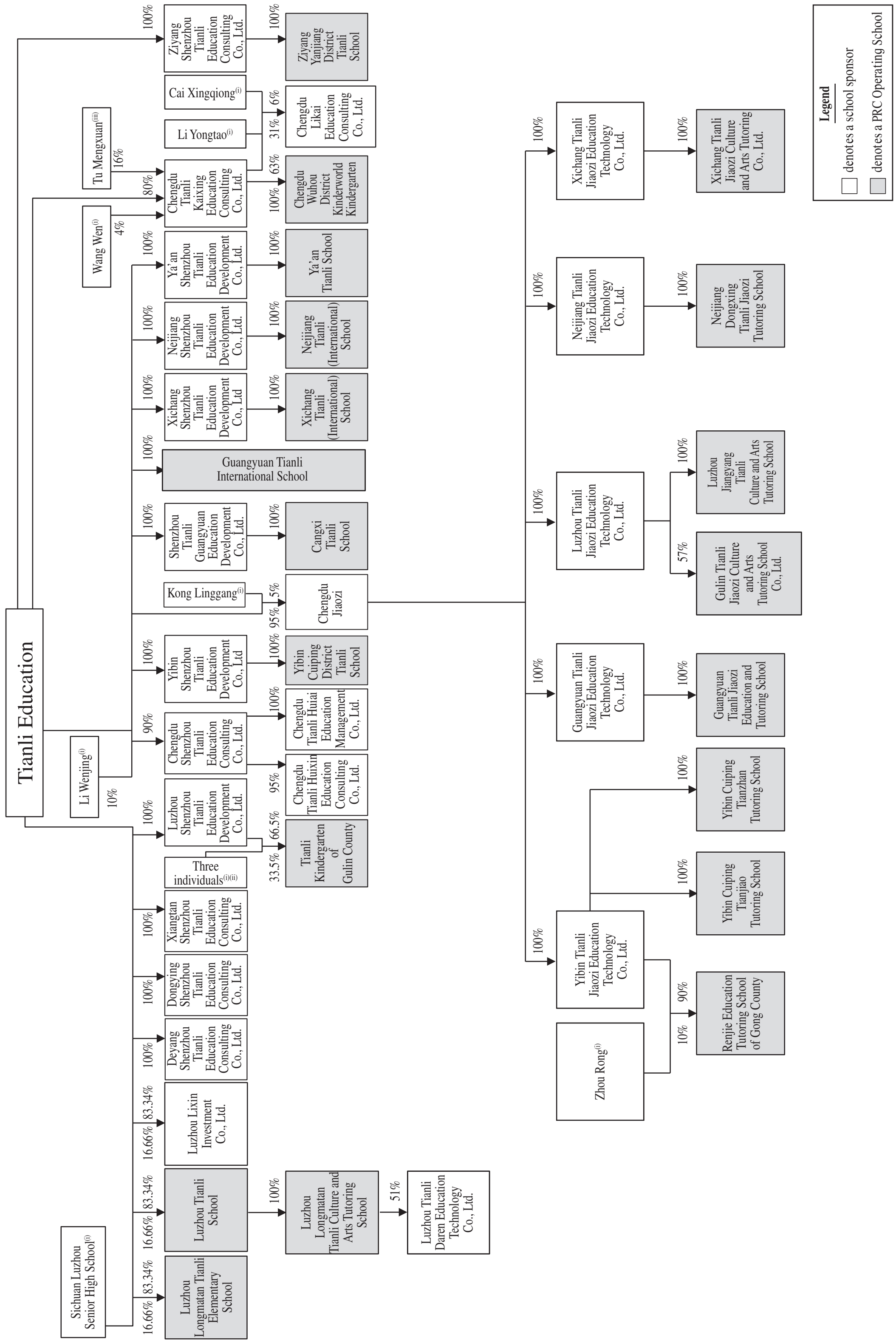
In 2015, the school sponsor interests in the following schools established by Mr. Luo and/or Luzhou Tianli School were transferred to Tianli Education and Sichuan Province Luzhou Senior High School as set out in the table below:

Date of Transfer	Schools	Transferor(s)	Transferee(s) (percentage of sponsor interest)	Consideration
December 25, 2015	Yibin Cuiping District Tianli School	1. Mr. Luo 2. Tian Mu 3. Liu Ning 4. Liu Dengyan 5. Tianli Holding 6. Wang Jian	Tianli Education (100%) *(Note: School sponsor interests were subsequently transferred to Yibin Shenzhou Tianli Education Development Co., Ltd.)*	RMB50 million
August 12, 2015	Luzhou Tianli School	1. Mr. Luo 2. Luzhou Xing Nanyang 3. Luzhou Xinlida 4. Sichuan Kangning 5. Luzhou Xinshun 6. Luzhou Yuanyuan	Tianli Education (83.34%)	RMB41.67 million
August 10, 2015	Luzhou Longmatan Tianli Elementary School	1. Mr. Luo 2. Luzhou Xing Nanyang 3. Sichuan Kangning 4. Luzhou Xinlida 5. Luzhou Xinshun 6. Luzhou Yuanyuan	Tianli Education (83.34%)	RMB5.00 million

Continued Development of our Group

Subsequent to the establishment of Tianli Education in 2013, we opened 17 self-owned schools including seven K-12 schools and nine tutorial centers and one early childhood education center, which provide education services to K-12 students as well as pre-kindergarten children. Our schools are primarily located in Sichuan Province, with additional self-owned and entrusted K-12 schools currently being planned or established in Chengdu, Dazhou, Hejiang, Deyang and Ziyang in Sichuan Province, Ulanqab in Inner Mongolia, Xiangtan in Hunan Province and Dongying in Shandong Province in the next three years.

Our PRC Operating Entities as of the Latest Practicable Date are shown in the structure chart below:



Notes: (i) An Independent Third Party.

(ii) The three individuals are Li Liangyang (18.38%), Xiang Zhanfu (7.56%) and Xiao Ning (7.56%), an Independent Third Parties.

(iii) Tu Mengxuan is the wife of Mr. Luo.

Our PRC Operating Schools

Throughout the Track Record Period, our revenue was derived primarily through our self-owned Schools. The following table sets out details of all our self-owned schools in our school network currently in operation as of the Latest Practicable Date:

Number	School	School type	Date of establishment	Date of acquisition/ commencement of management by the Group	Initial Registered capital	Established by
SELF-OWNED SCHOOLS						
Chengdu						
1.	Chengdu Wuhou District Kinderworld Kindergarten (成都市武侯區凱星幼兒園)	Kindergarten	—	November 15, 2017	RMB0.1 million	Tu Mengxuan[4] (67.00%) Wang Wen[1] (25.00%) Xie Hui[1] (8.00%)
Guangyuan						
2.	Guangyuan Tianli International School (廣元天立國際學校)	K-12[3]	October 16, 2014	—	RMB50 million	Tianli Education
3.	Guangyuan Tianli Jiaozi Education and Tutoring School (廣元天立驕子教育培訓學校)	Tutorial center	September 18, 2017	—	RMB0.3 million	Guangyuan Tianli Jiaozi Education Technology Co., Ltd.
Luzhou						
4.	Cangxi Tianli School (蒼溪天立學校) . . .	K-9[3]	December 29, 2017	—	RMB5 million	Shenzhou Tianli Guangyuan Education Development Co., Ltd.
5.	Tianli Kindergarten of Gulin County (古藺縣天立幼兒園)	Kindergarten	August 29, 2016	—	RMB6 million	Luzhou Shenzhou Tianli Education Development Co., Ltd. (66.50%) Li Liangyang[1] (18.38%) Xiang Zhanfu[1] (7.56%) Xiao Ning[1] (7.56%)
6.	Gulin Tianli Jiaozi Culture and Arts Tutoring School Co., Ltd. (古藺天立驕子文化藝術培訓學校有限責任公司)	Tutorial center	December 27, 2017	—	RMB1 million	Luzhou Tianli Jiaozi Education Technology Co., Ltd. (57.00%) Zhong Lin (15.00%) Chen Min (7.00%) Wang Jin (7.00%) Wang Jie (7.00%) Zhuo Xianbo (7.00%)
7.	Luzhou Jiangyang Tianli Culture and Arts Tutoring School (瀘州市江陽區天立文化藝術培訓學校)	Tutorial center	July 14, 2017	—	RMB1.8 million	Luzhou Tianli Jiaozi Education Technology Co., Ltd.
Neijiang						
8.	Neijiang Tianli (International) School (內江天立(國際)學校)	K-9[3]	October 24, 2014	—	RMB50 million	Tianli Education
9.	Neijiang Dongxing Tianli Jiaozi Tutoring School (內江市東興區天立驕子培訓學校)	Tutorial center	—	December 7, 2017	RMB0.31 million	Li Nianping[1]
Xichang						
10.	Xichang Tianli (International) School (西昌天立(國際)學校)	K-12[3]	March 11, 2016	—	RMB50 million	Xichang Shenzhou Tianli Education Development Co., Ltd.
11.	Xichang Tianli Jiaozi Culture and Arts Tutoring Co., Ltd. (西昌天立驕子文化藝術培訓有限公司)	Tutorial center	December 13, 2017	—	RMB0.3 million	Xichang Tianli Jiaozi Education Technology Co., Ltd.

Number	School	School type	Date of establishment	Date of acquisition/ commencement of management by the Group	Initial Registered capital	Established by
Ya'an						
12.	Ya'an Tianli School (雅安天立學校)	K-12[3]	April 19, 2017	—	RMB50 million	Ya'an Shenzhou Tianli Education Development Co., Ltd.
Yibin						
13.	Yibin Cuiping District Tianli School (宜賓市翠屏區天立學校)	K-12	—	December 25, 2015	RMB50 million	Tianli Holding (54.00%) Mr. Luo (19.50%) Wang Jian (8.75%) Liu Ning (8.25%) Liu Dengyan (8.25%) Tian Mu (1.25%)
14.	Renjie Education Tutoring School of Gong County (珙縣人杰教育培訓學校)	Tutorial center	—	December 15, 2017	RMB30,000	Zhou Rong[1]
15.	Yibin Cuiping Tianjiao Tutoring School (宜賓市翠屏區天驕培訓學校)	Tutorial center	July 4, 2017	—	RMB0.5 million	Yibin Tianli Jiaozi Education Technology Co., Ltd.
16.	Yibin Cuiping Tianzhan Tutoring School (宜賓市翠屏區天展培訓學校)[6]	Tutorial center	March 31, 2015	—	RMB0.3 million	Yibin Cuiping District Tianli School
SCHOOLS OF WHICH WE HOLD SCHOOLS' SPONSOR/EQUITY INTERESTS						
Luzhou						
17.	Luzhou Tianli School (瀘州天立學校)	Grade 7–12	—	August 12, 2015	RMB20 million	Mr. Luo (48.00%) Wang Jian (18.00%) Liu Ning (17.00%) Bao Liangwen (17.00%)
18.	Luzhou Longmatan Tianli Culture and Arts Tutoring School (瀘州市龍馬潭區天立文化藝術培訓學校)[2, 5]	Tutorial center	June 13, 2012	—	RMB0.2 million	Luzhou Tianli School
19.	Luzhou Longmatan Tianli Elementary School (瀘州市龍馬潭區天立小學)	Grade 1–6	—	August 10, 2015	RMB6 million	Mr. Luo (39.04%) Wang Jian (14.64%) Liu Dengyan (13.83%) Liu Ning (13.83%) Tian Mu (2.00%) Sichuan Province Luzhou Senior High School (16.66%)

Notes:

1. An Independent Third Party.

2. Luzhou Longmatan District Tianli Culture and Arts Tutoring School's school sponsor interests were owned by Luzhou Tianli School, it was therefore absorbed into the Group together with Luzhou Tianli School when its school sponsor interests were transferred to Tianli Education.

3. Although Cangxi Tianli School and Neijiang Tianli (International) School are licensed to provide K-9 educational programs, Guangyuan Tianli International School, Xichang Tianli (International) School and Ya'an Tianli School are licensed to provide K-12 educational programs, (i) Cangxi Tianli School only offered K-6 educational programs, (ii) Guangyuan Tianli International School and Xichang Tianli (International) School only offered Grade 1–12 educational programs, and (iii) Neijiang Tianli (International) School and Ya'an Tianli School only offered Grade 1–9 educational programs as of the Latest Practicable Date. As of the Latest Practicable Date, Neijiang Tianli (International) School was in the process of applying for a high school operation permit.

4. Tu Mengxuan is the wife of Mr. Luo.

5. In September 2003, Luzhou Tianli School changed its name from Luzhou Tianli International School (瀘州天立國際學校) to its current name.

6. Luzhou Longmatan Tianli Culture and Arts Tutoring School is a 51% shareholder of Luzhou Tianli Daren Education Technology Co., Ltd..

7. Yibin Cuiping Tianzhan Tutoring School was formerly called Yibin Lingang Economic and Technology Development Zone, Cuiping Tianli Tutoring School (宜賓臨港經濟技術開發區天立培訓學校).

8. As of the Latest Practicable Date, Ziyang Yanjiang District Tianli School had obtained its private school operating license and registration certificate for private non-enterprise entities. It is expected to commence operation in September 2018.

Our Major PRC Non-School Entities

Our Group conducts our educational services through our PRC Operating Schools, the school sponsors' interests of which are held through various PRC Non-School Entities. A description of our major PRC Non-School Entities are set out below.

Luzhou Shenzhou Tianli Early Childhood Education Consulting Services Center (General Partnership) (瀘州神州天立早教諮詢服務中心(普通合夥))

Luzhou Shenzhou Tianli Early Childhood Education Consulting Services Center (General Partnership) was established in the PRC on December 30, 2013 with a registered capital of RMB0.5 million, which was contributed by Luzhou Tianli Culture and Arts Tutoring School as a 51% partner and two Independent Third Parties as a 49% partner. Luzhou Shenzhou Tianli Early Education Consulting Services Center (General Partnership) was established as the vehicle to carry out the business of tutoring services for pre-kindergarten children. On October 31, 2017, Luzhou Tianli Culture and Arts Tutoring School ceased to be a partner and its interests in the partnership was assumed by Tibet Yongsi in its place.

Luzhou Shenzhou Tianli Education Development Co., Ltd. (瀘州神州天立教育發展有限責任公司)

Luzhou Shenzhou Tianli Education Development Co., Ltd. was established in the PRC on March 31, 2016 with a registered capital of RMB5 million contributed by Tianli Education. Luzhou Shenzhou Tianli Education Development Co., Ltd. was established as a holding company to hold 66.5% of the school sponsor interests in Tianli Kindergarten of Gulin County.

Yibin Shenzhou Tianli Education Development Co., Ltd. (宜賓神州天立教育發展有限責任公司)

Yibin Shenzhou Tianli Education Development Co., Ltd. was established in the PRC on March 15, 2017 with a registered capital of RMB5 million contributed by Tianli Education. Yibin Shenzhou Tianli Education Development Co., Ltd was established as a holding company for Yibin Cuiping District Tianli School.

Shenzhou Tianli Guangyuan Education Development Co., Ltd. (神州天立廣元教育發展有限責任公司)

Shenzhou Tianli Guangyuan Education Development Co., Ltd. was established in the PRC on January 8, 2016 with a registered capital of RMB5 million contributed by Tianli Education. Shenzhou Tianli Guangyuan Education Development Co., Ltd. was established as a holding company to hold the Group's school sponsor interests in Cangxi Tianli School.

Xichang Shenzhou Tianli Education Development Co., Ltd. (西昌神州天立教育發展有限責任公司)

Xichang Shenzhou Tianli Education Development Co., Ltd. was established in the PRC on December 25, 2015 with a registered capital of RMB5 million contributed by Tianli Education. Xichang Shenzhou Tianli Education Development Co., Ltd. was established as a holding company for Xichang Tianli (International) School.

Neijiang Shenzhou Tianli Education Development Co., Ltd. (內江神州天立教育發展有限責任公司)

Neijiang Shenzhou Tianli Education Development Co., Ltd. was established in the PRC on January 11, 2016 with a registered capital of RMB5 million contributed by Tianli Education. Neijiang Shenzhou Tianli Education Development Co., Ltd. was established as a holding company to hold the Group's school sponsor interests in Neijiang Tianli (International) School.

Ya'an Shenzhou Tianli Education Development Co., Ltd. (雅安神州天立教育發展有限責任公司)

Ya'an Shenzhou Tianli Education Development Co., Ltd. was established in the PRC on March 23, 2017 with a registered capital of RMB5 million contributed by Tianli Education. Ya'an Shenzhou Tianli Education Development Co., Ltd. was established as a holding company to hold the Group's school sponsor interests in Ya'an Tianli School.

Chengdu Tianli Kaixing Education Consulting Co., Ltd. (成都天立凱星教育諮詢有限公司)

Chengdu Tianli Kaixing Education Consulting Co., Ltd. was established in the PRC on September 19, 2017 with a registered capital of RMB10 million contributed by Tianli Education as to 80%, Wang Wen as to 4%, and Tu Mengxuan (wife of Mr. Luo) as to 16%. Chengdu Tianli Kaixing Education Consulting Co., Ltd. was established as a holding company to hold the Group's school sponsor interests in Chengdu Wuhou District Kinderworld Kindergarten.

Luzhou Lixin Investment Co., Ltd. (瀘州立信投資有限公司)

Luzhou Lixin Investment Co., Ltd. was established in the PRC on December 27, 2010 with a registered capital of RMB5 million contributed by Mr. Luo as to 39.04%, Sichuan Province Senior High School as to 16.66%, Wang Jian as to 14.64%, Liu Dengyan as to 13.83%, Liu Ning as to 13.83% and Tian Mu as to 2.00%. Luzhou Lixin Investment Co., Ltd. was established as a holding company for our Group's investment purposes.

Chengdu Tianli Jiaozi Education Technology Co., Ltd. (成都天立驕子教育科技有限公司)

Chengdu Jiaozi was established in the PRC on September 22, 2016 with a registered capital of RMB5 million contributed by Tianli Education as to 95% and Kong Linggang as to 5% who is an Independent Third Party. Chengdu Jiaozi was established as a holding company to hold equity interests in (i) Yibin Tianli Jiaozi Education Technology Co., Ltd. which in turn holds the Group's school sponsor interests in Yibin Cuiping District Tianzhan Tutoring School, Yibin Cuiping District Tianjiao Tutoring School and Renjie Education Tutoring School of Gong County; (ii) Guangyuan Tianli Jiaozi Education Technology Co., Ltd. which in turn holds the Group's school sponsor interests in Guangyuan Tianli Jiaozi Education and Tutoring School; (iii) Xichang Tianli Jiaozi Education Technology Co., Ltd. which in turn holds the Group's school sponsor interests in Xichang Tianli Jiaozi Culture and Arts Tutoring Co., Ltd.; (iv) Neijiang Tianli Jiaozi Education Technology Co., Ltd. which in turn holds the Group's school sponsor interests in Neijiang Dongxing District Tianli Jiaozi Tutoring School; and (v) Luzhou Tianli Jiaozi Education Technology Co., Ltd. which in turn holds the Group's school sponsor interests in Gulin Tutoring School and Jiangyang Tutoring School.

Luzhou Tianli Jiaozi Education Technology Co., Ltd. (瀘州天立驕子教育科技有限公司)

Luzhou Tianli Jiaozi Education Technology Co., Ltd. was established in the PRC on April 19, 2017 with a registered capital of RMB1 million contributed by Chengdu Tianli Jiaozi Education Technology Co., Ltd.. Luzhou Tianli Jiaozi Education Technology Co., Ltd. was established as a holding company to hold the Group's school sponsor interests in Gulin Tianli Jiaozi Culture and Arts Tutoring School Co., Ltd. and Jiangyang Tutoring School.

Yibin Tianli Jiaozi Education Technology Co., Ltd. (宜賓天立驕子教育科技有限公司)

Yibin Tianli Jiaozi Education Technology Co., Ltd. was established in the PRC on December 27, 2016 with a registered capital of RMB1 million contributed by Chengdu Tianli Jiaozi Education Technology Co., Ltd. Yibin Tianli Jiaozi Education Technology Company Limited was established as a holding company to hold the Group's school sponsor interests in Yibin Cuiping District Tianzhan Tutoring School, Renjie Education Tutoring School of Gong County and Yibin Cuiping District Tianjiao Tutoring School.

Guangyuan Tianli Jiaozi Education Technology Co., Ltd. (廣元天立驕子教育科技有限公司)

Guangyuan Tianli Jiaozi Education Technology Co., Ltd. was established in the PRC on January 4, 2017 with a registered capital of RMB1 million contributed by Chengdu Tianli Jiaozi Education Technology Co., Ltd.. Guangyuan Tianli Jiaozi Education Technology Co., Ltd. was established as a holding company to hold the Group's school sponsor interests in Guangyuan Tianli Jiaozi and Education Tutoring School.

Xichang Tianli Jiaozi Education Technology Co., Ltd. (西昌天立驕子教育科技有限公司)

Xichang Tianli Jiaozi Education Technology Co., Ltd. was established in the PRC on March 9, 2017 with a registered capital of RMB1 million contributed by Chengdu Tianli Jiaozi Education Technology Co., Ltd.. Xichang Tianli Jiaozi Education Technology Company Limited was established as a holding company to hold the Group's school sponsor interests in Xichang Tianli Jiaozi Culture and Arts Tutoring Co., Ltd..

Neijiang Tianli Jiaozi Education Technology Co., Ltd. (內江天立驕子教育科技有限公司)

Neijiang Tianli Jiaozi Education Technology Company Limited was established in the PRC on December 12, 2016 with a registered capital of RMB3 million contributed by Chengdu Tianli Jiaozi Education Technology Co., Ltd.. Neijiang Tianli Jiaozi Education Technology Co., Ltd. was established as a holding company to hold the Group's school sponsor interests in Neijiang Dongxing District Tianli Jiaozi Tutoring School.

Ziyang Shenzhou Tianli Education Consulting Co., Ltd. (資陽神州天立教育諮詢有限責任公司)

On December 4, 2017, Ziyang Shenzhou Tianli Education Consulting Co., Ltd. was established in the PRC by Tianli Education as its wholly owned subsidiary with a registered capital of RMB5 million. It was established as a holding company to hold the Group's school sponsor's interests in Ziyang Yanjiang District Tianli School which is expected to commence operation in September 2018.

Luzhou Tianli Daren Education Technology Co., Ltd. (瀘州天立達人教育科技有限公司)

Luzhou Tianli Daren Education Technology Co., Ltd. was established in the PRC on February 15, 2017 with a registered capital of RM0.8 million contributed by Luzhou Longmatan District Tianli Culture and Arts Tutoring School as to 51% and Liu Qin (an independent third party) as to 49%.

Chengdu Shenzhou Tianli Education Consulting Co., Ltd. (成都神州天立教育諮詢有限公司)

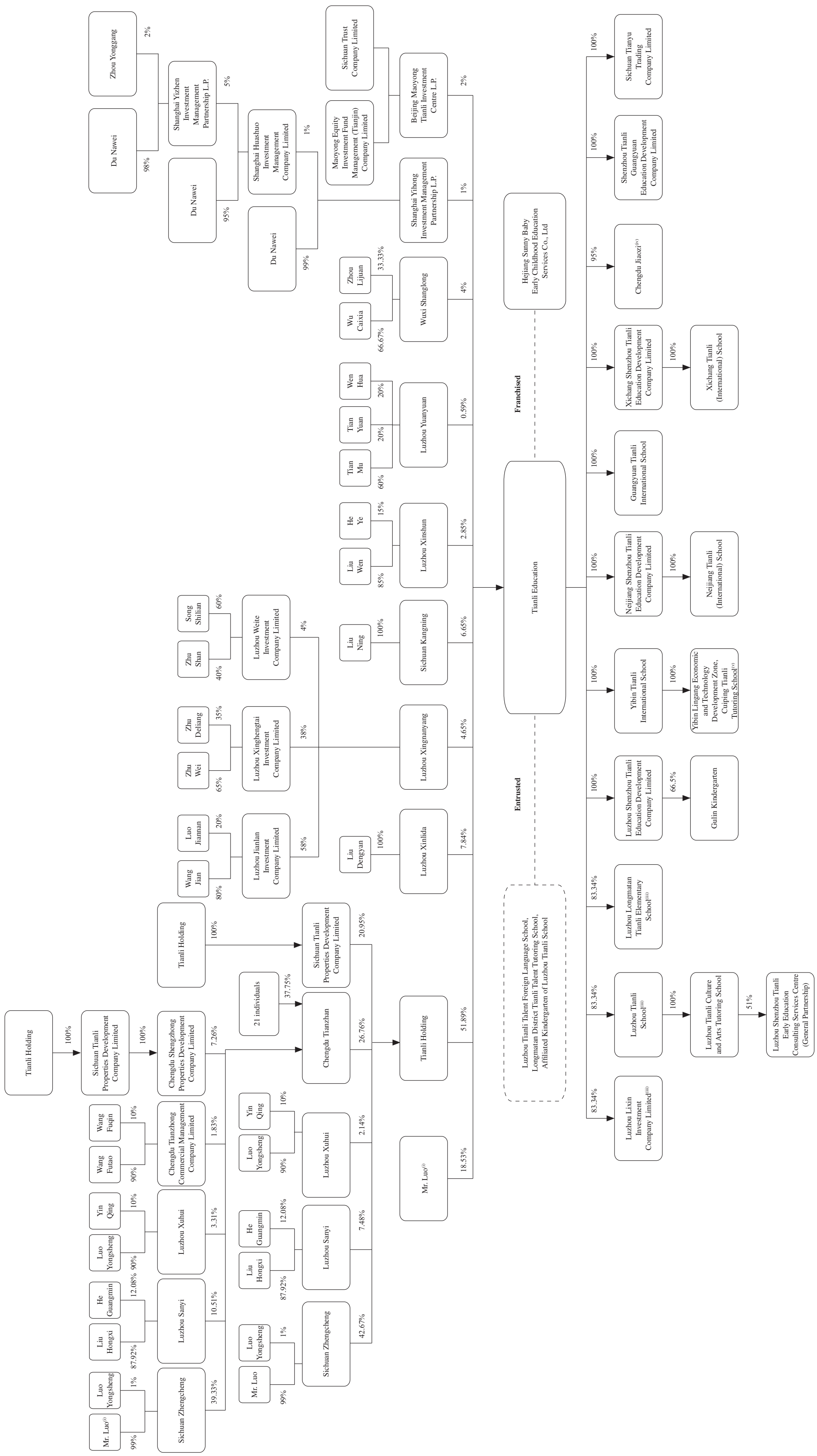
Chengdu Shenzhou Tianli Education Consulting Co., Ltd. was established in the PRC on September 8, 2017 with a registered capital of RMB10 million contributed by Tianli Education as to 90% and Li Wenjing (an Independent Third Party) as to 10%.

Chengdu Likai Education Consulting Co., Ltd. (成都立凱教育諮詢有限公司)

Chengdu Likai Education Consulting Co., Ltd. was established in the PRC on October 10, 2017 with a registered capital of RMB5 million contributed by Chengdu Tianli Kaixing Education Consulting Co., Ltd. as to 63%, Li Yongtao as to 31% and Cai Xingqiong as to 6% (both Independent Third Parties).

The three companies immediately above were established with a view to holding school sponsor interests in schools that are currently under planning. Further details in relation to the changes in the share capital of each of the above subsidiaries of Tianli Education are set out in the section headed "Statutory and General Information — A. Further Information about our Group — 3. Changes in the share capital of our subsidiaries" in Appendix V to this prospectus.

Set forth below is the corporate structure of our Group immediately prior to the corporate reorganization:


Tianli Holding
Sichuan Tianli Properties Development Company Limited
Chengdu Shengzhong Properties Development Company Limited
Chengdu Tianzhong Commercial Management Company Limited
Wang Futao
Wang Fuqin
Luzhou Xuhui
Luo Yongsheng
Yin Qing
Luzhou Sanyi
Liu Hongxi
He Guangmin
Sichuan Zhengcheng
Mr. Luo
21 individuals
Chengdu Tianzhan
Luzhou Jianlan Investment Company Limited
Wang Jian
Luo Jianman
Luzhou Xinghengtai Investment Company Limited
Zhu Wei
Zhu Deliang
Luzhou Weite Investment Company Limited
Zhu Shan
Song Shilian
Luzhou Xinlida
Liu Dengyan
Luzhou Xingnanyang
Sichuan Kangning
Liu Ning
Luzhou Xinshun
Liu Wen
He Ye
Luzhou Yuanyuan
Tian Mu
Tian Yuan
Wen Hua
Wuxi Shanglong
Wu Caixia
Zhou Lijuan
Shanghai Yihong Investment Management Partnership L.P.
Du Nawei
Shanghai Huashao Investment Management Company Limited
Shanghai Yizhen Investment Management Partnership L.P.
Zhou Yonggang
Beijing Maoyong Tianli Investment Centre L.P.
Maoyong Equity Investment Fund Management (Tianjin) Company Limited
Sichuan Trust Company Limited
Tianli Education
Franchised
Entrusted
Hejiang Sunny Baby Early Childhood Education Services Co., Ltd
Luzhou Tianli Talent Foreign Language School, Longmatan District Tianli Talent Tutoring School, Affiliated Kindergarten of Luzhou Tianli School
Sichuan Tianyu Trading Company Limited
Shenzhou Tianli Guangyuan Education Development Company Limited
Chengdu Jiaozi
Xichang Shenzhou Tianli Education Development Company Limited
Xichang Tianli (International) School
Guangyuan Tianli International School
Neijiang Shenzhou Tianli Education Development Company Limited
Neijiang Tianli (International) School
Yibin Tianli International School
Yibin Lingang Economic and Technology Development Zone, Cuiping Tianli Tutoring School
Luzhou Shenzhou Tianli Education Development Company Limited
Gulin Kindergarten
Luzhou Longmatan Tianli Elementary School
Luzhou Tianli School
Luzhou Tianli Culture and Arts Tutoring School
Luzhou Shenzhou Tianli Early Education Consulting Services Centre (General Partnership)
Luzhou Lixin Investment Company Limited

Notes:

(i) Mr. Luo is the founder of our Group and our chief executive officer and an executive Director. Immediately prior to the reorganization, Mr. Luo's attributable interests in Tianli Education (through direct shareholding and indirect shareholding through Chengdu Tianzhan and Sichuan Zhengcheng) were approximately 57.51% and he controlled approximately 61.23% of voting rights in Tianli Education.

(ii) The 21 individuals comprised Zhang Huaxuan, Zhou Sichan, Chen Lei, Wang Shuping, Li Lu, Wen Zhongxiu, Xing Tao, Yu Hongbing, Wang Yan, Pang Chong, Shi Liya, Tang Aidong, Wang Jin, Liu Zhengrong, Wang Yaxin, Lu Li, He Yachuan, Tian Mu, Liu Xianbin, Luo Yongqiang and Luo Siping.

(iii) 16.66% of the equity/school sponsor interest in Luzhou Lixin Investment Co., Ltd., Luzhou Tianli School and Luzhou Longmatan Tianli Elementary School was held by Sichuan Luzhou Senior High School.

(iv) 5% of the equity interest in Chengdu Jiaozi was held by Kong Linggang, a director Chengdu Jiaozi and general manager of Gulin Tianli Jiaozi Culture and Arts Tutoring School Co., Ltd.

(v) Subsequently renamed to Yibin Cuiping Tianzhan Tutoring School.

CORPORATE REORGANIZATION

1. Incorporation of Our Offshore Entities

(a) *Our Company*

Our Company was incorporated in the Cayman Islands on January 24, 2017 and a single share of par value HK$0.1 was issued to Mapcal Limited as the first subscriber. Upon its incorporation, our Company had an authorised share capital of HK$380,000 divided into 3,800,000 Shares of HK$0.1 each.

On January 24, 2017, Mapcal Limited transferred the one Share to Mr. Luo at the nominal consideration of HK$0.1. On November 24, 2017, Mr. Luo transferred the one Share to Sky Elite Limited at the nominal consideration of HK$0.1.

(b) *Tianli Education Holdings Limited*

Tianli Education Holdings Limited was incorporated in the BVI on February 20, 2017 and a single share of no par value was issued to our Company as the first subscriber on March 2, 2017. Upon its incorporation, Tianli Education Holdings Limited was authorised to issue 50,000 shares of no par value.

(c) *Tianli Education (HK) Limited*

Tianli Education (HK) Limited was incorporated in Hong Kong on March 6, 2017 and a single share was issued to Maples Fiduciary Services (Hong Kong) Limited as the first subscriber.

On March 6, 2017, Maples Fiduciary Services (Hong Kong) Limited transferred the one share, representing the entire issued share capital in Tianli Education (HK) Limited, to Tianli Education Holdings Limited for a consideration of US$1.

2. Establishment of WFOE — Tibet Yongsi

Tibet Yongsi was established on September 4, 2017 as a wholly-foreign owned enterprise with a registered capital of US$0.5 million contributed by Tianli Education (HK) Limited. Tibet Yongsi remained wholly-owned by Tianli Education (HK) Limited after the Reorganization.

According to the People's Government of the Tibet Autonomous Region (西藏自治區人民政府), Tibet Yongsi may enjoy certain tax incentives subject to, among other things, fulfilling certain operating parameters.

3. Disposal of equity interest in Tianli Education by Beijing Maoyong Tianli Investment Center L.P.

On October 27, 2017, Beijing Maoyong Tianli Investment Center L.P., a then shareholder and investor of Tianli Education, transferred all of its equity interest in Tianli Education (representing approximately 1.74% of Tianli Education's then share capital) to Shenzhen Xieli Tianhai Investment Partnership L.P. for a consideration of RMB22 million. On October 27, 2017, Shenzhen Xielie entered into a supplementary agreement with Tianli Education to terminate special rights enjoyed by Beijing Maoyong Tianli Investment Center L.P. as a former shareholder of Tianli Education, including guaranteed internal rate of return and repurchase rights.

4. Disposal of entities with non-education businesses by Tianli Education

Guangyuan Tianjiao Real Estate Development Co., Ltd. ("Guangyuan Tianjiao")

On July 1, 2015, the entire equity interest in Guangyuan Tianjiao, a PRC company which was engaged in real estate businesses, was disposed of and transferred to Yibin Tianrui Real Estate Development Co., Ltd. ("**Yibin Tianrui**"), an indirect shareholder of Tianli Holding, for a consideration of RMB50 million based on the registered capital of Guangyuan Tianjiao. Guangyuan Tianjiao was disposed of as it does not form part of the Group's core business of the provision of educational services.

Neijiang Tianrui Property Development Co, Ltd. ("Neijiang Tianrui")

On June 26, 2015, the entire equity interest in Neijiang Tianrui, a trading company which used to conduct real estate businesses, was disposed of and transferred to Yibin Tianrui, an Independent Third Party, for a consideration of RMB50 million based on the registered capital of Neijiang Tianrui. Neijiang Tianrui was disposed of as it does not form part of the Group's core business of the provision of educational services.

Sichuan Tianyu Trading Co., Ltd.

On September 5, 2017, the entire equity interest in Sichuan Tianyu Trading Co., Ltd., a trading company which had occasionally supplied school uniforms to the Group in 2015, was disposed of and transferred to Yibin Tianrui, an Independent Third Party, for a consideration of RMB1 million based on the registered capital of Sichuan Tianyu Trading Co., Ltd.. Sichuan Tianyu Trading Co., Ltd. was disposed of as it does not form part of the Group's core business of the provision of educational services.

Our PRC Legal Adviser also confirmed that all requisite approvals, permits and licences from the relevant PRC government authorities in relation to the aforementioned disposals have been obtained, and such disposals have complied with all applicable PRC laws and regulations in all material respects.

5. Share transfers to terminate cross-shareholding in Tianli Holding and Chengdu Tianzhan Investment Co., Ltd.

Certain cross-shareholding in Tianli Holding and Chengdu Tianzhan Investment Co., Ltd., was terminated as part of the corporate reorganization through the following share transfers:

(a) ***Disposal of equity interests in Tianli Holding by Luzhou Zhongtian Shangye Investment Co., Ltd.***

On June 28, 2016, Luzhou Zhongtian Shangye Investment Co., Ltd. transferred its entire equity interests in Tianli Holding to the other shareholders of Tianli Holding, namely, Sichuan Tianli Property Development Co., Ltd., Sichuan Zhengcheng and Chengdu Tianzhan. Subsequent to these share transfers, Luzhou Zhongtian Shangye Investment Co., Ltd. ceased to be a shareholder of Tianli Holding.

(b) ***Disposal of equity interests in Tianli Holding by Sichuan Tianli Real Estate Development Co., Ltd. ("Tianli Real Estate")***

On December 15, 2016, Tianli Real Estate transferred its entire equity interests in Tianli Holding to the other shareholders of Tianli Holding, namely, Sichuan Zhengcheng, Luzhou Sanyi, Luzhou Xuhui and Chengdu Tianzhan for a total consideration of RMB423.71 million, which was derived after arm's length negotiation among the parties with reference to the fair market value of Tianli Holding. The disposal was carried out for the purpose of terminating cross-shareholding in Tianli Holding.

After these transfers, Tianli Real Estate ceased to be a shareholder of Tianli Holding. Tianli Holding's equity interests were held by Sichuan Zhengcheng as to 53.96%, Chengdu Tianzhan as to 33.87%, Luzhou Sanyi as to 9.46% and Luzhou Xuhui as to 2.7%.

(c) ***Transfer of equity interests in Chengdu Tianzhan***

On March 22, 2017, 20 shareholders of Chengdu Tianzhan transferred their respective equity interests in Chengdu Tianzhan such that Chengdu Tianzhan was owned by Sichuan Zhengcheng as to 57.32%, Mr. Tao as to 18.78%, Zhang Huaxuan as to 16.07%, Luzhou Sanyi as to 7.03% and Luzhou Xuhui as to 0.80% for the value of the relevant registered capital transferred for the purpose of terminating cross-shareholding in Chengdu Tianzhan and consolidating shareholding in Chengdu Tianzhan.

6. Introduction of the Equity Incentive Schemes

Onshore Equity Incentive Scheme

On June 26, 2016, Tianli Education adopted the Onshore Equity Incentive Scheme to recognize contributions made by the Eligible Persons, who are selected employees of the Group, principals and teachers of our schools and individuals who provided services or otherwise contributed to the development of the Group. Pursuant to the Onshore Equity Incentive Scheme, Tianli Education increased its registered capital by RMB23.82 million, representing 13.04% of the enlarged issued share capital of Tianli Education upon completion, to Sichuan Tianhe, at a consideration of approximately RMB142.27 million. The consideration was determined based on arm's length negotiation with reference to the fair market value of Tianli Education and was funded by the Eligible Persons as set out in the table below.

Sichuan Tianhe was established on November 1, 2016 with a registered capital of RMB5 million as the investment vehicle of the Eligible Persons. The following table sets out the final shareholding structure of Sichuan Tianhe as of January 26, 2018, immediately before the issuance of Shares to Sky Vista Limited, Sky Joined Limited and Glorious Capital Limited, which are offshore holding companies established by the Eligible Employees and Eligible Non-Employees, and the amounts contributed by the Eligible Persons for acquisition of the 13.04% interest in Tianli Education:

Eligible Persons	**Percentage shareholding in Sichuan Tianhe**	**Funding provided for acquisition of interest in Tianli Education (RMB million)**
(i) Eligible Employees		
Mr. Tao (for himself and the other Eligible Employees):	54.78%	77.93
Mr. Tao	9.47%	13.47
Mr. Luo	3.33%	4.74
Ms. Yang Zhaotao	1.00%	1.42
Mr. Wang Rui	1.00%	1.42
20 selected directors of Tianli Education or its subsidiaries	9.93%	14.13
132 employees of our Group other than our Directors and directors of Tianli Education or its subsidiaries	30.05%	42.75
(ii) Eligible Non-Employees		
Mr. Xing Tao	39.62%	56.37
Mr. Liao Bang	0.33%	0.47
Mr. He Huaiti	0.2%	0.29
Mr. Li Ning	0.33%	0.47
Ms. Wang Shu	0.2%	0.29
Mr. Li Bo	1.07%	1.52
Mr. Liu Haifeng	3.47%	4.93

Save for Mr. Luo, Ms. Yang Zhaotao and Mr. Wang Rui, none of the Eligible Persons is a director, or a close associate of a director, of any member of the Group. In addition, save for holding the shares or interest in Sichuan Tianhe for himself/herself, none of the Eligible Persons holds his/her shares or interest in Sichuan Tianhe on behalf of the shareholders, directors or senior management of any Group Company or any of their close associates.

Our PRC Legal Adviser has confirmed that all relevant approvals and permits in relation to the Onshore Equity Incentive Scheme and the share transfer required thereunder as described under this heading had been legally and properly completed and obtained and the procedures involved had been carried out in accordance with PRC laws and regulations. Our PRC Legal Adviser has also confirmed that the terms of the Onshore Equity Incentive Scheme are legal, valid and binding on the parties concerned.

Mr. Tao is one of the Eligible Employees. Pursuant to a share entrustment agreement entered into between Mr. Tao and each of the other Eligible Employees, the other Eligible Employees appointed Mr. Tao to hold shares in Sichuan Tianhe as their nominee and, save for certain reserved matters such as dissolution or winding up of Sichuan Tianhe, to exercise all voting rights attached to the shares on their behalf.

For the purposes of converting the indirect interests of the Eligible Persons in Tianli Education into interests in the Company, the following actions were taken:

(a) on January 26, 2018, each of the Eligible Employees was granted share awards representing such number of Shares which corresponds to his or her indirect interest in Tianli Education;

(b) on January 26, 2018, the Company issued 196,377 Shares and 27,756 Shares credited as fully paid to Sky Joined Limited and Glorious Capital Limited respectively in consideration for the transfer by Sichuan Tianhe of its 13.04% equity interest in Tianli Education to Mr. Luo for consideration of HK$0.1 per Share as referred to in the section headed "9. Issuance of Shares to the offshore holding companies" below. Upon completion of such share issuance, Sky Joined Limited and Glorious Capital Limited held 5.17% and 0.73% respectively of the issued share capital of the Company; and

(c) on January 26, 2018, the Company adopted the Restricted Share Award Scheme for the benefit of the Eligible Employees and issued 271,518 Shares credited as fully paid to Sky Vista Limited, upon completion of which Sky Vista held 7.15% of the issued share capital of the Company. For details, see "Restricted Share Award Scheme" below.

Restricted Share Award Scheme

On January 26, 2018, the Company adopted the Restricted Share Award Scheme for the benefit of the Eligible Employees. In order to convert the indirect interest of the Eligible Employees in Tianli Education into interest in the Company, the following actions were taken:

(a) on January 26, 2018, the Company appointed the Trustee to act as the trustee of the Restricted Share Award Scheme and Sky Vista Limited, a wholly owned subsidiary of the Trustee, as the nominee to hold the Shares underlying the share awards;

(b) on January 26, 2018, each of the Eligible Employees was granted share awards representing such number of Shares which corresponds to his or her indirect interest in Tianli Education; and

(c) on January 26, 2018, the Company issued 271,518 Shares to Sky Vista Limited, which are held by Sky Vista Limited under trust for the benefit of the Eligible Employees.

Conditions

Share awards granted under the Restricted Share Award Scheme will vest in stages over a period from the Listing Date to December 31, 2023. Further, each share award is subject to a restricted period starting from the date of grant of the share awards and ending upon the later of (i) the Listing Date, and

(ii) the date upon which the relevant Eligible Employee completes the relevant approval and filing procedures in respect of his or her share awards/Shares in accordance with the Huifa [2012] No. 7 Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning the Domestic Individuals' Participation in the Exchange Administration of Equity Incentive Plans of Overseas Listed Companies 《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》(匯發[2012]7號) (if applicable). The Company will issue an unlock notice to the relevant Eligible Employees in respect of the relevant share awards after the restriction criteria, conditions and time schedule have been reached, fulfilled or waived in accordance with the terms of the Restricted Share Award Scheme. Prior to the receipt of the unlock notice, an Eligible Employee may not exercise any voting rights nor have any rights in respect of the Shares underlying the share awards, including but not limited to, any cash or non-cash income, dividends or distributions.

Lapse and Termination

The Restricted Share Award Scheme also provides for certain circumstances where any unvested share award will automatically lapse, e.g. where the Eligible Employee's employment with the Group terminates for any reason except retirement, early retirement due to health problem or redundancy. Once share awards have lapsed, upon Listing, the Company will instruct the Trustee to sell certain portion of the Shares underlying such share awards on the open market. If the sale proceeds are less than the total of (i) the purchase price paid by the Eligible Employee to acquire his or her interest in Tianli Education pursuant to the Onshore Equity Incentive Scheme, and (ii) such additional amount so as to provide the Eligible Employee with a rate of return of 15% per annum (the "**Expected Proceeds**"), the Trustee will continue to sell the Shares which are assets of the trust to be used for the operation and maintenance of the trust until the Expected Proceeds are fully paid to the Eligible Employee. In the event that all the assets of the trust to be used for the operation and maintenance of the trust are still not enough to pay the Expected Proceeds, such shortage will be borne by Mr. Luo personally to the Eligible Employee.

As at the Latest Practicable Date, 271,518 Shares (representing 7.15% of the issued share capital of the Company as of the Latest Practicable Date) were issued to Sky Vista Limited which holds such Shares under trust on behalf of the Eligible Employees. Our Company will not make any further issuance or grant of share awards under the Restricted Share Award Scheme (except further issuance to Sky Vista Limited as part of the Capitalization Issue) and there will not be any further dilution effect on the shareholding of the Company and earnings per Share resulting from the Restricted Share Award Scheme. Upon Listing and subsequent to the Capitalization Issue, assuming the Over-allotment Option is not exercised, Sky Vista Limited will hold 107,178,158 Shares (representing 5.36% of the issued share capital of the Company).

Further details on the above arrangements is set out in the section headed "Statutory and General Information — D. Restricted Share Award Scheme — Summary of the Restricted Share Award Scheme" in Appendix V to this prospectus.

7. Entering into of the Structured Contracts to control our PRC Operating Entities by Tibet Yongsi

On December 15, 2017, Tibet Yongsi entered into various agreements that constitute the Structured Contracts with, among others, our PRC Operating Entities, under which economic benefits arising from the business of our PRC Operating Schools are transferred to Tibet Yongsi to the extent permitted by

PRC laws and regulations by means of services fees payable by our PRC Operating Entities to Tibet Yongsi. For further details on the contractual arrangements, please refer to the section headed "Structured Contracts" in this prospectus.

8. Share transfers subsequent to entering into the Structured Contracts

On December 16, 2017, subsequent to the entering of the Structured Contracts, all shareholders of Tianli Education except Mr. Luo transferred an aggregate of 75.27% equity interest in Tianli Education to Mr. Luo (who became a 99% shareholder) and Mr. Tao (who became a 1% shareholder) for nil consideration. Given that upon signing of the Structured Contracts, the equity interests in Tianli Education no longer bore any economic value, the aforesaid share transfer was completed at nil consideration. On December 15, 2017, such transferors to the share transfers confirmed to our Company that they do not object to the reorganization arrangements. Our PRC Legal Adviser has confirmed that the aforementioned share transfers have been properly and legally completed, and are legal, valid and binding on the parties thereto and do not affect the stability of the contractual arrangements.

9. Issuance of Shares to the offshore holding companies

Subsequent to and as consideration for entering into of the Structured Contracts, on January 26, 2018, our Company issued Shares to the respective offshore holding companies of Mr. Luo, one of our Controlling Shareholders, Mr. Tao and Mr. Zhang, and 28 other individuals. The number of Shares issued corresponds to the respective equity interests in Tianli Education held by those Shareholders immediately prior transferring the same to Mr. Luo and Mr. Tao on December 16, 2017.

Immediately upon completion of the issuance of Shares, our Company was owned by the following Shareholders:

Name of Shareholder(s)	Identity of the ultimate shareholders/beneficiaries	Number of subscribed Shares	Shareholding percentage in the Company (%)
Shenzhou Tianli Holdings Group Limited . .	Mr. Tao (53.56%) Zhang Huaxuan (46.44%)	203,501	5.36
Sky Elite Limited	Mr. Luo	2,185,358	57.51
Sky Vista Limited	the Eligible Employees under the Restricted Share Award Scheme	271,518	7.15
Sunyear Limited	Liu Hongxi (87.92%) He Guangmin (12.08%)	201,987	5.32
Sky Joined Limited	Mr. Xing Tao	196,377	5.17
Healthy and Peaceful Limited[1]	Tian Mu	19,620	0.52
Xin Lida Limited	Liu Dengyan	177,658	4.68

Name of Shareholder(s)	Identity of the ultimate shareholders/beneficiaries	Number of subscribed Shares	Shareholding percentage in the Company (%)
Han Feng Limited	Liu Ning	131,579	3.46
Xing Nanyang Limited[2]	Wang Jian (58.00%) Zhu Wei (38.00%) Zhu Shan (4.00%)	124,392	3.27
Tian Hai Limited	Liu Chunlan (25.00%) Du Yuxiang (25.00%) Chen Daofu (20.00%) Chen Keliang (18.30%) Li Huiming (6.70%) Zhang Shiyin (5.00%)	66,087	1.74
Sheenlight Investment Limited	Liu Wen (85.00%) He Ye (15.00%)	64,534	1.70
Xu Hui Limited	Luo Yongsheng (92.00%) Yin Qing (8.00%)	63,547	1.67
Shang Long Limited	Wu Caixia (66.67%) Zhou Lijuan (33.33%)	33,043	0.87
East Spark Limited[3]	Du Nawei	33,043	0.87
Glorious Capital Limited	Liu Haifeng (61.91%) Li Bo (19.05%) Li Ning (5.95%) Liao Bang (5.95%) Wang Shu (3.57%) He Huaiti (3.57%)	27,756	0.73
Total	—	3,800,000	100%

Notes:

1. Luzhou Yuanyuan Education Consulting Co., Ltd. is the onshore corresponding shareholder of Tianli Education. Out of the three then individual shareholders of Luzhou Yuanyuan Education Consulting Co., Ltd., two have waived their entitlement to interests in Healthy and Peaceful Limited.

2. Luzhou Xingnanyang Investment Co., Ltd. is the onshore corresponding shareholder of Tianli Education. Out of the six then ultimate individual shareholders of Luzhou Xingnanyang Investment Co., Ltd., three have waived their entitlement to interests in Xing Nanyang Limited.

3. Shanghai Yihong Investment Management Partnership L.P. is the onshore corresponding shareholder of Tianli Education. Out of the two then ultimate individual shareholders of Shanghai Yihong Investment Management Partnership L.P., one has waived his entitlement to interests in East Spark Limited.

4. The relevant individuals who have waived their respective entitlement to interests in Healthy and Peaceful Limited, Xing Nanyang Limited and East Spark Limited are all Chinese nationals and confirmed in writing with the Company that they waived the entitlement as the formalities involved in foreign exchange registration pursuant to Circular 37 can be burdensome and time-consuming. They do not anticipate encountering legal impediments to such registration if they elect to do so.

INCREASE OF AUTHORISED SHARE CAPITAL AND CAPITALIZATION ISSUE

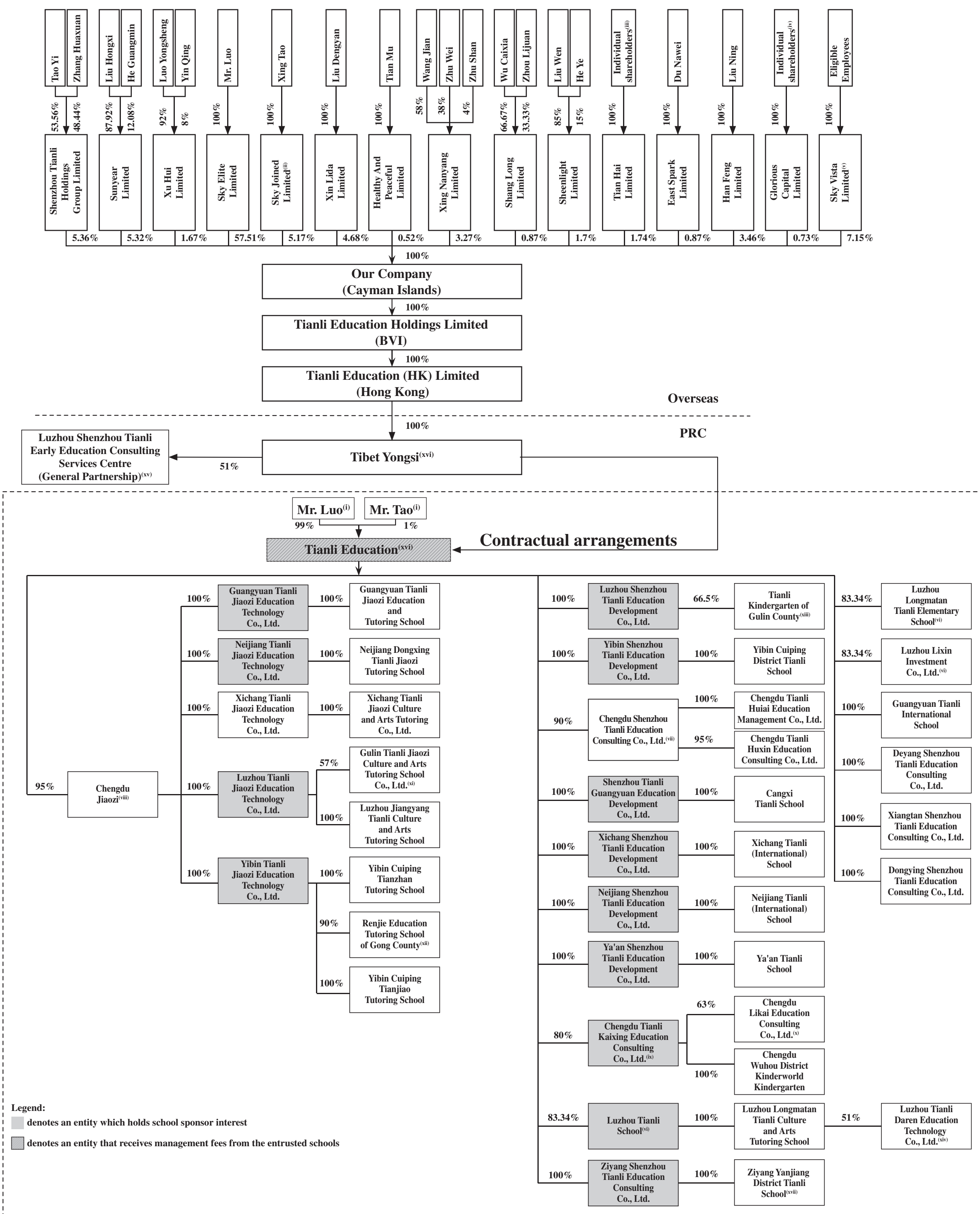
On June 24, 2018, our Company increased its authorised share capital from HK$380,000 to HK$1,000,000,000.

Conditional upon the share premium account of our Company having sufficient balance or otherwise being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, our Company will allot and issue a total of 1,496,200,000 shares credited as fully paid at par to the persons whose names appear on the register of members of our Company at the close of business on July 11, 2018 (as nearly as possible without involving fractions) by way of capitalization of such sum standing to the credit of the share premium account of our Company.

CORPORATE STRUCTURE

Corporate structure after the Reorganization and before the Global Offering

The following diagram depicts the shareholding and beneficial ownership structure of our Group immediately after the Reorganization and prior to the completion of the Global Offering:



Notes:

(i) Mr. Luo is the founder of our Group and our chief executive officer, an executive Director and a Controlling Shareholder. Mr. Tao is an employee of our Group and one of the ultimate shareholders of the Company. Tianli Education is legally held as to 99% by Mr. Luo and 1% by Mr. Tao.

(ii) Sky Joined Limited is wholly-owned by Xing Tao.

(iii) Tian Hai Limited is owned by Liu Chunlan as to 25%, Du Yuxiang as to 25%, Chen Daofu as to 20%, Chen Keliang as to 18.3%, Li Huiming as to 6.7% and Zhang Shiyin as to 5%.

(iv) Glorious Capital Limited is owned by Liu Haifeng as to 61.91%, Li Bo as to 19.05%, Li Ning as to 5.95%, Liao Bang as to 5.95%, Wang Shu as to 3.57% and He Huaiti as to 3.57%.

(v) Sky Vista Limited was established by the Trustee as a special purpose vehicle for holding Shares of the Company granted under the Restricted Share Award Scheme on behalf of the Eligible Employees.

(vi) 16.66% of the equity/school sponsor interest in Luzhou Lixin Investment Co., Ltd., Luzhou Tianli School and Luzhou Longmatan Tianli Elementary School was held by Sichuan Luzhou Senior High School.

(vii) Chengdu Shenzhou Tianli Education Consulting Co., Ltd. is owned as to 10% by Li Wenjing, an Independent Third Party.

(viii) Chengdu Jiaozi is owned as to 5% by Kong Linggang, a director of Chengdu Jiaozi and general manager of Gulin Tianli Jiaozi Culture and Arts Tutoring School Co., Ltd..

(ix) Chengdu Tianli Kaixing Education Consulting Co., Ltd. is owned as to 16% by Tu Mengxuan (wife of Mr. Luo) and 4% by Wang Wen.

(x) Chengdu Likai Education Consulting Co., Ltd. is owned as to 31% by Li Yongtao and 6% by Cai Xingqiong, all of which are Independent Third Parties.

(xi) Gulin Tianli Jiaozi Culture and Arts Tutoring School Co., Limited is owned as to 15% by Zhong Lin, 7% by Chen Min, 7% by Wang Jin, 7% by Wang Jie and 7% by Zhuo Xiaobo, all of which are Independent Third Parties.

(xii) Renjie Education Tutoring School of Gong County is owned as to 10% by Zhou Rong, an Independent Third Party.

(xiii) Tianli Kindergarten of Gulin County is owned as to 18.38% by Li Liangyang, 7.56% by Xiang Zhanfu and 7.56% by Xiao Ning.

(xiv) Luzhou Tianli Daren Education Technology Co., Ltd. is owned as to 49% by Liu Qin, an Independent Third Party.

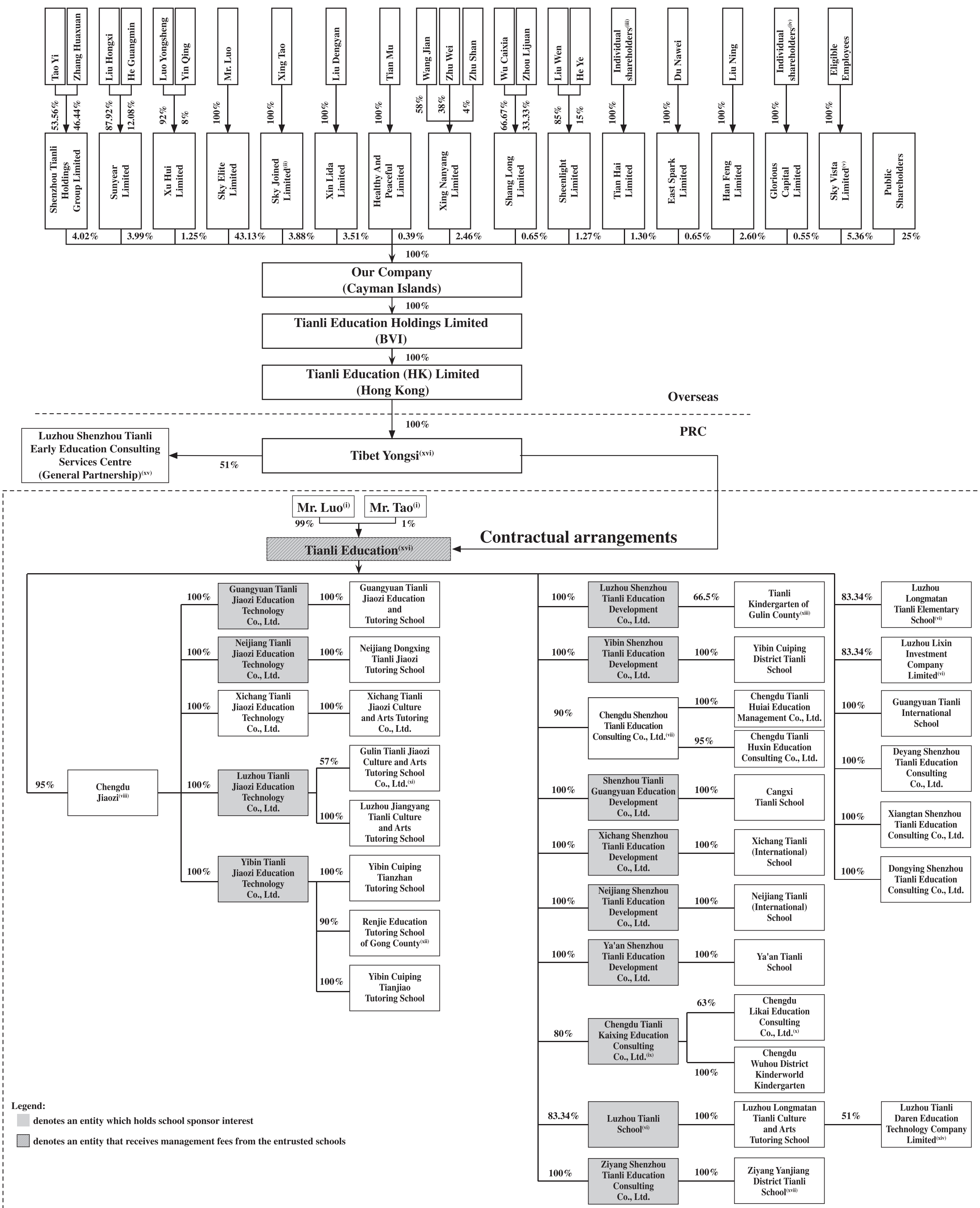
(xv) Luzhou Shenzhou Tianli Early Childhood Education Consulting Services Centre (General Partnership) is owned as to 25% by Liu Qin and 24% by Liu Hong Tai. It receives franchise fees from our pre-kindergarten franchise businesses.

(xvi) Tianli Education receives management fees under the school management agreements until the date when the final approval of the Stock Exchange for the Listing is obtained, upon which all the rights and obligations of Tianli Education under the school management agreements will be transferred to Tibet Yongsi pursuant to the relevant amendment agreements and Tibet Yongsi will start to receive management fees.

(xvii) As of the Latest Practicable Date, Ziyang Yanjiang District Tianli School had obtained its private school operating license and registration certificate for private non-enterprise entities. It is expected to commence operation in September 2018.

Corporate structure immediately following the Global Offering

The following diagram depicts the shareholding and beneficial ownership structure of our Group immediately following the completion of the Capitalization Issue and the Global Offering (assuming no exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme):



Notes:

(i) Mr. Luo is the founder of our Group and our chief executive officer, an executive Director and a Controlling Shareholder. Mr. Tao is an employee of our Group and one of the ultimate shareholders of the Company. Tianli Education is legally held as to 99% by Mr. Luo and 1% by Mr. Tao.

(ii) Sky Joined Limited is wholly-owned by Xing Tao.

(iii) Tian Hai Limited is owned by Liu Chunlan as to 25%, Du Yuxiang as to 25%, Chen Daofu as to 20%, Chen Keliang as to 18.3%, Li Huiming as to 6.7% and Zhang Shiyin as to 5%.

(iv) Glorious Capital Limited is owned by Liu Haifeng as to 61.91%, Li Bo as to 19.05%, Li Ning as to 5.95%, Liao Bang as to 5.95%, Wang Shu as to 3.57% and He Huaiti as to 3.57%.

(v) Sky Vista Limited was established by the Trustee as a special purpose vehicle for holding Shares of the Company granted under the Restricted Share Award Scheme on behalf of the Eligible Employees.

(vi) 16.66% of the equity/school sponsor interest in Luzhou Lixin Investment Co., Ltd., Luzhou Tianli School and Luzhou Longmatan Tianli Elementary School was held by Sichuan Luzhou Senior High School.

(vii) Chengdu Shenzhou Tianli Education Consulting Co., Ltd. is owned as to 10% by Li Wenjing, an Independent Third Party.

(viii) Chengdu Jiaozi is owned as to 5% by Kong Linggang, a director of Chengdu Jiaozi and general manager of Gulin Tianli Jiaozi Culture and Arts Tutoring School Co., Ltd..

(ix) Chengdu Tianli Kaixing Education Consulting Co., Ltd. is owned as to 16% by Tu Mengxuan (wife of Mr. Luo) and 4% by Wang Wen.

(x) Chengdu Likai Education Consulting Co., Ltd. is owned as to 31% by Li Yongtao and 6% by Cai Xingqiong, all of which are Independent Third Parties.

(xi) Gulin Tianli Jiaozi Culture and Arts Tutoring School Co., Limited is owned as to 15% by Zhong Lin, 7% by Chen Fang, 7% by Wang Jin, 7% by Wang Jie and 7% by Zuo Xiaobo, all of which are Independent Third Parties.

(xii) Renjie Education Tutoring School of Gong County is owned as to 10% by Zhou Rong, an Independent Third Party.

(xiii) Tianli Kindergarten of Gulin County is owned as to 18.38% by Li Liangyang, 7.56% by Xiang Zhanfu and 7.56% by Xiao Ning.

(xiv) Luzhou Tianli Daren Education Technology Co., Ltd. is owned as to 49% by Liu Qin, an Independent Third Party.

(xv) Luzhou Shenzhou Tianli Early Education Consulting Services Centre (General Partnership) is owned as to 25% by Liu Qin and 24% by Liu Hong Tai. It receives franchise fees from our pre-kindergarten franchise businesses.

(xvi) Tianli Education receives management fees under the school management agreements until the date when the final approval of the Stock Exchange for the Listing is obtained, upon which all the rights and obligations of Tianli Education under the school management agreements will be transferred to Tibet Yongsi pursuant to the relevant amendment agreements and Tibet Yongsi will start to receive management fees.

(xvii) As of the Latest Practicable Date, Ziyang Yanjiang District Tianli School had obtained its private school operating license and registration certificate for private non-enterprise entities. It is expected to commence operation in September 2018.

SAFE REGISTRATION AND PRC LEGAL COMPLIANCE

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, "**Circular 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 to 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 Circular 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 Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知, "**Circular 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 interests in the domestic entity are located.

As advised by our PRC Legal Adviser, all the ultimate beneficial individual shareholders of our Company had completed the registration under Circular 37 as of December 5, 2017.

Our PRC Legal Adviser confirmed that the establishment of our school sponsors and our schools and subsequent changes to their shareholdings have complied with the relevant laws and regulations in all material respects.

Our PRC Legal Adviser also confirmed that all requisite approvals, permits and licences from the relevant PRC government authorities in relation to the Onshore Reorganization have been obtained, and the Onshore Reorganization has complied with all applicable PRC laws and regulations in all material respects.

M&A RULES

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

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

BACKGROUND OF THE STRUCTURED CONTRACTS

We currently conduct our private education business primarily through our PRC Operating Entities in the PRC where PRC laws, regulations and regulatory practice generally prohibit or restrict foreign ownership in the private education industry in the PRC. PRC laws and regulations currently prohibit foreign ownership of elementary and middle schools in the PRC and restrict the operation of kindergartens, high schools and tutorial centers to Sino-foreign ownership, in addition to imposing qualification requirements on the foreign owners. We do not hold any equity interest in our PRC Operating Entities. The Structured Contracts, through which we obtain control over and derive the economic benefits from our PRC Operating Entities, have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations. We had entered into the Structured Contracts for the existing PRC Operating Schools and expect to enter into structured contracts for 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.

School management and early childhood education centers

As advised by our PRC Legal Adviser, there is no prohibition or restriction on foreign ownership under the PRC laws and regulations in the business of providing school management services or operating self-owned or licensing brands to franchised early childhood education centers. Our PRC Legal Adviser further advised that such view is in line with their consultation with the Education Department of Sichuan Province (四川省教育廳) conducted on January 15, 2018. As at the Latest Practicable Date, there were certain school management agreements, pursuant to which Tianli Education agreed to provide school management services for various entrusted schools. We have entered into amendment agreements to these school management agreements respectively with all relevant parties under which all the rights and obligations of Tianli Education under these school management agreements will be transferred to Tibet Yongsi upon the date when the final approval of the Stock Exchange for the Listing is obtained. We operate our self-owned early childhood education center and licensed our brand to franchised early childhood education centers directly through Tibet Yongsi and Luzhou Shenzhou Tianli Early Education Consulting Services Center (General Partner).

Elementary School and Middle School

Pursuant to the Implementation Opinions of the Ministry of Education on Encouraging and Guiding the Private Fund into the Education Field to Promote 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) promulgated by the MOE on June 18, 2012 (the "**Implementation Opinions**"), foreign-invested companies that engage in educational activities in the PRC should comply with the Foreign Investment Catalogue. Pursuant to the Foreign Investment Catalogue, elementary schools and middle schools offering compulsory education for students from grades one to nine fall within the "prohibited" category.

As a result of the above regulatory prohibition on foreign ownership, we do not hold any equity interest or school sponsor interests in, but rather control by way of Structured Contracts over and receive economic benefits from, the following schools, which are licensed to provide elementary school and middle school educational programs:

Schools licensed to provide elementary school educational programs:	**Schools licensed to provide middle school educational programs:**
Guangyuan Tianli International School	Guangyuan Tianli International School
Cangxi Tianli School	Cangxi Tianli School
Luzhou Longmatan Tianli Elementary School	Luzhou Tianli School
Neijiang Tianli (International) School	Neijiang Tianli (International) School
Xichang Tianli (International) School	Xichang Tianli (International) School
Ya'an Tianli School	Ya'an Tianli School
Yibin Cuiping District Tianli School	Yibin Cuiping District Tianli School
Ziyang Yanjiang District Tianli School[1]	Ziyang Yanjiang District Tianli School[1]

1. As of the Latest Practicable Date, Ziyang Yanjiang District Tianli School had obtained its private school operating license and registration certificate for private non-enterprise entities. It is expected to commence operation in September 2018.

Kindergarten, High School and Tutorial Center

Pursuant to the Foreign Investment Catalogue, the provision of kindergarten and high school education in the PRC falls within the "restricted" category. In particular, the Foreign Investment Catalogue explicitly restricts the participation of foreign-invested entities in kindergarten and high school education to Sino-foreign cooperation, which means that foreign investors may only operate educational institutions offering kindergarten and high school education through joint ventures with PRC incorporated entities that are in compliance with the Regulations on Sino-foreign Cooperation in Operating Schools of the PRC 《中華人民共和國中外合作辦學條例》 (the "**Sino-Foreign Regulations**"). In addition, the Foreign Investment Catalogue also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or chief executive officer of the schools shall be a PRC national, and (b) the representative of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution (the "**Foreign Control Restriction**").

As advised by our PRC Legal Advisor, although pursuant to the Sino-Foreign Regulations, the establishment and operation of Sino-foreign joint venture school offering tutoring education is subject to the approval of education authorities at the provincial level, the Foreign Investment Catalogue does not explicitly restrict the participation of foreign-invested entities in tutoring education to Sino-foreign cooperation. Therefore, there is uncertainty as to whether tutorial centers with foreign investment must comply with the Sino-Foreign Regulations and its implementation measures and whether such schools must operate through Sino-Foreign Joint Venture. Accordingly, we have consulted the Education Department of Sichuan Province (四川省教育廳), being the competent authority in Sichuan Province as advised by our PRC Legal Adviser, during its interview with our PRC Legal Adviser, it confirmed that the Sino-Foreign Regulations apply to our tutorial centers in Sichuan Province. In addition, the application by Tianli Education to the relevant local education authorities to change the sponsors of each of Yibin Cuiping Tianjiao Tutoring School, Yibin Cuiping Tianzhan Tutoring school and Luzhou Jiangyang Tianli Culture and Arts Tutoring School to Tibet Yongsi were all rejected as the relevant local education authorities were also of the view that the operation of tutorial centers were subject to the Sino-Foreign Regulations and foreign investment in the tutorial centers was also restricted to Sino-foreign ownership. In this connection, we have been advised by our PRC Legal Adviser that the Sino-Foreign Regulations apply to tutorial centers.

In relation to the interpretation of the Sino-Foreign Regulations, if our Company was to apply for any of the schools for PRC students that is operated by our Group to be reorganized as a Sino-foreign joint venture private school ("**Sino-Foreign Joint Venture Private School**"), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification and high quality of education (the "**Qualification Requirement**"). Furthermore, pursuant to the Implementation Opinions, the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the "**Foreign Ownership Restriction**"). As advised by our PRC Legal Adviser, the establishment of a Sino-Foreign Joint Venture Private School offering kindergarten, high school and tutorial center education is subject to the approval of education authorities at the provincial level.

Our PRC Legal Adviser has 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 authorities that it meets the Qualification Requirement. Accordingly, on July 10, 2017 and January 15, 2018, with the assistance of our PRC Legal Adviser, our Company consulted the Education Department of Sichuan Province (四川省教育廳), being the competent authority in Sichuan Province as advised by our PRC Legal Adviser to provide such confirmation in respect of such matters relating to the Sino-Foreign Joint Venture Private Schools of our Company.

Our Company was advised by an officer of the Development and Planning Office (發展規劃處) at the Education Department of Sichuan Province who, according to our PRC Legal Advisor, is a competent person giving such advice and confirmation, among other things, that:

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

(ii) a foreign investor in a Sino-Foreign Joint Venture Private School should be an educational institution;

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

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

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

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

As at the Latest Practicable Date, as advised by our PRC Legal Adviser, our Company did not meet the Qualification Requirement since we had not yet had experience in operating a school outside of the PRC. In addition, based on the above advice and confirmation, it is not practicable for our Company to seek to reorganize any of our PRC Operating Schools as a Sino-Foreign Joint Venture Private School.

Notwithstanding the above, we are committed to working towards meeting the Qualification Requirement. We have adopted a specific plan and will continue to make genuine efforts and financial resources available to do so. We have undertaken to make periodic inquiries to the relevant education authorities following the Listing to keep abreast of any regulatory developments, including any change in policy for approving Sino-Foreign Joint Venture Private Schools in Sichuan Province, and continually assess whether we meet the then prevailing Qualification Requirement, with a view to unwinding the Structured Contracts wholly or partially as and when it becomes practicable and permissible under the then prevailing PRC laws and regulations. Please see the paragraph headed "Circumstances in which We Will Unwind the Structured Contracts" and "Plan to Comply with the Qualification Requirement" of this section for further details.

As a result of the above regulatory restrictions, we do not hold any equity interest or school sponsor interests in, but rather control by way of Structured Contracts over and receive economic benefits from, the following schools, which are licensed to provide kindergarten and high school educational programs and tutoring services, given that PRC laws, regulations and regulatory practice currently restrict the operation of kindergarten, high school education and tutorial center education to Sino-foreign ownership, in addition to imposing Qualification Requirements on foreign owners:

Schools licensed to provide kindergarten educational programs	Schools licensed to provide high school educational programs	Tutorial centers
Chengdu Wuhou District Kinderworld Kindergarten	Guangyuan Tianli International School	Guangyuan Tianli Jiaozi Education and Tutoring School
Cangxi Tianli School	Luzhou Tianli School	Luzhou Jiangyang Tianli Culture and Arts Tutoring School
Guangyuan Tianli International School	Xichang Tianli (International) School	Luzhou Longmatan Tianli Culture and Arts Tutoring School
Tianli Kindergarten of Gulin County	Ya'an Tianli School	Neijiang Dongxing Tianli Jiaozi Tutoring School
Neijiang Tianli (International) School	Yibin Cuiping District Tianli School	Yibin Cuiping Tianjiao Tutoring School
Xichang Tianli (International) School		Yibin Cuiping Tianzhan Tutoring School
Ya'an Tianli School		Gulin Tianli Jiaozi Culture and Arts Tutoring School Co., Ltd.
Yibin Cuiping District Tianli School		Renjie Education Tutoring School of Gong County
		Xichang Tianli Jiaozi Culture and Arts Tutoring Co., Ltd.

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 Adviser has opined that each of our PRC Operating Entities has been legally established and except for those disclosed under the paragraph headed "Legality of the Structured Contracts — PRC Legal Opinions" of this section and the section headed "Risk Factors — Risks relating to our Structured Contracts" in this prospectus, the Structured Contracts in relation to the operation of kindergarten, elementary school, middle school, high school and tutorial center education are valid, legal and binding and do not contravene PRC laws and regulations. According to our PRC Legal Adviser, under PRC laws and regulations, the failure to meet the Qualification Requirement and the adoption of the Structured Contracts to operate our kindergartens, high schools and tutorial centers do not render our kindergarten, high school and tutorial center education business as illegal operations in the PRC. As disclosed above, we have obtained confirmation from the Education Department of Sichuan Province 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

Under the Sino-Foreign Regulations, foreign investment in kindergartens, high schools and tutorial centers in the PRC is required to be in the form of cooperation between Chinese educational institutions and foreign educational institutions and subject to the Foreign Ownership Restriction and the Foreign Control Restriction, foreign investors can only hold less than 50% interest in a Sino-Foreign Joint Venture Private School and not less than 50% of the governing body of the kindergarten, high school or tutorial center must be appointed by the Chinese investors.

In the event that the Qualification Requirement is removed or we are able to meet the Qualification Requirement and there is a change in policy, under which Sino-Foreign Joint Venture Private School had been approved in Sichuan Province, but (a) the Foreign Ownership Restriction and the Foreign Control Restriction remain, (b) the Foreign Ownership Restriction remains and the Foreign Control Restriction is removed, (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/school sponsor interest of less than 50% in the relevant school (such as a 49.99% equity interest/school sponsor 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/school sponsor interest of less than 50% in the relevant school (such as a 49.99% equity interest/school sponsor 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 Regulations 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 interest/school sponsor 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; or

— 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/school sponsor interests in the schools. Our Company will also acquire rights to appoint all members of the board of directors of the schools.

In addition, Tibet Yongsi has also made an 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 Call Option (as defined below) in full to hold all of the interest in the PRC Operating Entities and unwind the Structured Contracts accordingly. See the paragraph headed "Termination of the Structured Contracts" of this section for further details.

Plan to Comply with the Qualification Requirement

We have adopted a specific plan and have commenced taking concrete steps which we reasonably believe are meaningful endeavors to demonstrate compliance with the Qualification Requirement.

(a) We entered into a cooperation agreement with London International Academy in Ontario, Canada in November 2015, according to which (i) students enrolled in our high schools are eligible for an exchange program under which they will attend London International Academy for part or all Grade 10 to 12 classes, after which they will be eligible to apply for universities and colleges in North America, (ii) London International Academy will invite management and teachers of Luzhou Tianli School to visit its campus and reputable universities with a view to understanding the education system and curriculum design of Ontario and Canada, and (iii) students enrolled in Luzhou Tianli School are offered opportunities for summer camp programs in Canada organized by London International Academy.

(b) We entered into a cooperation agreement with South Hills Academy in California, the United States in November 2015, according to which (i) students enrolled in our high schools are eligible for an international exchange program, (ii) South Hills Academy will invite management and teachers of Luzhou Tianli School to visit its campus and reputable universities with a view to understanding the education system and curriculum design of California and the United States, and (iii) students enrolled in Luzhou Tianli School are offered opportunities for summer camp programs in California organized by South Hills Academy.

(c) We entered into a cooperation agreement with Furen International School in Singapore in April 2017, according to which (i) students enrolled in our high schools are eligible for an international exchange program in which they will complete Grade 10 and 11 education in our high schools before completing Grade 12 in Furen International School.

(d) We entered into a letter of intent with Hills International College in Australia in May 2015, pursuant to which both parties intend to carry out various cultural and educational exchange activities including exchange programs for students and teachers.

(e) We entered into a framework agreement with Daohe International Culture Affairs Limited (道禾國際文化事業股份有限公司) of Taiwan in September 2017, under which both parties intend to carry out cooperations in operating schools in Taiwan, subject to applicable laws of Taiwan, and organizing exchange programs for students and teachers.

To further demonstrate compliance with the Qualification Requirement, we are also in the process of communicating or negotiating with certain experienced and reputable overseas education service providers exploring potential opportunities of further cooperation, including but not limited to expanding our school network abroad by way of acquisition of foreign education institutions. We will keep our Shareholders informed should we make any substantial progress in reaching cooperation agreements with these overseas education service providers.

In anticipation of potential overseas expansion of our business, we have established a UK subsidiary, Tianli Education (UK) Limited, which will serve as the main operating hub of our overseas business and the acquisition of well-established local K-12 education groups or schools in the UK. Our key criteria for selecting acquisition targets include: (1) acceptance of our education philosophy; (2) proven track records of teaching performance and quality; (3) strong growth potential; and (4) synergies in teaching resources and brand building. We plan to acquire a minority stake in the target educational institution first and we may further acquire a controlling stake depending on the results of the cooperation and the negotiation with the local joint venture partners. The existing management team of the target educational institution will be retained to take the lead in the daily operation and management with the participation of our representatives so that we can gain the relevant overseas experience. It is our acquisition strategy that the acquisition should not be of such size which may have any material adverse impact on our Group's normal business, financial condition, results of operations and specifically our cost structure, whether we are acquiring a controlling stake in the K-12 school or not. We expect to incur up to US$6 million for the acquisition of K-12 school(s) in the UK, which will be financed by our internal resources and/or external financing, depending on the cash flow position and the size of the acquisition(s). As at the Latest Practicable Date, we were still identifying suitable acquisition targets.

In addition, the UK subsidiary will also be responsible for:

(a) negotiating and executing contracts for international business cooperation, such as contracts for cooperation with foreign education institutions in organizing internal classes or courses;

(b) investing in or acquiring overseas education businesses as and when appropriate;

(c) holding our overseas intellectual property rights and licensing them to our overseas partners; and

(d) recruiting overseas education business professionals and advisers, and acting as the direct employer of any personnel based outside the PRC.

Our PRC Legal Adviser is of the view that the steps taken by our Group, that is, the overseas expansion plan (including cooperation with overseas schools and establishment of the UK subsidiary as the vehicle for our overseas business) is reasonable and appropriate to demonstrate compliance with the Qualification Requirement based on the following:

(a) according to the Implementing Measures for the Regulation on Sino-foreign Cooperative in Operating Schools of the PRC (《中外合作辦學條例實施辦法》), the Chinese and foreign cooperators applying to establish a Sino-Foreign Joint Venture Private School, shall have relevant educational qualifications and be qualified to provide high quality education services. However, there is no specific guidance regarding "the relevant educational qualifications and being qualified to provide high quality education services"; and

(b) based on the interviews with the Education Department of Sichuan Province (四川省教育廳) in July 2017 and January 2018, it has been confirmed that: (i) there is no specific rule or guideline for interpreting "relevant educational qualifications and being qualified to provide high quality education services" and there is no relevant implementation measure or guiding opinion in Sichuan Province; and (ii) an foreign investor for a Sino-Foreign Joint Venture Private School should be an education institution approved by the MOE or a reputable international institution. Our PRC Legal Adviser is of the view that the Education Department of Sichuan Province is the competent authority, and the interviewee is the competent person to provide such confirmations.

In order to carry out the steps mentioned above, we have budgeted approximately US$1.7 million (including the initial budget of approximately US$1.4 million for acquisition of K-12 schools in the UK) for the year ending December 31, 2018. We will disclose our progress in the implementation of our overseas expansion plans and updates to the Qualification Requirement in our annual and interim reports to inform the public investors after the Listing as and when appropriate.

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

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

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

OPERATION OF THE STRUCTURED CONTRACTS

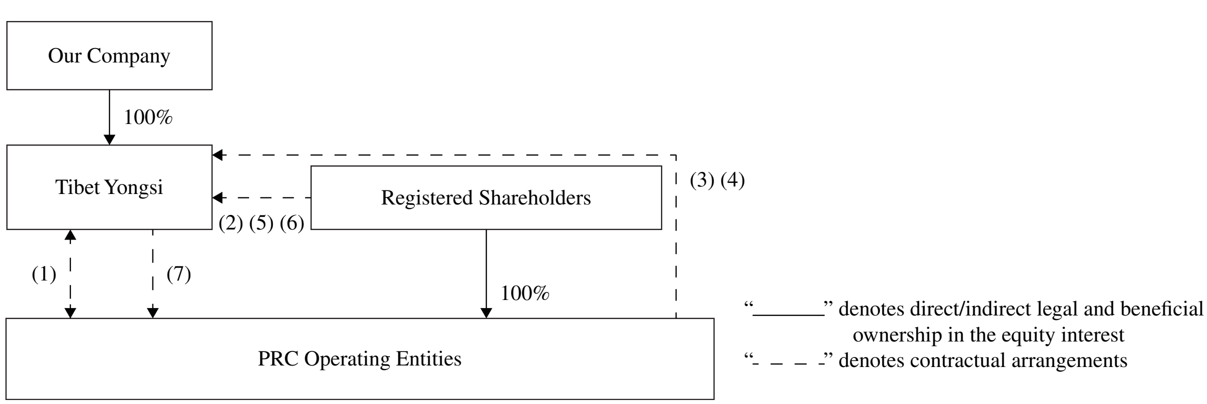
In order to comply with the PRC laws and regulations as set out above while availing ourselves of international capital markets and maintaining effective control over all of our operations, on December 15, 2017, our wholly-owned subsidiary, Tibet Yongsi, entered into various agreements that constitute the Original Structured Contracts with, among others, the then shareholders of Tianli Education (the "**Original Registered Shareholders**") and our then PRC Operating Entities, under which the economic benefits arising from the business of our PRC Operating Entities are transferred to Tibet Yongsi to the extent permitted under the PRC laws and regulations by means of service fees payable by our PRC Operating Entities to Tibet Yongsi.

In view of the abovementioned and to simplify the shareholding structure of Tianli Education, 1% of the equity interest in Tianli Education was transferred by Sichuan Tianhe Zhida to Mr. Tao and the remaining equity interest in Tianli Education of the Original Registered Shareholders was transferred to Mr. Luo (save for the shareholding in Tianli Education already owned by Mr. Luo) on December 16, 2017.

At the same time of the transfer of shares in Tianli Education by the Original Registered Shareholders (except Mr. Luo), a supplemental agreement was entered into among the Original Registered Shareholders, Mr. Tao, Tibet Yongsi, Tianli Education and our PRC Operating Entities on December 19, 2017, pursuant to which all the rights and obligations of the Original Registered Shareholders (except Mr. Luo) were resumed by Mr. Luo and Mr. Tao, being the Registered Shareholders. Such supplemental agreement further confirms that the Original Registered Shareholders (except Mr. Luo) do not have any rights or claims in respect to Tibet Yongsi or its shares. As advised by our PRC Legal Adviser, the transfer of the shares in Tianli Education by the Original Registered Shareholders (except Mr. Luo) for nil consideration is valid, effective and complies with the PRC laws and regulations.

All the PRC Operating Entities incorporated after December 15, 2017 have entered into supplemental agreements with, *inter alia*, Tibet Yongsi, to adhere to the Structured Contracts.

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



Notes:

1. Payment of service fees and 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 — (1) Exclusive Business Cooperation Agreement" in this section for details.

2. Exclusive call option to acquire all or part of the school sponsor interests or equity interests in our PRC Operating Entities. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (2) Exclusive Call Option Agreement" in this section for details.

3. Entrustment of school sponsor' rights in the relevant PRC Operating Entities including school sponsors' powers of attorney. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (3) School Sponsor's and Directors' Rights Entrustment Agreement" and "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contract — (4) School Sponsor's Powers of Attorney" in this section for details.

4. Entrustment of directors' rights in the relevant PRC Operating Entities including directors' powers of attorney. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (3) 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 — (5) Directors' Powers of Attorney" in this section for details.

5. Entrustment of Shareholders' in the relevant PRC Operating Entities right including Shareholders' power of attorney. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (6) Shareholders' Rights Entrustment Agreement" and "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (7) Shareholders' Powers of Attorney" in this section for details.

6. Pledge of equity interest by the Registered Shareholders of their equity interest in Tianli Education. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (9) Equity Pledge Agreement" in this section for details.

7. Provision of loans by Tibet Yongsi to Tianli Education. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (10) Loan Agreement" in this section for further details.

8. 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 section for further details.

Tianli Education holds school sponsor interests or equity interests in our PRC Operating Schools directly or through other PRC Operating Entities. Tianli Education is not engaged in any business other than the aforesaid. Under the Structured Contracts, each of our PRC Operating Entities entered into the Exclusive Business Cooperation Agreement and Loan Agreement with, among others, Tibet Yongsi, pursuant to which each of our PRC Operating Entities will be directly bound by and subject to the terms and conditions thereof. Accordingly, for any services provided by Tibet Yongsi to any of our PRC Operating Entities, the respective service fee will be paid by such PRC Operating Entities to Tibet Yongsi directly. In addition, in order to prevent the leakage of assets and values of our PRC Operating Entities, the Registered Shareholders and our PRC Operating Entities have undertaken that, without the prior written consent of Tibet Yongsi or its designated party, our PRC Operating Entities shall not, among others, distribute dividends or other payments to its shareholder or school sponsor (as the case may be), including the Registered Shareholders. For further details, see"— Summary of the Material Terms of the Structured Contracts- (1) Exclusive Business Cooperation Agreement" in this section.

Summary of the Material Terms of the Structured Contracts

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

(1) ***Exclusive Business Cooperation Agreement***

Pursuant to the Exclusive Business Cooperation Agreement, Tibet Yongsi shall provide technical services, management support and consulting services necessary for the private education business, and in return, our PRC Operating Entities shall make payments accordingly.

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

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

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

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

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

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

(f) to adopt the advice, guidance and plans given by Tibet Yongsi 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 Exclusive Business Cooperation Agreement,

(a) each of Mr. Luo and Mr. Tao undertakes, separately, to Tibet Yongsi 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 Tianli Education, he has made all necessary arrangement and signed 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;

(b) the Registered Shareholders and our PRC Operating Entities undertake that, in the event of dissolution or liquidation of our PRC Operating Entities, (i) Tibet Yongsi shall have the right to exercise all rights of the Registered Shareholders and our PRC Operating Entities as shareholder/ school sponsor of the relevant PRC Operating Entities; (ii) the Registered Shareholders and our PRC Operating Entities shall transfer all assets received or receivable in the capacity as shareholder/school sponsor of the relevant PRC Operating Entities as a result of the dissolution or liquidation of such PRC Operating Entities to Tibet Yongsi or other persons designated by us at nil consideration, and instruct the liquidation team of such PRC Operating Entities to transfer such assets directly to Tibet Yongsi as a result of such dissolution or liquidation; and (iii) if consideration is required for such transfer under the then applicable PRC laws, the Registered Shareholders or the relevant PRC Operating Entities (as the case may be) shall compensate Tibet Yongsi or the person as designated by us the amount and guarantee that Tibet Yongsi or other persons as designated by us does not suffer any loss; and

(c) the Registered Shareholders and our PRC Operating Entities agreed that, without the prior written consent of Tibet Yongsi or its designated party, our PRC Operating Entities shall not declare or pay to their sponsors or shareholders (as the case may be) any reasonable return, dividend or other interest or benefit. In the event that the Registered Shareholders or our PRC Operating Entities receive any reasonable return, dividend or other interest or benefit, the Registered Shareholders and the PRC Operating Entities shall unconditionally and without compensation transfer such amount to Tibet Yongsi.

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

(a) establishment of any subsidiary or entity by our PRC Operating Entities;

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

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

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

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

(f) sale, transfer, lending or authorizing the use or disposal of any assets or rights of any of our PRC Operating Entities to any third party other than Tibet Yongsi 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;

(g) sale of any equity interests or school sponsor interests in any of our PRC Operating Entities to any third party other than Tibet Yongsi or its designated party, or increase or reduction of the registered capital or change in the structure of the equity interests or school sponsor interests of any of our PRC Operating Entities;

(h) providing security over equity interests and/or school sponsor interests in or assets or rights of, or creating encumbrance over equity interests and/or school sponsor interests in or assets of any of our PRC Operating Entities to third parties other than to Tibet Yongsi or its designated party;

(i) altering, amending or revoking any permits of any of our PRC Operating Entities;

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

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

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

(m) distribution of dividend, reasonable return or other payments to the school sponsor and the shareholder of our PRC Operating Entities;

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

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

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

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

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

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

In consideration of the technical and management consultancy services provided by Tibet Yongsi, each of our PRC Operating Entities agreed to pay Tibet Yongsi a service fee equal to:

(1) for a PRC Operating Entity which is not a non-wholly-owned entity: all of the 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 (in the case of our PRC Operating School, if required by the law) and other costs and funds that shall be retained at the relevant PRC Operating Entity in accordance with applicable PRC laws; and

(2) for a PRC Operating Entity which is a non-wholly-owned entity: all of the amount which another PRC Operating Entity is entitled to in its capacity as school sponsor/shareholder in accordance with the articles of association of the relevant PRC Operating Entity in the 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 (in the case of our PRC Operating School, if required by the law) and other costs and funds that shall be retained at the relevant PRC Operating Entity in accordance with applicable PRC laws.

Tibet Yongsi has the right (but not the obligation) to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of our PRC Operating Entities, provided that any adjusted amount shall not exceed the amount mentioned above. Our PRC Operating Entities do not have any right to make any such adjustment.

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

(2) ***Exclusive Call Option Agreement***

Under the Exclusive Call Option Agreement, the Registered Shareholders and Tianli Education have irrevocably granted Tibet Yongsi or its designated purchaser the right to purchase all or part of the school sponsor interests or equity interests in the PRC Operating Entities owned by the Registered Shareholders and the relevant PRC Operating Entities ("**Call Option**"). The purchase price payable by Tibet Yongsi in respect of the transfer of such school sponsor interests or equity interests upon exercise of the Call Option shall be the lowest price permitted under the PRC laws and regulations. Tibet Yongsi or its designated purchaser shall have the right to purchase such proportion of the school sponsor interests or equity interests in our PRC Operating Entities as it decides at any time.

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

The Registered Shareholders and Tianli Education have further undertaken to Tibet Yongsi that, it:

(a) shall not sell, assign, transfer or otherwise dispose of or create encumbrance over the school sponsor interests or equity interests in any of our PRC Operating Entities without the prior written consent of Tibet Yongsi;

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

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

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

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

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

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

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

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

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

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

(l) shall sign all documents and take all necessary actions to facilitate transfer of school sponsor interests and/or equity interests in our PRC Operating Entities to Tibet Yongsi or its designated purchaser;

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

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

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

(3) ***School Sponsor's and Directors' Rights Entrustment Agreement***

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, our PRC Operating Entities have irrevocably authorized and entrusted Tibet Yongsi to exercise all their rights as school sponsor to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to appoint and/or elect directors 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 interest in accordance with the laws; (h) the right to choose for the school to be a for-profit school or not-for-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 appointed by the relevant PRC Operating Entities in their capacity as school sponsor (the "**Appointees**") has irrevocably authorized and entrusted Tibet Yongsi to exercise all his/her rights as directors 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 the relevant PRC Operating Entities; (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 Tianli Education 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 Tibet Yongsi; (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, our PRC Operating Entities and the Appointees have irrevocably agreed that (i) Tibet Yongsi may delegate its rights under the School Sponsor's and Directors' Rights Entrustment Agreement to the directors of Tibet Yongsi or its designated person, without prior notice to or approval by our PRC Operating Entities and the Appointees; and (ii) any person as successor of civil rights of Tibet Yongsi or liquidator by reason of subdivision, merger, liquidation of Tibet Yongsi or other circumstances shall have authority to replace Tibet Yongsi to exercise all rights under the School Sponsor's and Directors' Rights Entrustment Agreement.

(4) *School Sponsor's Powers of Attorney*

Pursuant to the School Sponsor's Powers of Attorney executed by the relevant PRC Operating Entities who are school sponsors for our PRC Operating Schools in favor of Tibet Yongsi, each of the relevant PRC Operating Entities authorized and appointed Tibet Yongsi, the director of which is Ding Xiaorong (who is not a director of any of our PRC Operating Entities 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 the paragraph headed "Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (3) School Sponsor's and Directors' Rights Entrustment Agreement" of this section.

Tibet Yongsi shall have the right to further delegate the rights so delegated to the directors of Tibet Yongsi or other designated person. The relevant PRC Operating Entities 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 subdivision, merger, winding up, consolidation, liquidation or other similar events of the relevant PRC Operating Entities. The School Sponsor's Power of Attorney shall constitute a part and incorporate terms of the School Sponsor's and Directors' Rights Entrustment Agreement.

(5) *Directors' Powers of Attorney*

Pursuant to the Directors' Powers of Attorney executed by each of the Appointees in favor of Tibet Yongsi, each of the Appointees authorized and appointed Tibet Yongsi, the director of which is Ding Xiaorong (who is not a director of any of our PRC Operating Entities and therefore does not give rise to any conflicts of interest), as his/her agent to act on his/her behalf to exercise or delegate the exercise of all of his/her rights as directors of our PRC Operating Schools. For details of the rights granted, see the paragraph headed "Operation of the Structured Contracts- Summary of the Material Terms of the Structured Contracts — (3) School Sponsor's and Directors' Rights Entrustment Agreement" of this section.

Tibet Yongsi shall have the right to further delegate the rights so delegated to the directors of Tibet Yongsi 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.

(6) *Shareholders' Rights Entrustment Agreement*

Pursuant to the Shareholders' Rights Entrustment Agreement, the Registered Shareholders and our PRC Operating Entities has irrevocably authorized and entrusted Tibet Yongsi to exercise all of his/its respective rights as shareholders of the relevant PRC Operating Entities to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to attend shareholders' meetings; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the shareholders' meeting; (c) the right to appoint directors or legal representative; (d) the right to propose to convene interim shareholders' meetings; (e) the right to sign all shareholders' resolutions and other legal documents; (f) the right to instruct the directors and legal representative to act in accordance with the instruction of Tibet Yongsi; (g) the right to exercise all other rights and voting rights of shareholders as prescribed under the articles of association of the relevant PRC Operating Entities as amended from time to time, including the right to declare any dividends, or sell, transfer, pledge or dispose of all or part of the equity interests of the relevant PRC Operating Entities; (h) the right to handle the legal procedures of registration, approval and licensing at the education department, the department of civil affairs or other government regulatory departments; (i) the right to exercise the voting rights in cases of bankruptcy, liquidation or termination of the relevant PRC Operating Entities, and to acquire the residual assets in any of such event; and (j) other shareholders' rights pursuant to applicable PRC laws and regulations and the articles of association of the relevant PRC Operating Entities as amended from time to time.

In addition, the Registered Shareholders and our PRC Operating Entities have irrevocably agreed that (i) Tibet Yongsi may delegate its rights under the Shareholders' Rights Entrustment Agreement to its designated person, without prior notice to or approval by the Registered Shareholders; and (ii) any person as successor of civil rights of Tibet Yongsi or liquidator by reason of subdivision, merger, liquidation of Tibet Yongsi or other circumstances shall have authority to replace Tibet Yongsi to exercise all rights under the Shareholders' Rights Entrustment Agreement.

(7) ***Shareholders' Powers of Attorney***

Pursuant to the Shareholders' Powers of Attorney executed by the Registered Shareholders and our PRC Operating Entities who are shareholders of our PRC Operating Companies in favor of Tibet Yongsi, each of the Registered Shareholders and the relevant PRC Operating Entities authorized and appointed Tibet Yongsi, as his or its agent to act on his or its behalf to exercise or delegate the exercise of all his or its rights as shareholders of the relevant PRC Operating Companies. For details of the rights granted, see the paragraph headed "Operation of the Structured Contracts- Summary of the Material Terms of the Structured Contracts — (6) Shareholders' Rights Entrustment Agreement" in this section.

Tibet Yongsi shall have the right to further delegate the rights so delegated to its designated person. Each of the relevant 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/its loss of or restriction on capacity, death, dissolution, liquidation or other similar events, as the case may be. The Shareholders' Power of Attorney shall constitute a part and incorporate terms of the Shareholders' Rights Entrustment Agreement.

(8) ***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 by the respective Registered Shareholders, and in particular, the arrangement as set out in the Structured Contracts in relation to the restrictions imposed on the direct or indirect equity interest in Tianli Education, pledge or transfer the direct or indirect equity interest in Tianli Education, or the disposal of the direct or indirect equity interest in Tianli Education in any other forms;

(b) 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 Tianli Education (direct or indirect) in order to safeguard the interest of Tibet Yongsi under the Structured Contracts and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;

(c) 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 Tianli Education;

(d) 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

(e) all undertakings, confirmations, consents and authorizations under the Spouse Undertakings shall continue to be valid and binding until otherwise terminated by both Tibet Yongsi 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 Exclusive Business Cooperation Agreement.

(9) *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 equity interest in Tianli Education together with all related rights thereto to Tibet Yongsi as security for performance of the Structured Contracts and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Tibet Yongsi as a result of any event of default on the part of the Registered Shareholders or our PRC Operating Entities and all expenses incurred by Tibet Yongsi as a result of enforcement of the obligations of the Registered Shareholders or our PRC Operating Entities under the Structured Contracts (the "**Secured Indebtedness**").

Pursuant to the Equity Pledge Agreement, without the prior written consent of Tibet Yongsi, 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 by Tibet Yongsi. 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 or our PRC Operating Entities commits any breach of any obligations under the Structured Contracts;

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

(c) any provision in the Structured Contracts becomes invalid or incapable of performance due to 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, Tibet Yongsi shall have the right to enforce the Equity Pledge Agreement by written notice to the Registered Shareholders in one or more of the following ways:

(a) to the extent permitted under PRC laws and regulations, Tibet Yongsi may request the Registered Shareholders to transfer all or part of their equity interest in Tianli Education to any entity or individual designated by Tibet Yongsi 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, there is no equity pledge arrangement between Tibet Yongsi and our PRC Operating Entities over the school sponsor interests in our PRC Operating Schools. As advised by our PRC Legal Adviser, if we were to make an equity pledge arrangement with our PRC Operating Entities where our PRC Operating Entities pledge their school sponsor interests 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 interests in schools are not pledgeable under PRC laws and any equity pledge arrangements with respect to the school sponsor 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 are unwound, with the aim of further enhancing our control over our PRC Operating Entities, in particular:

(a) as disclosed above, pursuant to the Exclusive Business Cooperation Agreement, the Registered Shareholders and each of our PRC Operating Entities have undertaken that, without prior written consent of Tibet Yongsi 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 Entities or (ii) on the ability of the Registered Shareholders and each of our PRC Operating Entities to perform the obligations under the Structured Contracts. See the paragraph headed "Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (1) Exclusive Business Cooperation Agreement" in this prospectus for details.

(b) as disclosed above, pursuant to the Exclusive Call Option Agreement, the Registered Shareholders and Tianli Education have further undertaken to Tibet Yongsi that, among others, they shall not sell, assign, transfer or otherwise dispose of or create any encumbrance over (as applicable) school sponsor interests or equity interests in any of our PRC Operating Entities without prior written consent of Tibet Yongsi. However, the Company has been advised by the PRC Legal Adviser that pledges and/or encumbrance granted over school sponsor interests are not valid or enforceable under the PRC laws and regulations. See the paragraph headed "Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (2) 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 Entities are properly secured, are within the full control of our Company and cannot be used by the Registered Shareholders or our PRC Operating Entities without our permission. Such measures include arranging for the company seals of our PRC Operating Entities to be kept in the safe custody of the finance department of Tibet Yongsi and setting up lines of authority for using the company seals, financial chops and business registration certificates such that the company seals, financial chops and business registration certificates can only be used under direct authorization of our Company or Tibet Yongsi.

(10) ***Loan Agreement***

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

The terms of the Loan Agreement shall continue until all equity interests or school sponsor interests of our PRC Operating Entities are transferred to Tibet Yongsi 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 Tibet Yongsi. The loan will become due and payable upon Tibet Yongsi's demand under any of the following circumstances: (i) a bankruptcy application, bankruptcy reorganization or bankruptcy settlement has been filed by or against Tianli Education, (ii) a winding-up or liquidation application has been filed by or against Tianli Education, (iii) Tianli Education becoming insolvent or incurring any other significant debt which may affect its ability to repay the loan under the Loan Agreement, (iv) Tibet Yongsi or its designee exercising in full its option to purchase all school sponsor interests and equity interests in our PRC Operating Entities to the extent permitted by PRC laws and regulations, or (v) any of Tianli Education or our PRC Operating Entities committing any breach of any obligations under the Structured Contracts, or any warranties provided by any of Tianli Education or our PRC Operating Entities under the Structured Contracts is proved incorrect or inaccurate. As advised by our PRC Legal Adviser, interest-free loans granted by Tibet Yongsi to Tianli Education are not in violation of the applicable PRC laws and regulations.

CONFIRMATIONS BY MINORITY STAKEHOLDERS

The school sponsor interests/equity interests in each of our PRC Operating Entities are wholly-owned by another PRC Operating Entity or the Registered Shareholders, except for the Non-wholly-owned Entities which are the PRC Operating Entities in which certain equity or school sponsor's interests are held by third parties who are not a member of our Group. As of the Latest Practicable Date, the following entities were our Non-wholly-owned Entities:

Name of the Non-wholly-owned Entities	Equity/School sponsor's interests held by member of our Group	Equity/School sponsor's interests held by minority stakeholders (the "Minority Stakeholders")
Luzhou Tianli School (瀘州市天立學校)	83.34%	Sichuan Province Luzhou Senior High School (16.66%)
Luzhou Lixin Investment Co., Ltd. (瀘州立信投資有限公司)	83.34%	Sichuan Province Luzhou Senior High School (16.66%)
Luzhou Tianli Daren Education Technology Co., Ltd. (瀘州天立達人教育科技有限公司)	51%	Liu Qin (49%)
Tianli Kindergarten of Gulin County (古藺縣天立幼兒園)	66.5%	Li Liangyang (18.38%) Xiang Zhanfu (7.56%) Xiao Ning (7.56%)
Chengdu Shenzhou Tianli Education Consulting Co. Ltd. (成都神州天立教育諮詢有限公司)	90%	Li Wenjing (10%)
Chengdu Tianli Jiaozi Education Technology Co., Ltd. (成都天立驕子教育科技有限公司)	95%	Kong Linggang (5%)
Chengdu Tianli Kaixing Education Consulting Co. Ltd. (成都天立凱星教育諮詢有限公司)	80%	Tu Mengxuan (16%) Wang Wen (4%)
Chengdu Likai Education Consulting Co., Ltd. (成都立凱教育諮詢有限公司)	63%	Li Yongtao (31%) Cai Xingqiong (6%)
Renjie Education Tutoring School of Gong County (珙縣人傑教育培訓學校)	90%	Zhou Rong (10%)
Gulin Tianli Jiaozi Culture and Arts Tutoring School Co., Ltd. (古藺天立驕子文化藝術培訓學校有限責任公司)	57%	Zhong Lin (15%) Wang Jin (7%) Wang Jie (7%) Chen Min (7%) Zhuo Xiaobo (7%)

Name of the Non-wholly-owned Entities	Equity/School sponsor's interests held by member of our Group	Equity/School sponsor's interests held by minority stakeholders (the "Minority Stakeholders")
Chengdu Tianli Huixin Education Consulting Co., Ltd. (成都天立慧心教育諮詢有限公司)	95%	Bai Xue (5%)

Please refer to the sections headed "History and Reorganization — Our PRC Operating Schools" and "History and Reorganization — Our Major PRC Non-School Entities" in this prospectus for further details. In any event, we have obtained a written confirmation from each of the Minority Stakeholders, who confirmed that he/she/it agreed, among others:

(i) to the execution of the Structured Contracts by the relevant Non-wholly-owned Entity and the obligations of the relevant Non-wholly-owned Entity under the Structured Contracts;

(ii) to waive his/its pre-emptive rights in the event that we exercise the Equity Call Option pursuant to the Structured Contracts and to sign or provide all necessary documents or take all necessary actions to facilitate the transfer of the school sponsor interests/equity interests in the relevant Non-wholly-owned Entity to Tibet Yongsi;

(iii) to the payment of the service fees to Tibet Yongsi pursuant to the Structured Contracts;

(iv) to vote in favour of and support any resolutions of school sponsors, shareholders or board of directors (as the case may be) of the relevant Non-wholly-owned Entity required by Tianli Education or the relevant Non-wholly-owned Entity pursuant to the Structured Contracts;

(v) except with the prior written consent of Tibet Yongsi or its designated persons, not to directly or indirectly conduct any activity or transaction which (a) may have an actual effect on the assets, business, employees, obligations, rights or business operations of the relevant Non-wholly-owned Entity or its subsidiaries/entities, or (b) may have a material adverse impact on the ability of the relevant Non-wholly-owned Entity to fulfill any obligations under the Structured Contracts;

(vi) in the event that such Minority Stakeholder intends to sell, assign, transfer or in any other way dispose of his/its school sponsor interests/equity interests in the relevant Non-wholly-owned Entity, such Minority Stakeholder undertakes that his/its successor shall at no consideration and in writing, unconditionally and irrevocably agree to assume the rights and obligations under the Structured Contracts prior to such sale, assignment, transfer or disposal; and

(vii) if such Minority Stakeholder creates any encumbrances over any of his/its equity interests in the relevant Non-wholly-owned Entity from the date of the confirmation, such Minority Stakeholder undertakes that the beneficiary of such encumbrance and other related persons shall at no consideration and in writing, unconditionally and irrevocably agree to assume the rights and obligations under the Structured Contracts prior to the creation of such encumbrances.

DISPUTE RESOLUTION

Each of the Structured Contracts provides that:

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

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

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

(d) upon request by any party, the courts of competent jurisdiction 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 or our PRC Operating Entities are located shall be considered as having jurisdiction for the above purposes.

In connection with the dispute resolution method as set out in the Structured Contracts and the practical consequences, we are advised by our PRC Legal Adviser 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 interests in our PRC Operating Schools or equity interests in our PRC Operating Entities in case of disputes. As such, these remedies may not be available to our Group under PRC laws;

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

(c) however, PRC laws do not disallow the arbitral body to give award of transfer of assets of or equity interests in our PRC Operating Entities and school sponsor interests in our PRC Operating Schools at the request of the 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 recognized 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 our PRC Operating Entities, 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 Entities 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 Entities and conduct our business could be materially and adversely affected. See the section headed "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. Luo and Mr. Tao has irrevocably undertaken that, among others, the spouse authorizes Mr. Luo and Mr. Tao 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 interests of Mr. Luo and Mr. Tao in Tianli Education in order to safeguard the interest of Tibet Yongsi 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 the paragraph headed "Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (8) Spouse Undertakings" of this prospectus for details.

In addition, as disclosed above, pursuant to the Exclusive Business Cooperation Agreement, Mr. Luo and Mr. Tao undertake to Tibet Yongsi 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 interests in Tianli Education, they shall have made all necessary arrangements 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 interests 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 ENTITIES

Pursuant to the Exclusive Business Cooperation Agreement, in the event of the dissolution or liquidation of our PRC Operating Entities, the Registered Shareholders and our PRC Operating Entities undertake that, among others, Tibet Yongsi and/or its designee shall have the right to exercise all rights of the Registered Shareholders and the PRC Operating Entities as shareholder/school sponsor of the relevant PRC Operating Entities. See the paragraph headed "Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (1) Exclusive Business Cooperation Agreement" of this prospectus for details.

Furthermore, Tibet Yongsi has been irrevocably authorized and entrusted to exercise the rights of the Registered Shareholders and our PRC Operating Entities as school sponsors/shareholders of our PRC Operating Entities and the rights of the Appointees as directors of our PRC Operating Schools. See the paragraph headed "Operation of the Structured Contracts — Summary of Material Terms of the Structured Contracts — (3) School Sponsor's and Directors' Rights Entrustment Agreement" and "Structured Contracts — Operation of the Structured Contracts — Summary of Material Terms of the Structured Contracts — (6) Shareholders' Rights Entrustment Agreement" of this section for details.

LOSS SHARING

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

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

Under PRC laws and regulations, our Company or Tibet Yongsi, is not expressly required to share the losses of our PRC Operating Entities or provide financial support to our PRC Operating Entities. Despite the foregoing, given that our PRC Operating Entities' financial condition and results of operations are consolidated with our Group's financial condition and results of operations under the applicable accounting principles, our Company's business, financial condition and results of operations would be adversely affected if our PRC Operating Entities suffer losses. However, due to the restrictive provisions contained in the Structured Contracts as disclosed in the respective paragraph headed "Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (1) Exclusive Business Cooperation Agreement" and "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (2) Exclusive Call Option Agreement" above, the potential adverse effect on Tibet Yongsi and our Company in the event of any loss suffered from our PRC Operating Entities can be limited to a certain extent.

TERMINATION OF THE STRUCTURED CONTRACTS

Each of the Structured Contracts provides that: (a) each of the Structured Contracts shall be terminated upon the completion of the purchase of all the equity interests and school sponsor interests in our PRC Operating Entities by Tibet Yongsi 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) Tibet Yongsi shall have the right to terminate the Structured Contracts by serving 30-day prior notice; and (c) each of our PRC Operating Entities and the Registered Shareholders shall not be entitled to unilaterally terminate the Structured Contracts in any situation other than prescribed by the laws.

In the event that PRC laws and regulations allow Tibet Yongsi or us to directly hold all or part of the school sponsor interests or equity interests in our PRC Operating Entities and operate private education business in the PRC, Tibet Yongsi shall exercise the Call Option as soon as practicable and Tibet Yongsi or its designated party shall purchase such amount of equity interests or school sponsor interests to the extent permissible under the PRC laws and regulations, and upon exercise in full of the Call

Option and the acquisition of all the equity interests and school sponsor interests in our PRC Operating Entities by Tibet Yongsi 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 Exclusive Business Cooperation Agreement, each of the Registered Shareholders undertakes to Tibet Yongsi that, unless with the prior written consent of Tibet Yongsi, the Registered Shareholders shall not directly or indirectly engage, participate in, conduct, acquire or hold any Competing Business and Tibet Yongsi 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 the paragraph headed "Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (1) Exclusive Business Cooperation Agreement" of this prospectus for details. Our Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with the potential conflicts of interest between 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 Adviser has advised that:

(a) Each of our PRC Operating Entities was duly incorporated and is validly existing and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations, each of the Registered Shareholders is a natural person with full civil and legal capacity. Each of our PRC Operating Entities has also obtained all material approvals and finished all 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 State Tax Bureau of Sichuan Province has affirmatively confirmed that payment by schools for costs and expenses in relation to its school operations, including fees for services provided, generally will not be regarded as distribution of operating profits of schools, provided that the payments under the relevant agreements are fair and are in line with the market practice and actual services are rendered. It is further confirmed by the Education Department of Sichuan Province that payment of service fees by our PRC Operating Schools to Tibet Yongsi under the Structure Contracts is viable and pragmatic based on market precedents and no approval from the education authority is required, and the education authority will not intervene in such arrangement. In this connection, our PRC Legal Adviser has advised that the service fees payable by our PRC Operating Schools in accordance with the Structure Contracts will not be regarded as distribution of operating profits of schools to the investors/school sponsors, which is prohibited for schools whose school sponsors do not require reasonable returns and not-for-profit private schools under the relevant laws. Our PRC Legal Adviser has confirmed that the State Tax Bureau of Sichuan Province is the competent authority to confirm the taxation matters relevant to us in the area where we operated all the PRC Operating Schools during the Track Record Period, and that the Education Department of Sichuan Province is the competent authority to confirm education matters for the our operations. Please see the section headed "Risk Factors — Risks relating to Our Structured Contracts — Our PRC Operating Entities may be subject to limitations on their ability to operate private education business or make payments to related parties." in this prospectus for the relevant risks if the relevant PRC government authorities take a different view in the future, that such service fees are tantamount to "operating profits" received by the sponsors of these schools which will then be in violation of PRC laws and regulations.

(c) The Structured Contracts as a whole and each of the agreements comprising the Structured Contracts are legal, valid and binding on the parties thereto, enforceable under PRC laws and regulations, except that the Structured Contracts provide that the arbitral body may award remedies over the shares and/or assets of our PRC Operating Entities, injunctive relief and/or winding up of our PRC Operating Entities, and that courts of competent jurisdiction are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting the assets of or equity interest in our PRC Operating Entities or school sponsor interests in our PRC Operating Schools 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 recognized or enforceable in China, and the Structured Contracts 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 and all possible actions and steps necessary to confirm the aforementioned opinions have been taken;

(d) Each of the Structured Contracts is not in violation of provisions of the articles of association of our PRC Operating Entities and Tibet Yongsi;

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

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

(g) The consummation of the contemplated Listing of our Shares on the Stock Exchange does not violate the M&A Rules.

For details in relation to the risks involved in the Structured Contracts, see the section headed "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:

(a) the Structured Contracts are only used to enable our Group to consolidate the financial results of our PRC Operating Entities which engage or will engage in the operation of kindergarten, elementary school, middle school, high school and tutorial center education, which are subject to foreign investment restriction in accordance with applicable PRC laws and our consultation with the Education Department of Sichuan Province; and

(b) we have entered into amendment agreements with all relevant parties under each of the school management agreements, pursuant to which we shall provide school management services which is not a business falling in a prohibited or restricted category under the Foreign Investment Catalogue as advised by our PRC Legal Adviser, that all rights and obligations of Tianli Education under the school management agreements will be transferred to Tibet Yongsi upon the date when the final approval of the Stock Exchange for the Listing is obtained.

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

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

COMBINATION OF FINANCIAL RESULTS OF OUR PRC OPERATING SCHOOLS

According to IFRS 10 — Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own our PRC Operating Entities, the Structured Contracts as mentioned above enable our Company to exercise control over our PRC Operating Entities. The basis of combining the results of our PRC Operating Entities is disclosed in note 1 to the Accountants' Report. Our Directors consider that our Company can combine the financial results of our PRC Operating Entities as if they were our Group's subsidiaries.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Draft Foreign Investment Law and the Explanatory Notes

On January 19, 2015, MOFCOM released the draft Foreign Investment Law (the "**Draft FIL**") and the Explanatory Notes to the Draft FIL (the "**Explanatory Notes**") for public consultation. The major changes that the Draft FIL introduces to the foreign investment regime in the PRC are as follows:

(1) The definitions of "foreign investors" and "foreign investment"

The Draft FIL introduces the concept of "control" and "actual control". Under Article 18 of the Draft FIL, the term "control" means that any of the following conditions is met in respect of an enterprise:

(a) holding, directly or indirectly, more than 50% of shares, equities, share of properties, voting power or other similar equities in the enterprise;

(b) holding, directly or indirectly, less than 50% of shares, equities, share of properties, voting power or other similar equities in the enterprise, but are under any of the following circumstances: (a) being entitled to, directly or indirectly, appoint more than half of the members of the enterprise's board of directors or the similar decision-making body; (b) being capable of ensuring that its nominated personnel can occupy more than 50% of seats of the enterprise's board of directors or the similar decision-making body; and (c) the voting power it holds is sufficient to exert significant influence on the resolutions of the meetings of shareholders, general assembly of shareholders, board of directors or other decision-making body; or

(c) exerting decisive influence on the enterprise's management, finance, human resources or technologies, among other things, by contracts, trust or other ways.

For the purposes of the Draft FIL, the determination of "actual control" is an exercise to identify the ultimate natural person or enterprise that controls the foreign-invested enterprise. Article 19 of the Draft FIL defined "actual controllers" as the natural persons or enterprises that directly or indirectly control foreign investors or foreign-invested enterprises.

If the investment amount of a foreign investment enterprise ("**FIE**") exceeds certain thresholds or the business it operates 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 (the "**VIE structure**"), has been adopted by many PRC-based companies, and will be adopted by our Company in the form of the Structured Contracts, to establish control of our PRC Operating Entities by Tibet Yongsi, through which our Group operate its education business in PRC. According to the Draft FIL, where the FIE under the actual control of PRC investors (either by way of PRC state-owned enterprises or agencies or PRC citizens) invests in a sector set out in the Catalogue of Prohibitions or Catalogue of Restrictions, when applying for access permission they may submit documentary evidence to apply for identification as an investment by PRC entities and/or citizens. However, our PRC Legal Adviser is of the view that the Structured Contracts will be deemed legitimate and effective if the ultimate controlling person(s) is/are of PRC nationality or they take other measures as required by the foreign investment law then in force. Despite the content and the classification of the categories in the "negative list" being unclear and unpredictable at this stage, we will take any reasonable measures and actions under the foreign investment law then in force to minimize the adverse effect of such laws on the Structured Contracts.

(2) The Negative List-restrictions on foreign investment

The Draft FIL stipulates restrictions on foreign investment in certain industry sectors. The negative list classified the relevant prohibited and restricted industries into the catalogue of prohibitions ("**Catalogue of Prohibitions**") and the catalogue of restrictions ("**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 sector set out in the Catalogue of Restrictions, provided that the foreign investors are required to fulfil certain conditions and apply for permissions before making such investment.

Notwithstanding the Explanatory Notes do not provide a clear direction in dealing with contractual arrangements in existence before the Draft FIL becomes effective (the Draft FIL is still subject to public consultation and further study), MOFCOM has proposed under the Explanatory Notes three possible approaches in dealing with foreign-invested enterprises with existing contractual arrangements and conducting business in an industry falling in the Negative List:

(a) to make a declaration to the competent authority of the State Council that the actual control is vested with Chinese investors, whereby contractual arrangements may be retained for its operation;

(b) to apply to the competent authority of the State Council for certification that its actual control is vested with Chinese investors and upon verification by competent authority of the State Council, whereby the contractual arrangements may be retained for its operation; and

(c) to apply to the competent authority of the State Council for permission, whereby the competent authority of the State Council 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 FIL by entrusted holding, trust, multi-level re-investment, leasing, contracting, financing arrangements, protocol control, overseas transaction or otherwise, make investments in sectors specified in the Catalogue of Prohibitions, or make investments in sectors specified in the Catalogue of Restrictions without permission or violate the information reporting obligations specified therein, the penalty shall be imposed in accordance with Article 144 (Investments in Sectors Specified in the Catalogue of Prohibitions), Article 145 (Violation of Provisions on Access Permission), Article 147 (Administrative Legal Liability for Violating the Information Reporting Obligation) or Article 148 (Criminal Legal Liability for Violating the Information Reporting Obligation) of the Draft FIL, 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 FIL, including failing to perform on schedule, evading the performance of the information reporting obligation, 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 FIL, including failing to perform on schedule, evading the performance of the information reporting obligation, 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 person-in-charge directly responsible and other persons liable shall be sentenced to fixed-term imprisonment of not more than one year or criminal detention.

Mr. Luo, who is of Chinese nationality, is by far the single largest Shareholder and is able to exercise decisive influence over the management of the Company, and will indirectly control an aggregate of approximately 43.13% (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 the Company upon completion of the Global Offering. Pursuant to Article 18 of the Draft FIL, there are three scenarios where "control" exists, including that (a) holding, directly or indirectly, more than 50% of shares, equities, share of properties, voting power or other similar equities in the enterprise; (b) holding, directly or indirectly, less than 50% of shares, equities, share of properties, voting power or other similar equities in the enterprise, but are under any of the following circumstances: (i) being entitled to, directly or indirectly, appoint more than half of the members of the enterprise's board of directors or the similar decision-making body; (ii) being capable of ensuring that its nominated personnel can occupy more than 50% of seats of the enterprise's board of directors or the similar decision-making body; and (iii) the voting power it holds is sufficient to exert significant influence on the resolutions of the meetings of shareholders, general assembly of shareholders, board of directors or other decision-making body; or (c) exerting decisive influence on the enterprise's management, finance, human resources or technologies, among other things, by contracts, trust or other ways. Given that Mr. Luo will remain as the single largest Shareholder of the Company and no other Shareholders are expected to own 10% or more of the Company's issued share capital immediately upon completion of the Global Offering, the Company's PRC Legal Adviser is of the view that Mr. Luo is, and will be, capable of exerting significant influence on the matters to be discussed at the meetings of the Shareholders of the Company. Such voting powers and influence are sufficient to constitute "control" for the purpose of the Draft FIL, and the Company will be considered to be ultimately "controlled" by a PRC investor (i.e. Mr. Luo) under the Draft FIL.

Potential impact to our Company in the worst scenario that the Structured Contracts are not treated as a domestic investment

The operation of educational institutions offering kindergarten, elementary school, middle school, high school and tutorial center education may be in the Catalogue of Prohibitions or Catalogue of Restrictions and the Structured Contracts arrangement may be deemed as foreign investments on prohibited or restricted industry sector. If the Draft FIL 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 its schools through the Structured Contracts and our Company would have to terminate the Structured Contracts and lose the rights to receive the future economic benefits of our PRC Operating Entities. As a result, the financial results of our PRC Operating Entities would no longer be combined with our Group's financial results and our Group would have to derecognize their assets and liabilities according to the relevant accounting standards. An investment loss would be recognized as a result of such de-recognition.

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 that, if the Draft FIL is promulgated, the relevant authorities will apply the rules retrospectively to require the relevant enterprises to remove existing contractual arrangements. In the 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 practice situations.

However, there are uncertainties as to what the definition of control may be under the ultimate version of the Foreign Investment Law to be enacted 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 Adviser's understanding. In any event, our Company will take reasonable steps in good faith to seek to comply with the enacted version of the Foreign Investment Law, if and when it comes into force.

Potential measures to maintain control over and receive economic benefits from our PRC Operating Entities

Our PRC Legal Adviser is of the view that the structure under the Structured Contracts is likely to be deemed as a domestic investment if the Draft FIL were to become effective in its current form and content.

The PRC Legal Adviser conducted an interview with the Department of Commerce of Sichuan Province on January 8, 2018, which confirmed as follows:

(1) the Draft FIL does not currently have any legal effect and the Department of Commerce of Sichuan Province will not supervise FIEs according to the Draft FIL in practice before the Foreign Investment Law is officially promulgated and takes effect;

(2) prior to the Foreign Investment Law being officially promulgated and takes effect, FIEs shall comply with current PRC laws and regulations regarding their establishment and any subsequent changes; and

(3) if FIEs have already complied with current PRC laws, the Department of Commerce of Sichuan Province will not require them to make any form of undertaking, including with respect to the nationality of the actual controlling shareholders of FIEs, or to take any specific measures in accordance with the Draft FIL

After consulting with our PRC Legal Advisers, to mitigate against the risk arising from the uncertainty as to the implementation and the wording of the final Draft FIL and to ensure the Structured Contracts remain a domestic investment so that our Group can maintain control over our PRC Operating Entities and receive all economic benefits derived from our PRC Operating Entities, Mr. Luo has given an undertaking (the "**Undertaking**") to our Company, and our Company agreed to enforce the Undertaking, that during the subsistence of the Structured Contracts, Mr. Luo will use his voting rights to procure our Company to take such steps as necessary to give effect to the Structured Contracts and/or to enable the continuation of business operations of our PRC Operating Entities as a result of any impact due to the promulgation and implementation of the Foreign Investment Law and other future laws and regulations relating to foreign investment and in particular;

(a) Mr. Luo will continue to maintain his Chinese nationality and citizenship; and

(b) In the event of any transfer or disposal by Mr. Luo of a shareholding that may result in the transferee(s) acquiring "control" over the Company (as defined in the Draft FIL or the Foreign Investment Law (as enacted), as the case may be), he will (a) procure that the transferee(s) provide an undertaking on substantially the same terms and conditions as the one provided by Mr. Luo to our Company and (b) demonstrate to the reasonable satisfaction of our Company and the Stock Exchange that the Structured Contracts will continue to be viewed as a domestic investment under the Draft FIL or the Foreign Investment Law (as enacted), as the case may be.

The Undertaking will become effective from the date of the Listing of our Shares on the Stock Exchange and will remain effective until the earlier of the occurrence of the following events: (i) Mr. Luo, ceasing to be a Controlling Shareholder and actual controller of Tianli Education or our Company; (ii) compliance with the relevant requirements under the Foreign Investment Law or applicable foreign investment laws (together with, if any, all subsequent amendments or updates, as promulgated) as finally enacted is not required and the Stock Exchange has consented to this; (iii) compliance with the Undertaking is no longer required, as advised by the Stock Exchange, or (iv) the Stock Exchange and any applicable Chinese regulatory departments have consented to such termination. To the extent that only part of the Undertaking above is no longer required as a result of any of the events in (ii), (iii) or (iv) of the preceding sentence occurring, only such part of the Undertaking that is no longer required shall cease to be effective. To the extent that the Undertaking (or any part thereof) is no longer effective, the Company will issue an announcement as soon as practicable.

Taking into account that Mr. Luo can only transfer his interests in our Company in circumstances where the transfer is in compliance with the Foreign Investment Law as finally enacted, such arrangement will ensure that control of our Company will at all times be in accordance with the requirements of the Foreign Investment Law as finally enacted. For the avoidance of doubt, as advised by our PRC Legal Adviser, there are no restrictions under the current PRC laws and regulations for Mr. Luo to transfer his interests in our Company.

Based on the view of our PRC Legal Adviser and the undertaking given by Mr. Luo, the Directors are of the view that (i) the VIE structure under the Structured Contracts are likely to be deemed as a domestic investment and be permitted to continue; and (ii) our Group can maintain control over our PRC Operating Entities and receive all economic benefits derived from our PRC Operating Entities.

Notwithstanding the above, there may be uncertainties that the above measures to maintain control over and receive the economic benefits from our PRC Operating Entities alone may not be effective in ensuring compliance with the Foreign Investment Law together with, if any, all its subsequent amendments or updates, as promulgated (if and when it becomes effective). We will disclose, as soon as possible, updates of changes to the Draft Foreign Investment Law that will materially and adversely affect us as and when they occur.

COMPLIANCE WITH THE STRUCTURED CONTRACTS

Our Group will adopt the following measures to ensure the effective operation of our Group with the implementation of the Structured Contracts and 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 our Shareholders and potential investors;

(d) our Company and our Directors undertake to provide periodic updates in the annual and interim reports, after its Listing, regarding the Qualification Requirement and the status of compliance with the Draft FIL and its accompanying explanatory notes, including the latest relevant regulatory development, as well as the plan and progress towards demonstrating compliance with 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 and the legal compliance of Tibet Yongsi and our PRC Operating Entities to deal with specific issues or matters arising from the Structured Contracts.

In addition, notwithstanding that one of the Directors, Mr. Luo, is also one of the Registered Shareholders, our Company believes that the 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 our 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 our 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 or her fiduciary duties as a Director which requires, amongst other things, that he or she acts for the benefits and in the best interests of our Group;

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

(d) our Group will disclose in its announcements, circulars and 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.

Furthermore, our Group will implement measures which shall be in place before the Structured Contracts are unwound, with an aim to further enhance its control over our PRC Operating Entities. In particular, our Company will take measures to ensure that the company seals of our PRC Operating Entities are properly secured, are within the full control of our Company and cannot be used by our PRC Operating Entities or the Registered Shareholders without the permission of Tibet Yongsi or our Company. Such measures include arranging for our Company seals of our PRC Operating Entities to be kept in the safe custody of the finance department of Tibet Yongsi or our Company and setting up lines of authority for using our Company seals, financial chops and business registration certificates such that our Company seals, financial chops and business registration certificates can only be used under direct authorization of Tibet Yongsi or our Company.

OVERVIEW

We are a leading private education service provider in Western China, according to the Frost & Sullivan Report. We primarily offer K-12 educational services, supplemented by tutoring services for K-12 students and pre-kindergarten children. In terms of student enrollment in 2017, we are the second largest private K-12 school operator in Western China according to the Frost & Sullivan Report, with approximately 20,924 students enrolled in the K-12 schools in our school network as of the end of the 2017 fall semester. We have established a school network consisting of (i) self-owned schools and a self-owned early childhood education center which are owned and operated by us, (ii) entrusted schools to which we provide management services, and (iii) franchised early childhood education centers to which we have licensed the right to use our brand. As of the Latest Practicable Date, our school network consisted of 13 K-12 schools in operation, which administered four high school programs, six middle school programs, eight elementary school programs and six kindergarten programs, 11 tutorial centers and four early childhood education centers across eight cites in China.

We have an over 15-year track record in providing educational services that focus on the development of each child's strengths and potential and promotion of life-long learning and growth. The core of our educational philosophy is "Six Establishments and One Accomplishment (六立一達)", which represents the seven crucial objectives we encourage our students to achieve — sound health, morality, wisdom, behavior, mind and creativity and, in particular, a positive influence on society in addition to self-realization ("立身, 立德, 立學, 立行, 立異, 立心, 達人"). We design and develop our educational programs to reflect this concept, emphasizing the importance of solid academic performance in core subject areas such as mathematics, science, languages and history, while at the same time encouraging our students to explore individual interests and enhance physical fitness, and nurturing students' creativity, communication skills, independent thinking and sense of social responsibility.

During the Track Record Period, our students consistently achieved outstanding results in various academic examinations and contests, as well as in extra-curricular activities. In 2015, 2016 and 2017, approximately 88.2%, 95.2% and 95.6%, respectively, of the high school students of our graduating classes who participated in the Gaokao in the relevant cities in which their schools are located were admitted to universities in China, and approximately 51.4%, 62.9% and 71.6%, respectively, were admitted to first-tier universities in China. In 2016, the students with the highest scores at the municipal level in the Zhongkao in Luzhou and Yibin came from Luzhou Tianli School and Yibin Cuiping District Tianli School (our only two middle school programs with graduating classes as of the Latest Practicable Date), respectively. During the Track Record Period, 16 of our middle school students won second grade prizes and 19 won third grade prizes in national academic contests in mathematics, science and technology creativity, chemistry, biology, physics, English languages skills and Chinese language skills, and our elementary school students received various prizes in arts, language skills and scientific innovation contests, amounting to over 490, 350 and 380 prizes at national, provincial and municipal levels, respectively.

We have established a centralized and standardized management system which we believe is essential to the success of our business as it enables us to integrate our resources, enhance our operating efficiency and ensure the quality of our educational services. Leveraging our management system, we have been able to quickly expand our school network into new geographic locations and at the same time implement our quality standards across our school network. We opened two new K-12 schools in each of 2015, 2016 and 2017, and we are actively exploring opportunities in other second- and third-tier cities for our future expansion. As of the Latest Practicable Date, we had entered into agreements to open six K-12 schools in 2018 and five K-12 schools in 2019. We believe our deep understanding of the K-12 education market in second- and third-tier cities in Sichuan Province, support for private K-12 education we receive from the local governments, our position as a market leader and the potential of our target markets are highly favorable to our continued successful expansion both in and outside of Sichuan Province.

We have experienced steady growth in our revenue and student enrollment during the Track Record Period. Our revenue increased from RMB218.0 million for year ended December 31, 2015 to RMB326.4 million for the for year ended December 31, 2016, and further increased to RMB468.0 million for the year ended December 31, 2017. Our overall student enrollment at our self-owned K-12 schools grew from approximately 7,799 as of the end of the 2014/2015 school year to approximately 11,214 as of the end of the 2015/2016 school year, to approximately 15,138 as of the end of the 2016/2017 school year and to approximately 19,380 as of the end of the 2017 fall semester. Our net profit amounted to RMB18.2 million, RMB74.7 million and RMB136.2 million in the years ended December 31, 2015, 2016 and 2017, respectively.

OUR STRENGTHS

We believe the following strengths have contributed to our success and differentiate us from our competitors:

We are a leading provider of quality private education services in Western China.

We are a leading private education service provider in Western China, according to the Frost & Sullivan Report. We primarily engage in the provision of K-12 educational services, supplemented by tutoring services for K-12 students and pre-kindergarten children. In terms of student enrollment, we are the second largest private K-12 school operator in Western China according to the Frost & Sullivan Report, with approximately 20,924 students enrolled in the K-12 schools in our school network as of the end of the 2017 fall semester. We launched our first school in Luzhou, Sichuan Province in 2002, and since then we have been building up and expanding our school network in Sichuan Province, which is one of the largest K-12 education markets in China in terms of total student enrollment in 2017, according to the Frost & Sullivan Report. As of the Latest Practicable Date, we operated 13 K-12 schools in seven cities in Sichuan Province, 11 tutorial centers and four early childhood education centers in Sichuan Province and Chongqing.

The private fundamental education market, i.e. the private K-12 education market, is a market with great potential in China, according to the Frost & Sullivan Report. The fundamental education market in China has experienced a continued increase in total revenue from RMB1,671.0 billion in 2012 to RMB2,433.7 billion in 2016, representing a CAGR of 9.9%. From 2016 to 2021, the total revenue of fundamental education in China is expected to grow at a CAGR of 8.7%, reaching RMB3,688.6 billion in 2021. The relaxation of the One-Child Policy and the implementation of the Two-Child Policy started in 2015 has been a major factor to such growth as it has led to an increased birth rate in China and is expected to create a growing demand for education in future years. As the central and local governments in China have promulgated a series of policies to encourage development of private education institutions since the 1980s, the private fundamental education market in China has experienced robust growth, with an increase in revenue from RMB124.0 billion in 2012 to RMB241.6 billion in 2016, representing a CAGR of 18.1%, according to the Frost & Sullivan Report. The revenue of the private fundamental education market in China is expected to grow at a CAGR of 14.1% from 2016 to 2021, reaching RMB466.5 billion in 2021, according to the Frost & Sullivan Report. In Western China, the revenue of the private fundamental education market has experienced a higher growth rate with a CAGR of 18%, from RMB21.3 billion in 2012 to RMB41.2 billion in 2016, according to the Frost & Sullivan Report. The revenue of private fundamental education in Western China is expected to grow at a CAGR of 15.6% and reach RMB85.1 billion in 2021, according to the Frost & Sullivan Report.

As one of the largest private K-12 education service providers in Western China, we believe we are able to accommodate the growing educational needs of students from kindergarten to high school. We believe our expansive school network and extensive experience in operating private schools, together with our well-established brand name among students and parents, will position us well to further enhance our brand awareness, increase our market share in existing markets and expand our operation into new locations.

We provide high quality fundamental education with a track record of strong student performance.

We have accumulated extensive experience in providing fundamental education in second- and third-tier cities, primarily in Sichuan Province, as we built up our school network and we have applied such expertise to improve the quality of our educational programs. As of December 31, 2017, there are over 280 second- and third-tier cities in China which have over 65 million middle-class families with an average annual household income from RMB150,000 to RMB250,000, according to the Frost & Sullivan Report, which we believe present great opportunities and potential for our future expansion. During the Track Record Period, our students have consistently achieved outstanding results in academic examinations and contests, as well as in extra-curricular activities:

- *High schools* — In 2015, 2016 and 2017, approximately 88.2%, 95.2% and 95.6%, respectively, of the high school students of our graduating classes who participated in the Gaokao in the relevant cities in which their schools are located were admitted to universities in China, and approximately 51.4%, 62.9% and 71.6%, respectively, were admitted to first-tier universities in China. As comparison, for the Gaokao administered in the same years, approximately 34.5%, 36.5% and 36.9%, respectively, of the graduating high school students of Sichuan Province were admitted to universities in China, and 8.4%, 10.7% and 10.6%, respectively, were admitted to first-tier universities in China, according to the Frost & Sullivan Report. Five of our high school graduates were admitted to Tsinghua University or Peking University in 2016 and four were admitted in 2017.

- *Middle schools* — Our middle school students also achieved outstanding results in the Zhongkao. In 2005, the year in which Luzhou Tianli School had its first graduating class of middle school students, five of its middle school graduates achieved the top 10 highest scores at the municipal level in the Zhongkao. In 2016, the highest scorers at the municipal level in the Zhongkao in Luzhou and Yibin came from our graduating classes.

- *Elementary schools* — During the Track Record Period, our elementary school students received various prizes (over 490 at the national level, over 350 at the provincial level and over 380 at the municipal level) in arts, language skills and scientific innovation contests.

The core of our educational philosophy is "Six Establishments and One Accomplishment (六立一達)" and we encourage our students to achieve all-round development with us. Therefore, in addition to our continuous efforts in improving our students' academic performance, we also focus on developing each students' strengths and potential. We provide a diverse curriculum including various elective courses which generally fall within the following categories: (i) extended learning in core subjects, (ii) learning habits and everyday life skills, (iii) music, sports and art, (iv) creative thinking and technological innovation and (v) foreign languages. We integrate creative thinking and innovative teaching methods which we consider as promoted by the Western education system into our educational programs. We also place emphasis on the legacy of traditional Chinese culture and encourage the studies of traditional Chinese culture in our K-12 schools. We believe our holistic educational programs and curriculum will promote our students' life-long learning and well-rounded development, as well as their physical fitness.

We employ well-qualified teachers who are instrumental in providing high quality education to our students.

Teacher recruitment and retention is one of our top priorities. We believe that hiring, training and retaining a team of well-qualified and dedicated teachers is critical to maintaining our education quality and ensuring the satisfaction of our students and their parents.

We have formed a recruitment and remuneration committee which formulates and implements a set of standards and procedures for recruitment of teachers to ensure that our teachers have adequate credentials, qualifications and potential. As of the end of the 2017 fall semester, 1,419 out of the 1,560 teachers working at our self-owned schools have obtained a bachelor's degree or above, and we strive to employ teachers with similar credentials in our entrusted K-12 schools. We conduct performance reviews of our teachers who work in all of the K-12 schools in our school network at the end of each school year, which have a direct impact on each teacher's compensation package. We evaluate each teacher's performance on the basis of their teaching skills, students' achievements, and students and parent feedback. We believe our evaluation mechanism ensures that we maintain a competitive and motivated talent pool.

We offer competitive compensation as compared to public schools in the respective regions to attract and retain high quality teaching staff in our self-owned K-12 schools. We offer a variety of benefits, including but not limited to tuition waiver for teachers' children enrolled in our school network, living accommodation, meal allowance, sponsored training and health examinations. In addition, we have adopted the Restricted Share Award Scheme and plan to adopt the Share Option Scheme to provide additional means to attract, motivate, retain and reward our teachers and other employees. See the sections headed "Statutory and General Information — D. Restricted Share Award Scheme" and "Statutory and General Information — E. Share Option Scheme" in Appendix V to this prospectus for more details.

We provide education across a range of ages which creates a pipeline of students for our school network.

We offer a range of education programs from kindergarten to Grade 12 which enables us to attract students at different ages and retain them within our school network. Such integrated approach creates a steady pipeline of students for our school network.

Students enrolled in our kindergartens, elementary schools and middle schools tend to remain within our school network when they graduate from one school program and move on to the next. In the 2015/2016, 2016/2017 and 2017/2018 school years, approximately 69%, 59% and 60% of our kindergartens graduates attended the elementary schools in our school network, respectively. In the 2015/2016, 2016/2017 and 2017/2018 school years, and approximately 71%, 75% and 82% of our elementary school graduates were admitted to our middle schools. Our middle school students tend to seek admission to our high schools. However, as our high schools have a limited capacity as compared to the student base of our middle schools and the high quality education provided by our high schools attracts a high number of applicants outside our school network, our high schools admission is highly competitive. As a result, while approximately 75%, 82% and 63% of our Grade 10 students at the beginning of the 2015/2016, 2016/2017 and 2017/2018 school years were our middle school graduates, respectively, only approximately 37%, 42% and 41% of our middle school graduates in the respective school years were admitted to our high schools.

Our ability to effectively attract and retain students within our school network provides us with a stable and recurring revenue base. It has also enabled us to achieve a higher marketing efficiency as compared to recruiting students from external sources for each school program. Hence, we expect to achieve high business visibility on future enrollment and revenue driven by long student tenure, which is further supported by high student retention rates.

Our centralized and standardized management system and our corporate culture enable us to successfully replicate our highly scalable business model in new markets.

We have strived to establish, implement and enhance a centralized and standardized management system to effectively and efficiently manage our school network since our inception. As our role with respect to our self-owned, entrusted schools and early childhood education centers ranges from being an owner, to a school management service provider or a brand licensor, respectively, we tailor our management measures towards these three categories of schools and early childhood education centers while implementing a common standard within the same category across regions under our centralized and standardized management system. See the paragraph headed "Our Management System" of this section for details. We believe our management system is essential to the success of our business and our rapid expansion as it enables us to integrate our resources, enhance our operating efficiency and maintain the quality of our educational services.

In particular, under our centralized and standardized management system, we are able to streamline the operation of our self-owned schools in terms of finance, marketing, human resources, procurement, assets, outsourcing services, student enrollment functions, among others. We have designed a set of policies and guidelines to assist the principals of our self-owned schools on the management of school daily operations and teaching activities to ensure consistency in our school management. As part of our management policies, we require the principals of our self-owned schools to make monthly reports to our senior management, so as to regularly update our senior management of the information critical to the schools' day-to-day operations.

In addition, as part of our management system, we have implemented a standardized performance review mechanism for each K-12 school in our school network, regardless of whether the K-12 school is self-owned or entrusted. We keep track of students and parents' feedback to ensure the quality of the educational services provided by each K-12 school in our school network. In each of the 2014/2015, 2015/2016 and 2016/2017 school years, over 95% of our students and parents expressed in our annual surveys that they were satisfied with our K-12 school programs and educational services.

Leveraging on our centralized and standardized management system, we have been able to quickly expand our school network into new geographic locations and at the same time implement our quality standards across our school network. The K-12 schools in our school network have achieved a CAGR in student enrollment of approximately 39.3% from the end of 2014/2015 school year to the end of 2016/

2017 school year as a result of our active expansion, which is higher than the industry average of approximately 5.6% in Sichuan Province, approximately 6.6% in Western China, and approximately 6.6% in China from 2014 to 2016, according to the Frost & Sullivan Report. We opened two new K-12 schools in each of 2015, 2016 and 2017, and we expect to open six new K-12 schools in 2018.

OUR STRATEGIES

We aim to become a leader and innovator in the fundamental education sector in China. We plan to execute the following key strategies to achieve our goal:

Strategically expand our school network and enhance our geographic coverage in second- and third-tier cities in China.

We have extensive experience in providing K-12 educational services targeted towards students from middle-class families in second- and third-tier cities in Sichuan Province, and we plan to leverage such experience in our future expansion in other regions in China. As of December 31, 2017, there were over 280 second- and third-tier cities in China which have over 65 million middle-class families with an average annual household income from RMB150,000 to RMB250,000, according to the Frost & Sullivan Report, which we believe present great opportunities and potential for our future expansion. We intend to further expand our school network to enhance our geographic coverage, increase student enrollment and bolster our business growth with a focus on second- and third-tier cities in China. We plan to open additional K-12 schools in Sichuan Province, Inner Mongolia Autonomous Region, Hunan Province and Shandong Province to further capitalize on the opportunities provided by the growing middle class population in these regions. See the paragraph headed "Our K-12 Schools under Development and Planning" in this section for details of the new K-12 schools we plan to open in 2018, 2019 and 2020. In addition to Sichuan Province where we already have a presence and experience in operating, our Directors believe that the Inner Mongolia Autonomous Region, Hunan Province and Shandong Province have demonstrated growing demand for private fundamental education. See the section headed "Industry Overview — Overview of the Private Fundamental Education Industry in Shandong, Hunan and Inner Mongolia" in this prospectus for market overviews of these three provinces. We also have a designated investment development department actively looking for new geographic locations for our future expansion. We are currently exploring opportunities in other second- and third-tier cities in China. Recently we entered into two cooperation agreements with the local government authorities in Xiangtan, Hunan Province and Dongying, Shandong Province, respectively to open new K-12 schools there. We believe our deep understanding of the K-12 education market in second- and third-tier cities in Sichuan Province, support for private K-12 education from the local governments, our position as a market leader and the potential of our target markets are highly favorable to our continued successful expansion.

Continue to attract and retain talented teachers and improve our training programs.

The quality of our educational 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 these goals, we intend to continue offering competitive compensation to our teaching staff while enhancing our compensation system with additional rewards for extra teaching hours. We also plan to increase the flexibility of our compensation system and ensure that our compensation packages can incentivize our staff and help to retain core staff members. In addition, we also actively promote our teachers based on their performance review.

In the meantime, we intend to improve the training system for our teachers as part of our Group's development strategy. We will further enhance our systematic professional training programs for our teachers to develop their teaching skills, including orientations for newly-hired teachers and continuous on-the-job training to introduce new knowledge and improve teaching skills of our teachers. Through our training programs, our teachers can stay abreast of the changes in student needs, new teaching theories and/or methodologies, changing testing and admission standards and other trends. We will also improve our training system intended for administrative staff and management team which is open to eligible teachers, through which our teachers are offered opportunities to develop management skills.

We also operate collaboration programs with reputable normal universities in the PRC including one reputable normal university directly managed under the Ministry of Education of the PRC. We offer internships to undergraduate students who major in education or related fields, through which candidates are given the opportunity to immerse themselves into our school culture and demonstrate their ability to employ a variety of teaching tools and methods tailored to their students. Meanwhile, such internship programs also provide us with a good opportunity to select outstanding teaching staff by observing and assessing candidates' performances at our schools. We intend to continue operating such collaboration programs and internship programs to facilitate recruitment of well-qualified teachers.

Enhance our profitability by optimizing pricing.

The tuition fees and boarding fees we charge students enrolled in our self-owned K-12 schools are significant factors affecting our profitability. Historically, we focused on the expansion of our school network, instead of substantial fee increases, as a way to increase our revenue and raise our brand awareness. However, we believe that we have established a strong reputation for providing quality education to our students and as such we are in a position to optimize our pricing without compromising our ability to attract and retain students.

An adjusted tuition fee is generally applicable to newly admitted students (who are students in the first, seventh or tenth grade depending on the school program) only, while existing students in other grades are not affected by the adjustment and would continue to pay tuition fees at the rates effective when they were enrolled. In the 2017/2018 school year, we raised the tuition fees for high schools, middle schools and elementary schools in our Luzhou campus by 13.6%, 10.0% and 9.1%, respectively. We also raised tuition fees for high schools and middle schools in our Yibin campus by 10% in the 2017/2018 school year. For our Guangyuan campus, we raised tuition fees for high schools, middle schools and elementary schools by 10%, 25% and 25%, respectively, in the 2016/2017 school year. For our Neijiang campus, we raised tuition fees for middle schools and elementary schools by 31.6% and 33.3%, respectively, in the 2016/2017 school year. However, such tuition fees increase did not have any negative impact on the student enrollment of the relevant campuses in the respective school years. We plan to continue to optimize our pricing at our self-owned K-12 schools, taking into account, among others, the household income level of middle-class families in second- and third-tier cities who constitute our target customer base.

Continue to develop innovative curriculum and school design.

We intend to further develop our innovative curriculum and school design. We have established an educational research institute led by an educational expert who is the president of Sino-America Educational Research Association, which focuses on developing teaching materials and curriculum. We will continue to rely on our educational research institute to design and improve our curriculum and develop our own textbooks and teaching materials to supplement the education materials mandated under the PRC compulsory education system. We have developed innovative courses such as Chinese culture courses and canoe course in Guangyuan Tianli International School. We intend to continue to enhance our unique curriculum combining China's cultural heritage with the strengths of the Chinese and Western education systems. Our educational research institute is currently focusing on developing elective courses which integrate the study of core courses into outdoors activities.

In addition, we have established a design research institute which focuses on campus design and construction. Our design research institute will continue to play a leading role in the planning and construction of our new self-owned schools, including participating in early-stage investment discussions, making on-site visits to potential construction sites, advising on technical specifications and formulating school designs. We place great emphasis on campus safety and we aim to construct school facilities to support our various courses.

Continue to optimize the operations and management of our school network and upgrade the teaching methods to increase utilization rates.

As a majority of our self-owned K-12 schools only commenced operation in the last few years, they have not reached their full capacity. Please refer to the paragraph headed "Our K-12 Schools" for the details of utilization rates of our K-12 schools in this section. We intend to increase their utilization rates by recruiting more students. By increasing the overall utilization rate of our self-owned K-12 schools, we expect to achieve greater economies of scale and, as a result, higher gross profit margin.

To increase student enrollment at our existing self-owned K-12 schools, we intend to improve the operations and management of our existing campuses while customizing curricula to students in different regions and of different ages. We operate a teaching activities management center to oversee and evaluate the operations of each self-owned K-12 school in aspects such as student enrollment, teachers' performance, students' overall development and service quality of school canteens. We have been improving, and intend to further improve, operations and management of our self-owned K-12 schools based on information collected by the teaching activities management center. In addition, we have adopted a recently-developed management informatics system, which came into service in September 2017, covering the management of daily operations of our self-owned K-12 schools, including student recruitment, fee collection, office administration, school asset management and human resources. We intend to continue improving and upgrading this system with the aid of our IT department to optimize our management system.

We also intend to upgrade our teaching methods to offer more customized education programs. We are currently developing a data collection and processing system to track and analyze students' performance and activities at school to help us better understand students' strengths and weaknesses, which will become our basis to customize our teaching methods to enhance our education quality. The system will also monitor our teachers' teaching activities by keeping up-to-date records of class preparation materials and students' feedbacks. We believe this unique data collection and processing system will enable us to enhance the quality of our educational services and better serve our students' academic, physical and psychological development.

OUR EDUCATIONAL PHILOSOPHY

Our fundamental educational philosophy is premised on the development of each child's strengths and potential and promotion of life-long learning and growth. The core of our educational philosophy is "Six Establishments and One Accomplishment (六立一達)", which represents the seven crucial objectives we encourage our students to achieve — sound health, morality, wisdom, behavior, mind and creativity and, in particular, a positive influence on society in addition to self-realization ("立身, 立德, 立學, 立行, 立異, 立心, 達人"). We design and develop our educational programs to reflect this concept, emphasizing the importance of solid academic performance in core subject areas such as mathematics, science, languages and history, while at the same time encouraging our students to explore individual interests and enhance physical fitness, and nurturing students' creativity, communication skills, independent thinking and social responsibility. We also aim to become a leading innovator in China's fundamental education market by combining China's cultural heritage with the strengths of the Chinese and Western education systems. We embrace both the rigorous preparation and thorough practice that are the focus of the Chinese education system and the creative thinking and innovative teaching methods promoted by the Western education system.

OVERVIEW OF OUR SCHOOL NETWORK

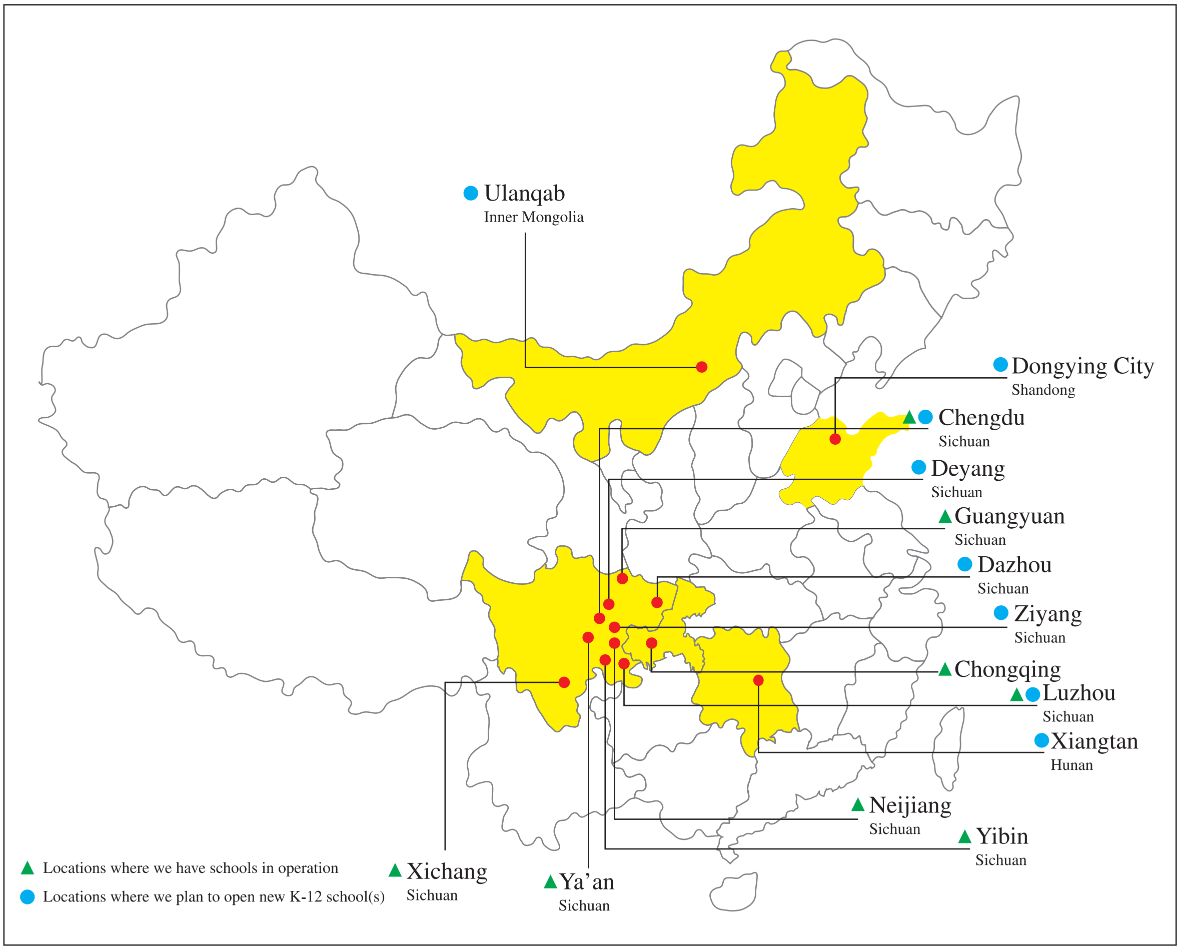
We have established a school network consisting of (i) self-owned schools and a self-owned early childhood education center which are owned and operated by our Group, (ii) entrusted schools to which we provide management services, and (iii) franchised early childhood education centers to which we have licensed the right to use our brand.

We control our self-owned schools and self-owned early childhood education center. Our customers of our self-owned schools and self-owned early childhood education center consist of our students and their parents, and our revenue generated from our self-owned schools and self-owned early childhood education center primarily consists of tuition and boarding fees we receive from them.

We provide management services to entrusted schools in our school network, which are not owned by us. We receive management fees from the entrusted school and/or the relevant school sponsors as agreed in the school management agreements.

We do not control, operate or provide management services to the franchised early childhood education centers in our school network, all of which engaged in the provision of early childhood tutoring services as of the Latest Practicable Date. We license our "Tianli" brand to the franchisees and provide our recommended curriculum and teaching materials in exchange for franchise service fees.

The following map sets forth the geographic location of our school network, including K-12 schools under development and under planning as of the Latest Practicable Date:



Among the self-owned schools in our school network in operation as of the Latest Practicable Date, (i) except Cangxi Tianli School, all of our self-owned K-12 schools were established before September 1, 2017 and are not-for-profit schools whose sponsors do not require reasonable returns from the school's operations under their respective articles of association, which we intend to register as not-for-profit schools after the relevant local rules and regulations take effect; (ii) Cangxi Tianli School, a K-12 school established after September 1, 2017, has been registered as a not-for-profit school whose sponsors are not allowed to receive income from the school's operations; (iii) all tutorial centers established before September 1, 2017, which we intend to register as not-for-profit schools after the relevant local rules and regulations take effect, are not-for-profit schools whose sponsors do not require reasonable returns from the school's operations under their respective articles of association, except that Renjie Education Tutoring School of Gong County and Neijiang Dongxing Tianli Jiaozi Tutoring School are not-for-profit schools whose sponsors require reasonable returns as their articles of association explicitly provide that the school sponsors are entitled to require reasonable returns from the school's operations; and (iv) Gulin Tianli Jiaozi Culture and Arts Tutoring School Co., Ltd. and Xichang Tianli Jiaozi Culture and Arts Tutoring Co., Ltd., which were established after September 1, 2017, have both been registered as for-profit schools whose sponsors are entitled to receive income from the school's operations. As advised by our PRC Legal Adviser, our self-owned early childhood education center is not a school as defined under the applicable PRC laws and regulations, the Decision on Amending the Law for Promoting Private Education of the PRC and any of its implementing rules, and regulations promulgated by local governments do not apply to it, nor does the reclassification registration.

As we are unable to fully evaluate at this stage the potential impact of the current interpretation of the Decision on Amending the Law for Promoting Private Education of the PRC and its relevant implementing measures on our operations, such as tax liabilities, our decision to register each of the schools as a not-for-profit or for-profit school is subject to and may be affected by the impact of such regulatory change on our operations when they take effect.

Please refer to the section headed "Regulatory Overview — Laws and Regulations relating to the Industry — The Latest Development of Private School Regulations" in this prospectus for details of private school categories before and after September 1, 2017.

During the Track Record Period, we focused on the operation of our self-owned schools, especially our self-owned K-12 schools. For the years ended December 31, 2015, 2016 and 2017, approximately 70.9%, 72.3% and 72.5%, respectively, of our revenue were derived from tuition and boarding fees received from students enrolled in our self-owned K-12 schools.

The following table sets forth information about the revenue of our self-owned K-12 schools, which were in operation as of the Latest Practicable Date, during the Track Record Period.

	Year ended December 31,		
	2015	2016	2017
	(RMB '000)		
Revenue			
Chengdu Wuhou District Kinderworld Kindergarten (成都市武侯區凱星幼兒園)	—	—	1,296[1]
Guangyuan Tianli International School (廣元天立國際學校)	10,169	37,972	62,098
Cangxi Tianli School (蒼溪天立學校)	—	—	1,345
Luzhou Tianli School (瀘州天立學校)	70,021	78,634	88,979
Luzhou Longmatan Tianli Elementary School (瀘州市龍馬潭區天立小學)	23,575	25,214	32,089
Tianli Kindergarten of Gulin County (古藺縣天立幼兒園)	—	200	1,130
Neijiang Tianli (International) School (內江天立(國際)學校)	11,003	38,433	60,539
Xichang Tianli International School (西昌天立國際學校)	—	13,463	52,999
Ya'an Tianli School (雅安天立學校)	—	—	9,282
Yibin Cuiping District Tianli School (宜賓市翠屏區天立學校)	78,982	103,046	121,923
Total	193,751	296,962	431,680
Average revenue per student[2]	20.4	22.5	25.0

1. As we acquired Chengdu Wuhou District Kinderworld Kindergarten in November 2017, such amount represents its revenue in December 2017.

2. As the number of students of each K-12 school is recorded on a school year basis, the average number of students of a calendar year is calculated according to the following formula merely for calculation and illustration purposes:

   Average number of students of a calendar year = (student enrollment as of the end of the school year ended in the relevant calendar year + student enrollment as of the end of the school year ended in the subsequent calendar year) / 2

   For instance, the average number of students of 2015 = student enrollment as of the end of 2014/2015 school year + student enrollment as of the end of 2015/2016 school year) / 2. As the 2017/2018 school year had not ended as of the Latest Practicable Date, the average number of students of 2017 is calculated based on the student enrollment as of the end of 2016/2017 school year and that as of the end of 2017 fall semester.

   The average revenue per student of our self-owned K-12 schools equals to the total revenue of our self-owned K-12 schools during the relevant calendar year divided by the average number of students of that calendar year.

To clarify, the revenue generated from our self-owned K-12 school consists of revenue from tuition fees, boarding fees and school canteen operations, among which only that from tuition fees and boarding fees can be broken down by school programs. The revenue generated from school canteen operations cannot be broken down by school programs because it is impossible for the K-12 school canteens to attribute which program a student is enrolled into when providing food and beverage services. Therefore, it is not practicable to disclose revenue per student of our self-owned K-12 schools by school programs. The following table thus illustrates the information of average tuition fees and boarding fees per student by school programs during the Track Record Period:

	Year ended December 31		
	2015	**2016**	**2017**
	(RMB'000)		
Average tuition and boarding fees per student of our self-owned K-12 school[1]			
High schools	11.75	12.89	14.62
Middle schools	17.58	18.74	20.36
Elementary schools	16.87	19.49	21.54
Kindergartens	14.55	14.81	18.13

1. As the number of students of each K-12 school is recorded on a school year basis, the average number of students of a calendar year is calculated according to the following formula merely for calculation and illustration purposes:

   Average number of students of a calendar year = (student enrollment as of the end of the school year ended in the relevant calendar year + student enrollment as of the end of the school year ended in the subsequent calendar year) / 2

   For instance, the average number of students of 2015 = student enrollment as of the end of 2014/2015 school year + student enrollment as of the end of 2015/2016 school year) / 2. As the 2017/2018 school year had not ended as of the Latest Practicable Date, the average number of students of 2017 is calculated based on the student enrollment as of the end of 2016/2017 school year and that as of the end of 2017 fall semester.

   The average revenue per student of our self-owned K-12 schools equals to the total revenue of our self-owned K-12 schools during the relevant calendar year divided by the average number of students of that calendar year.

Our K-12 Schools

As of the Latest Practicable Date, we had 13 K-12 schools in seven cities in Sichuan Province in operation, ten of which were owned by us. We have also been expanding our school network both in and outside of Sichuan Province, and we expect to open new K-12 schools in Chengdu, Dazhou, Hejiang, Deyang and Ziyang in Sichuan Province, Ulanqab in Inner Mongolia Autonomous Region, Xiangtan in Hunan Province and Dongying in Shandong Province in the next three years. K-12 schools in our school network generally have a variety of campus facilities, including, among others, classrooms, multi-media rooms, laboratories, libraries, auditoriums, gymnasiums, outdoor fields and sport courts, canteens, infirmaries and dormitories.

The following table sets forth certain information about the K-12 schools in our school network which were in operation, under development and under planning as of the Latest Practicable Date:

Campus and school	School type	Commencement of operation	Nature
Chengdu campus			
Chengdu Wuhou District Kinderworld Kindergarten (成都市武侯區凱星幼兒園)	Kindergarten	March 2014[2]	Self-owned
Chengdu West District Tianli School (成都西區天立學校)	Grade 1–9	Under planning[3]	Self-owned
Chengdu Tianli Elementary School (成都天立小學)	Grade 1–6	Under planning[3]	Self-owned
Chengdu East District Tianli School (成都東區天立學校)	K-12	Under planning[3]	Self-owned
Dazhou campus			
Dazhou Tianli International School (達州天立國際學校)	K-12	Under planning[3]	Self-owned
Deyang campus			
Deyang Tianli International School (德陽天立國際學校)	Grade 1–12	Under planning[3]	Self-owned
Dongying campus			
Dongying Tianli School (東營天立學校)	Grade 1–12	Under planning[3]	Self-owned
Guangyuan campus			
Cangxi Tianli School (蒼溪天立學校)	K-9[5]	September 2017	Self-owned
Guangyuan Tianli International School (廣元天立國際學校)	K-12[5]	September 2015	Self-owned
Luzhou campus			
Luzhou Tianli School (瀘州天立學校)	Grade 7–12	September 2002	Self-owned
Luzhou Longmatan Tianli Elementary School (瀘州市龍馬潭區天立小學)	Grade 1–6	September 2010	Self-owned
Tianli Kindergarten of Gulin County (古藺縣天立幼兒園)	Kindergarten	September 2016	Self-owned
Affiliated Kindergarten of Luzhou Tianli School (瀘州天立學校附屬幼兒園)[1]	Kindergarten	September 2013	Entrusted
Luzhou Tianli Talent Foreign Language School (瀘州天立英才外國語學校)[1]	Grade 1–6	September 2003	Entrusted

Campus and school	School type	Commencement of operation	Nature
Affiliated Green Rhyme Kindergarten of Luzhou Tianli School (瀘州天立綠韵幼兒園)	Kindergarten	March 2018	Entrusted
Hejiang Tianli International School (合江天立國際學校)[4]	Grade 1–12	Under development[3]	Entrusted
Neijiang campus			
Neijiang Tianli (International) School (內江天立(國際)學校)	K-9[5, 6]	September 2015	Self-owned
Ulanqab campus			
Ulanqab Tianli International School (烏蘭察布天立國際學校)[4]	K-9	Under development[3]	Entrusted
Ulanqab Tianli Kindergarten (烏蘭察布天立幼兒園)[4]	Kindergarten	Under planning[3]	Entrusted
Xiangtan campus			
Xiangtan Tianli International School (湘潭天立國際學校)	K-12	Under planning[3]	Self-owned
Xichang campus			
Xichang Tianli (International) School (西昌天立(國際)學校)	K-12[5]	September 2016	Self-owned
Ya'an campus			
Ya'an Tianli School (雅安天立學校)	K-12[5]	September 2017	Self-owned
Yibin campus			
Yibin Cuiping District Tianli School (宜賓市翠屏區天立學校)	K-12	September 2013	Self-owned
Ziyang campus			
Ziyang Yanjiang District Tianli School (資陽市雁江區天立學校)[7]	Grade 1–9	Under development[3]	Self-owned

Notes:

1. As of the Latest Practicable Date, (i) we did not own Luzhou Tianli Talent Foreign Language School (瀘州天立英才外國語學校), and (ii) we held 33.5% equity interest in Affiliated Kindergarten of Luzhou Tianli School (瀘州天立學校附屬幼兒園) and the remaining 66.5% equity interest were held by Independent Third Parties. We operated these schools under the school management agreements we entered into with third parties and the entrusted schools. See the paragraph headed "Business Collaborations" of this section for more information.

2. We acquired Chengdu Wuhou District Kinderworld Kindergarten (成都市武侯區凱星幼兒園) in November 2017.

3. Schools under development refer to schools which were under construction or renovation as of the Latest Practicable Date. Schools under planning refer to schools of which the construction work had not started as of the Latest Practicable Date. School names of all schools under development and planning shown in the table are tentative and subject to final governmental approval and registration. See the paragraph headed "Our K-12 Schools Under Development and Planning" of the section for more information.

4. We have entered into management agreements with sponsors/owners of relevant schools and local government as applicable to provide management services to these schools which were under construction or under planning as of the Latest Practicable Date. See the paragraph headed "Business Collaborations" of this section for more information.

5. Although Cangxi Tianli School and Neijiang Tianli (International) School are licensed to provide K-9 educational programs, Guangyuan Tianli International School, Xichang Tianli (International) School and Ya'an Tianli School are licensed to provide K-12 educational programs, (i) Cangxi Tianli School only offered K-6 educational programs, (ii) Guangyuan Tianli International School and Xichang Tianli (International) School only offered Grade 1–12 educational programs, and (iii) Neijiang Tianli (International) School and Ya'an Tianli School only offered Grade 1–9 educational programs as of the Latest Practicable Date.

6. As of the Latest Practicable Date, Neijiang Tianli (International) School was in the process of applying for high school operation permit.

7. As of the Latest Practicable Date, Ziyang Yanjiang District Tianli School had obtained its private school operating license and registration certificate for private non-enterprise entities. It is expected to commence operation in September 2018.

All of our self-owned K-12 Schools in operation are not-for-profit private schools. As at the end of the 2016/2017 school year and the 2017 fall semester, K-12 schools in our school network had an aggregate of 16,710 students and 20,924 students, respectively, among which 15,138 students and 19,380 students were enrolled in our self-owned K-12 schools, respectively. All of the K-12 schools in our school network except our kindergartens are boarding schools. We encourage our students to live on campus as we believe they will be offered a better opportunity to foster deeper connections with their teachers and peers for academic development and personal growth while being able to develop their independence and foster a sense of community in this way. Hence, we incorporate design concepts and construct our campus in such a way as to enhance the accommodation experience of our boarding students. During the Track Record Period and up to the Latest Practicable Date, approximately 90% of the students enrolled in our high schools and middle schools and approximately 80% of the students enrolled in our elementary schools (including one entrusted school) were boarding students. We offer transportation services to our kindergarten students and elementary school students who do not live on campus in some of our schools.

The following table sets forth information about student enrollment, capacity and utilization rate of the K-12 schools in our school network as of the end of the school years or semesters indicated.

	School enrollment as of the end of the				School capacity[2] as of the end of the				Utilization rate[3] as of the end of the			
	2014/2015 school year[1]	2015/2016 school year[1]	2016/2017 school year[1]	2017 fall semester[1]	2014/2015 school year[1]	2015/2016 school year[1]	2016/2017 school year[1]	2017 fall semester[1]	2014/2015 school year[1]	2015/2016 school year[1]	2016/2017 school year[1]	2017 fall semester[1]
Chengdu campus												
Chengdu Wuhou District Kinderworld Kindergarten (成都市武侯區凱星幼兒園)												
— Kindergarten	—	—	—	216	—	—	—	217	—	—	—	99.5%
Guangyuan campus												
Guangyuan Tianli International School (廣元天立國際學校)												
— High School	—	176	463	736	—	940	940	940	—	18.7%	49.3%	78.3%
— Middle School	—	552	1,102	1,476	—	1,620	1,620	1,620	—	34.1%	68.0%	91.1%
— Elementary School	—	405	678	972	—	1,440	1,440	1,440	—	28.1%	47.1%	67.5%
Subtotal	—	1,133	2,243	3,184	—	4,000	4,000	4,000	—	28.3%	56.1%	79.6%
Cangxi Tianli School (蒼溪天立學校)												
— Elementary School	—	—	—	86	—	—	—	960	—	—	—	9.0%
— Kindergarten	—	—	—	57	—	—	—	400	—	—	—	14.3%
Subtotal	—	—	—	143	—	—	—	1,360	—	—	—	10.5%

	School enrollment as of the end of the				School capacity[2] as of the end of the				Utilization rate[3] as of the end of the			
	2014/2015 school year[1]	2015/2016 school year[1]	2016/2017 school year[1]	2017 fall semester[1]	2014/2015 school year[1]	2015/2016 school year[1]	2016/2017 school year[1]	2017 fall semester[1]	2014/2015 school year[1]	2015/2016 school year[1]	2016/2017 school year[1]	2017 fall semester[1]
Luzhou campus												
Luzhou Tianli School (瀘州天立學校)												
— High School	1,257	1,263	1,255	1,263	1,250	1,250	1,250	1,250	100.6%	101.0%	100.4%	101.0%
— Middle School	2,414	2,513	2,617	2,638	2,550	2,550	2,550	2,550	94.7%	98.5%	102.6%	103.5%
Subtotal	3,671	3,776	3,872	3,901	3,800	3,800	3,800	3,800	96.6%	99.4%	101.9%	102.7%
Luzhou Longmatan Tianli Elementary School (瀘州市龍馬潭區天立小學)												
— Elementary School	1,280	1,324	1,291	1,358	1,386	1,386	1,386	1,386	92.4%	95.5%	93.1%	98.0%
Affiliated Kindergarten of Luzhou Tianli School (瀘州天立學校附屬幼兒園)												
— Kindergarten	464	506	519	508	500	500	500	500	92.8%	101.2%	103.8%	101.6%
Luzhou Tianli Talent Foreign Language School (瀘州天立英才外國語學校)												
— Elementary School	—	1,044	1,053	1,036	—	1,100	1,100	1,100	—	94.9%	95.7%	94.2%
Tianli Kindergarten of Gulin County (古藺縣天立幼兒園)												
— Kindergarten	—	—	68	88	—	—	300	300	—	—	22.7%	29.3%
Neijiang campus												
Neijiang Tianli (International) School (內江天立(國際)學校)												
— Middle School	—	434	1,159	1,668	—	2,160	2,160	2,160	—	20.1%	53.7%	77.2%
— Elementary School	—	561	676	838	—	1,440	1,440	1,440	—	39.0%	46.9%	58.2%
Subtotal	—	995	1,835	2,506	—	3,600	3,600	3,600	—	27.6%	51.0%	69.6%

	School enrollment as of the end of the				School capacity[2] as of the end of the				Utilization rate[3] as of the end of the			
	2014/2015 school year[1]	2015/2016 school year[1]	2016/2017 school year[1]	2017 fall semester[1]	2014/2015 school year[1]	2015/2016 school year[1]	2016/2017 school year[1]	2017 fall semester[1]	2014/2015 school year[1]	2015/2016 school year[1]	2016/2017 school year[1]	2017 fall semester[1]
Xichang campus												
Xichang Tianli International School (西昌天立國際學校)												
— High School	—	—	317	648	—	—	900	900	—	—	35.2%	72.0%
— Middle School	—	—	558	892	—	—	1,620	1,620	—	—	34.4%	55.1%
— Elementary School	—	—	617	1,040	—	—	1,440	1,440	—	—	42.8%	72.2%
Subtotal	—	—	1,492	2,580	—	—	3,960	3,960	—	—	37.7%	65.2%
Ya'an campus												
Ya'an Tianli School (雅安天立學校)												
— Middle School	—	—	—	368	—	—	—	1,350	—	—	—	27.3%
— Elementary School	—	—	—	353	—	—	—	1,200	—	—	—	29.4%
Subtotal	—	—	—	721	—	—	—	2,550	—	—	—	28.3%
Yibin campus												
Yibin Cuiping District Tianli School (宜賓市翠屏區天立學校)												
— High School	289	411	555	739	810	810	810	810	35.7%	50.7%	68.5%	91.2%
— Middle School	1,334	1,992	2,079	2,093	2,700	2,700	2,700	2,700	49.4%	73.8%	77.0%	77.5%
— Elementary School	1,095	1,337	1,411	1,547	1,440	1,440	1,440	1,440	76.0%	92.8%	98.0%	107.4%
— Kindergarten	130	246	292	304	400	400	400	400	32.5%	61.5%	73.0%	76.0%
Subtotal	2,848	3,986	4,337	4,683	5,350	5,350	5,350	5350	53.2%	74.5%	81.1%	87.5%
Total	8,263	12,764	16,710	20,924	11,036	19,736	23,996	28,123	74.9%	64.7%	69.6%	74.4%

Notes:

1. Our school year ends in August of each year, and the fall semester of our school year ends at the end of January or in early February of each year.

2. School capacity of a grade school is calculated based on the designed capacity (the designed number of student enrollment) as stated in its feasibility research report of the construction project and, if no such report is available, based on the number of desks in its classrooms as proxy to the maximum number of student enrollment. School capacity of a kindergarten is calculated based on the number of beds used for naps after lunch.

3. School utilization rate is calculated by dividing the number of students enrolled at a school by school capacity.

4. Student enrollment information as indicated is based on our internal records.

5. As advised by our PRC Legal Adviser, the relevant local PRC educational authorities do not assign student admission quotas for private K-12 schools. Therefore, we have not experienced admission of students in excess of permitted quota during the Track Record Period.

6. When determining the designed capacity, we have followed our policies to control the size of classes. However, as the demand for Luzhou Tianli School, Affiliated Kindergarten of Luzhou Tianli School and Yibin Cuiping District Tianli School (Elementary School) continued to grow from the local families, we accepted a small amount of students exceeding the designed capacity of the abovementioned schools during the Track Record Period to accommodate the increasing demand. The Directors confirm that we will only admit students in excess of the designed capacity in exceptional circumstances, taking into account, including but not limited to, the actual environment and the teacher-student ratio of the particular school. The excess of the schools' designed capacity of the abovementioned schools did not adversely impact the quality of education service we provided during the Track Record Period.

Despite the increasing demand for our educational services, we continue to control the size of classes in our K-12 schools, including the entrusted schools. Each class in our high school and middle school programs typically has no more than 45 students, each class in our elementary school programs typically has no more than 40 students, and each class in our kindergarten programs typically has no more than 25 students. The following table sets forth information about the typical teacher-student ratios of each of our self-owned and entrusted K-12 schools, which were in operation as of the Latest Practicable Date, as of the end of the school years or semesters indicated.

	Teacher-student ratio as of the end of the			
	2014/2015 school year[1]	**2015/2016 school year[1]**	**2016/2017 school year[1]**	**2017 fall semester[1]**
Chengdu campus				
Chengdu Wuhou District Kinderworld Kindergarten (成都市武侯區凱星幼兒園)	—	—	—	1:7.45
Guangyuan campus				
Guangyuan Tianli International School (廣元天立國際學校)	—	1:14.71	1:15.69	1:13.61
Cangxi Tianli School (蒼溪天立學校)	—	—	—	1:7.94

	Teacher-student ratio as of the end of the			
	2014/2015 school year[1]	2015/2016 school year[1]	2016/2017 school year[1]	2017 fall semester[1]
Luzhou campus				
Luzhou Tianli School (瀘州天立學校) .	1:13.11	1:13.16	1:13.49	1:13.41
Luzhou Longmatan Tianli Elementary School (瀘州市龍馬潭區天立小學) .	1:13.62	1:13.79	1:13.73	1:14.92
Affiliated Kindergarten of Luzhou Tianli School (瀘州天立學校附屬幼兒園)	1:9.28	1:10.12	1:8.11	1:7.70
Luzhou Tianli Talent Foreign Language School (瀘州天立英才外國語學校) .	—	1:16.06	1:15.26	1:13.63
Tianli Kindergarten of Gulin County (古藺縣天立幼兒園).	—	—	1:6.80	1:8.00
Neijiang campus				
Neijiang Tianli (International) School (內江天立(國際)學校)	—	1:11.99	1:12.57	1:11.99
Xichang campus				
Xichang Tianli International School (西昌天立國際學校)	—	—	1:11.94	1:14.02
Ya'an campus				
Ya'an Tianli School (雅安天立學校) . .	—	—	—	1:9.49
Yibin campus				
Yibin Cuiping District Tianli School (宜賓市翠屏區天立學校)	1:11.39	1:11.32	1:11.72	1:11.74
Overall	1:12.26	1:12.64	1:12.78	1:12.43

Note:

1. Our school year ends in August of each year, and the fall semester of our school year ends at the end of January or in early February of each year.

Our overall teacher-student ratio of our self-owned and entrusted K-12 school ranges from 1:12.26 as of the end of the 2014/2015 school year to 1:12.78 as of the end of the 2016/2017 school year during the Track Record Period, as compared with the average teacher-student ratio of private K-12 schools in China which is 1:17.7 as of the end of the 2016/2017 school year, according to the Frost & Sullivan Report. We believe our class setting allows our teachers to devote more time and attention to each student, promoting interaction between teachers and students and improving student development.

We typically enroll (i) a maximum of 40 students per class for after-school tutoring courses, (ii) a maximum of 20 students per class for music, art and sports tutoring courses, and (iii) a maximum of 20 students per class for early childhood tutoring courses. As the class size varies for different types of courses, and the mix of different types of courses offered by our tutorial centers may be very different for the same period in a year, the teacher-student ratio does not provide meaningful indication of the operation of our tutorial centers or early childhood education centers. Furthermore, as advised by our PRC Legal Adviser, there were no regulatory requirements in relation to the teacher-student ratio for tutorial centers or early childhood education center as of the Latest Practicable Date.

As advised by our PRC Legal Adviser, except for Chengdu Wuhou District Kinderworld Kindergarten which was acquired in November 2017, all of our self-owned K-12 schools were in compliance with the relevant regulatory requirements in relation to the prescribed ratio of a school's site/building area to the number of students (the "**Ratio**") during the Track Record Period. Chengdu Wuhou District Kinderworld Kindergarten did not strictly comply with regard to the requirement of ratio of site area per student, that the actual ratio is 12.96 sq.m. per student while the regulatory requirement is 14 sq.m. per student. According to the interview with the Wuhou Bureau of Education (武侯區教育局), being the competent regulatory authority as advised by our PRC Legal Adviser, no administrative penalties will be imposed on Chengdu Wuhou District Kinderworld Kindergarten due to its failure to strictly comply with the relevant regulatory requirements in relation to ratio of site area per student during the Track Record Period because the Wuhou Bureau of Education only requires it to comply with the local requirement in relation to the total site area. Based on the discussion during the aforementioned interview, we are advised by our PRC Legal Adviser that such failure to strictly comply with regulatory requirements regarding the Ratio does not constitute a non-compliance. As advised by our PRC Legal Adviser, the relevant local PRC educational authorities do not assign student admission quotas for private K-12 schools, and such failure will not impact the student admission of Chengdu Wuhou District Kinderworld Kindergarten. Chengdu Wuhou District Kinderworld Kindergarten has passed the annual inspections of 2015 and 2016. It is further confirmed during the interview that Chengdu Wuhou District Kinderworld Kindergarten has submitted the relevant documents for the annual inspection of 2017 and there is no known impediments for it to pass such annual inspection. Our PRC Legal Adviser further advised that the risk of enforcement and penalty is low, and we may consider, if required by the changed regulatory requirements or the relevant local regulatory authority, to slightly reduce the student enrollment in the next school year to ensure strict compliance. If we are asked to reduce student enrollment based on that as of the end of 2017 fall semester, i.e. 216 students, the number of reduction of students will be 20, which will in turn cause a reduction of approximately RMB1.8 million of revenue generated from tuition fees for one school year. We do not intend to acquire or rent extra site for strict compliance with the Ratio requirements. Our Directors thus consider its impact on the operation and financial position of the Group is not material. Please refer to the section headed "Regulatory Overview — Laws and Regulations relating to the Industry — Education Law of the PRC — Regulatory Requirements in relation to Site/Building Area per Student" in this prospectus for details of the relevant regulatory requirements.

The following table sets forth the information about the actual Ratio of each of the Group's self-owned K-12 schools during the Track Record Period*(Note)*:

	As of the end of the							
	2014/2015 school year[1]		2015/2016 school year[1]		2016/2017 school year[1]		2017 fall semester[1]	
	Site area per student (sq.m.)	Building area per student (sq.m.)	Site area per student (sq.m.)	Building area per student (sq.m.)	Site area per student (sq.m.)	Building area per student (sq.m.)	Site area per student (sq.m.)	Building area per student (sq.m.)
Chengdu campus								
Chengdu Wuhou District Kinderworld Kindergarten (成都市武侯區凱星幼兒園)	—	—	—	—	—	—	12.96	15.41
Guangyuan campus								
Guangyuan Tianli International School (廣元天立國際學校)	—	—	128.53	31.86	64.92	31.86	45.74	22.44
Cangxi Tianli School (蒼溪天立學校)	—	—	—	—	—	—	462.94	302.56
Luzhou campus								
Luzhou Tianli School (瀘州天立學校) and Luzhou Longmatan Tianli Elementary School (瀘州市龍馬潭區天立小學)[2]	18.34	15.92	17.81	15.46	17.59	15.27	17.27	14.99
Tianli Kindergarten of Gulin County (古藺縣天立幼兒園)	—	—	—	—	441.29	58.37	341.00	45.10
Neijiang campus								
Neijiang Tianli (International) School (內江天立(國際)學校)	—	—	167.56	69.76	90.86	37.82	66.53	27.70
Xichang campus								
Xichang Tianli International School (西昌天立國際學校)	—	—	—	—	75.52	35.38	43.67	20.46
Ya'an campus								
Ya'an Tianli School (雅安天立學校)	—	—	—	—	—	—	109.76	63.15
Yibin campus								
Yibin Cuiping District Tianli School (宜賓市翠屏區天立學校)	62.18	30.95	44.43	22.11	40.83	20.32	37.82	18.82

Notes:

1. Our school year ends in August of each year, and the fall semester of our school year ends at the end of January or early February of each year.

2. Luzhou Longmatan Tianli Elementary School (瀘州市龍馬潭區天立小學) was originally designed as the elementary school division of Luzhou Tianli School (瀘州天立學校) when we prepared the construction plan of these two schools and such plan was submitted to the relevant governmental authorities. Therefore, their site area and building area cannot be separated for purpose of calculating the Ratio of either of them.

3. As advised by our PRC Legal Adviser, there were no regulatory requirements in relation to the Ratio for tutorial centers or early childhood education center as of the Latest Practicable Date.

Our Tutorial Centers and Early Childhood Education Centers

Our self-owned and entrusted tutorial centers offer tutoring services to K-12 students. Our self-owned and franchised early childhood education centers offer tutoring services to pre-kindergarten children. As of the Latest Practicable Date, we had 11 tutorial centers in our school network in operation located in Sichuan Province, among which nine were our self-owned schools which we control and operate and two were entrusted schools to which we provide management services. Among the nine self-owned tutorial centers, Gulin Tianli Jiaozi Culture and Arts Tutoring School Co., Ltd. and Xichang Tianli Jiaozi Culture and Arts Tutoring Co., Ltd. are for-profit private schools, and all the others are not-for-profit private schools. As of the same date, we had four childhood education centers located in Sichuan Province and Chongqing, among which one was our self-owned early childhood education center which we control and operate and three were franchised early childhood education centers to which we license our "Tianli" brand and provide our recommended curriculum and teaching materials. The following table sets forth information about our tutorial centers and early childhood education centers in operation as of the Latest Practicable Date:

Tutorial Centers and Early Childhood Education Centers	Types of tutoring services offered	Commencement of operation	Nature
Chongqing			
Tianli International Early Childhood Education Center (天立國際早教中心)[1]	Early childhood tutoring services	August 2017	Franchised
Guangyuan			
Guangyuan Tianli Jiaozi Education and Tutoring School (廣元天立驕子教育培訓學校)	After-school tutoring services; music, art and sports tutoring services	September 2017	Self-owned
Luzhou			
Gulin Tianli Jiaozi Culture and Arts Tutoring School Co., Ltd. (古藺天立驕子文化藝術培訓學校有限責任公司)	Music, art and sports tutoring services	December 2017	Self-owned
Luzhou Jiangyang Tianli Culture and Arts Tutoring School (瀘州市江陽區天立文化藝術培訓學校)	Music, art and sports tutoring services	July 2017	Self-owned
Luzhou Longmatan Tianli Culture and Arts Tutoring School (瀘州市龍馬潭區天立文化藝術培訓學校)	Music, art and sports tutoring services	July 2011	Self-owned
Tianli International Early Childhood Education Center (天立國際早教中心)[2]	Early childhood education	June 2014	Self-owned
Luzhou Tianli Culture and Arts Tutoring School Yinglun Campus (瀘州天立文化藝術培訓學校英倫教學點)	Music, art and sports tutoring services; English tutoring services	September 2014	Entrusted
Longmatan Tianli Talent Culture and Arts Tutoring School (龍馬潭區天立英才文化藝術學校)	After-school tutoring services; music, art and sports tutoring services;	January 2013	Entrusted

Tutorial Centers and Early Childhood Education Centers	Types of tutoring services offered	Commencement of operation	Nature
Tianli International Early Childhood Education Center (天立國際早教中心)[3]	Early childhood tutoring services	July 2017	Franchised
Tianli International Early Childhood Education Center (天立國際早教中心)[4]	Early childhood tutoring services	October 2017	Franchised
Neijiang			
Neijiang Dongxing Tianli Jiaozi Tutoring School (內江市東興區天立驕子培訓學校)	After-school tutoring services; music, art and sports tutoring services	February 2017	Self-owned
Xichang			
Xichang Tianli Jiaozi Culture and Arts Tutoring Co., Ltd. (西昌天立驕子文化藝術培訓有限公司)	After-school tutoring services; music, art and sports tutoring services	December 2017	Self-owned
Yibin			
Renjie Education Tutoring School of Gong County (珙縣人傑教育培訓學校)	After-school tutoring services; music, art and sports tutoring services	February 2014	Self-owned
Yibin Cuiping Tianjiao Tutoring School (宜賓市翠屏區天驕培訓學校)	After-school tutoring services; music, art and sports tutoring services	July 2017	Self-owned
Yibin Cuiping Tianzhan Tutoring School (宜賓市翠屏區天展培訓學校)	After-school tutoring services; music, art and sports tutoring services	March 2015	Self-owned

Notes:

1. The franchisee is Chongqing Nanchuan District Huixing Education Information Consulting Services Co., Ltd. (重慶市南川區匯星教育信息諮詢服務有限公司).

2. It is operated by Luzhou Shenzhou Tianli Early Childhood Education Consulting Services Center (General Partnership) (瀘州神州天立早教諮詢服務中心(普通合夥)).

3. The franchisee is Hejiang Sunny Baby Early Childhood Education Services Co., Ltd. (合江縣陽光寶貝早教服務有限公司).

4. The franchisee is Luzhou Yunxi Early Childhood Education Consulting Services Co., Ltd. (瀘州雲溪早教諮詢服務有限公司).

The table below sets out the total enrollment of students and the average tuition per enrollment of our self-owned tutorial centers and early childhood education center during the Track Record Period.

	Year ended December 31,					
	2015		2016		2017	
	Total enrollment of students[1]	Average tuition per enrollment (RMB)	Total enrollment of students[1]	Average tuition per enrollment (RMB)	Total enrollment of students[1]	Average tuition per enrollment (RMB)
Self-owned tutorial centers	13,011	1,493.65	18,478	1,296.28	21,474	1,423.21
Self-owned early childhood education center	233	5,888.68	288	6,225.91	116	7,350.547

Note:

1. The total enrollment of students represents the sum of the number of courses taken by each student in the respective tutorial centers or early childhood education center, rather than the total number of students enrolled in them as we record more than one enrollment with respect to one student where he/she is enrolled in more than one course provided by the respective tutorial center or early childhood education center.

We evaluate the market demand and offer different courses with different class sizes in our self-owned tutorial centers and early childhood education center from time to time to satisfy various needs of students, and the tuition fees we charge vary according to (i) different categories of courses, (ii) class size (we generally charge a higher tuition fee rate for a course with a specific term if the class size is smaller), and (iii) the term of courses (the tuition fee rate of a course with a certain class size is usually higher if the course consists of more sessions). As a result, a change in the mix of courses of different tuition fee rates and the proportion of student enrollment in courses of different tuition fee rates will lead to a change in the average tuition per enrollment. For instance, we have recorded an increase in the proportion of student enrollment in the courses of lower tuition fee rates in 2016 and 2017 as compared to in 2015, which is the primary reason for the decrease in average tuition per enrollment in 2016 and 2017 as compared to that in 2015 despite an increase in enrollment of students for our self-owned tutorial centers. On the contrary, we have recorded an increase in the proportion of student enrollment in the courses of higher tuition fee rates in 2017 as compared to 2015 and 2016, which is the primary reason for the increase in average tuition per enrollment in 2017 despite a decrease in enrollment of students for our self-owned early childhood education center.

Our Management System

We have established a centralized and standardized management system for our school network. As our role with respect to our self-owned, entrusted schools and early childhood education centers varies from being an owner, to a school management service provider or a brand licensor, respectively, we tailor our policies and measures for these three categories of schools and early childhood education centers and implement the same standard within the same category across regions under our centralized and standardized management system.

We control our self-owned schools and self-owned early childhood education center. Major decisions and policies concerning our self-owned schools and self-owned early childhood education center such as principal nominations, tuition levels, construction of material new facilities and the use of significant funds are determined by relevant departments at the Group level. At the campus or school level, we largely rely on our experienced principals to manage our self-owned schools. Each K-12 campus has a general principal to oversee the operations of such campus, assisted by several school program principals in charge of each K-12 school program. Each of our self-owned tutorial centers and our self-owned early childhood education center has a principal in charge of the relevant tutoring program. All of our principals have extensive experience in education and school administration. Principals are required to submit monthly work summaries and monthly work plans in relation to the overall school management to our teaching activities management center, which distributes such monthly reports to the relevant departments at the Group level for further analysis and applicable approval. Principals also participate in regular meetings presided over by our chairman, Mr. Luo, to discuss major issues about our self-owned schools and self-owned early childhood education center. As for the management of financial matters, the finance department at the Group level conducts annual audits on the finance departments at the school level. The risk management and internal audit center at the Group level conducts examinations on our self-owned schools and self-owned early childhood education center from time to time. We believe this management system allows us to maximize the capabilities of our teachers and administrative personnel to enhance the quality of education we provide and promote students' well-being.

We provide management services to our entrusted schools, which are not owned by us. Although our rights and obligations under each school entrustment agreement may vary, we are generally entitled to appoint the principals of the entrusted schools, subject to applicable approvals by the school board of the relevant entrusted school, and to manage educational activities including curriculum design and selection of teaching materials. We oversee the management of teaching activities of our entrusted schools in manners similar to that of our self-owned schools and we strive to maintain the education quality of entrusted schools under the same standards of our self-owned schools.

We do not control, operate or provide management services to our franchised early childhood education centers, all of which were engaged in the early childhood tutoring business as of the Latest Practicable Date. We license our "Tianli" brand to the franchisees and provide educational consulting services such as curriculum design, selection of teaching materials and teaching staff training according to the franchise agreements we enter into with them. Although we do not operate our franchised early childhood education centers, we have policies under our management system to monitor their operations to ensure our reputation is not adversely impacted by the activities of the franchised early childhood education centers.

Educational Programs and Curriculum of Our K-12 Schools

We offer PRC curriculum programs at our grade schools. Our PRC curriculum programs are based on the curricula mandated by the PRC regulatory authorities and supplemented by individualized school-based elective courses. We offer courses such as Chinese, mathematics, English and moral education under the curricula mandated by the PRC regulatory authorities. All courses under the PRC government mandated curricula are taught by PRC-certified teachers using textbooks and materials designated by the relevant PRC authorities. Students who have satisfactorily completed all courses required under the PRC compulsory education curriculum are eligible to obtain a PRC high school diploma, middle school diploma or elementary school diploma, as applicable.

We offer a bilingual learning environment for our elementary, middle and high school students. We emphasize interactive foreign language learning to stimulate our students' interests in learning and promote interaction within the classroom setting, which we believe is essential in acquiring fluency in a foreign language. We have been developing our own textbooks and teaching materials to support the various elective courses under our innovative curriculum.

Apart from the courses mandated by the PRC regulatory authorities, we have flexibility in designing additional elective courses to develop a tailored school-based curriculum for each grade school in our school network. We also take into account the cultural and social characteristics of the region in which such school operates in designing our elective courses. Through such elective courses, we aim to develop our students into well-rounded and academically excellent individuals. Our elective courses emphasize creativity, critical thinking and a deeper appreciation of traditional Chinese and Western cultures, and generally fall within one or more of the following categories: (i) extended learning in core subjects, (ii) learning habits and everyday life skills, (iii) music, sports and art, (iv) creative thinking and technological innovation, and (v) foreign languages. Our school-based elective courses include, among other subjects, pop music, piano, dance, calligraphy, cooking, science experiments, introduction to robotics, animation production, basic Japanese, basic Korean, basic legal knowledge, basketball, tennis, volleyball, soccer, ceramics, origami, flower arrangements and social etiquette. Students are encouraged but not required to enroll in our school-based elective courses. All of our school-based elective courses are taught by PRC-certified or foreign teachers.

We have developed our own course materials for our elective courses. With the help of various Chinese and Western education experts, we have taken into account overseas teaching materials as well as the cultural and educational background of PRC students in developing our own course materials for our elective courses. We believe that these materials are innovative, reader-friendly and content-rich, and they are adopted by us to supplement the education materials mandated under the PRC compulsory education system.

International Programs

We offer two international programs for our high school students at Luzhou Tianli School. They are: (i) an exchange program co-operated by us with a few overseas high schools in Canada and Singapore (the "**Exchange Program**"); and (ii) a three-year international program co-operated by us with Xiamen University (the "**Three-year International Program**"). Under the Exchange Program, we entered into cooperation agreements with London International Academy in Ontario, Canada and South Hills Academy in California, the United States in November 2015 as well as with Furen International School in Singapore in April 2017, according to which students enrolled in the exchange program will finish grade 10 and grade 11 education in our high schools and then finish grade 12 in the respective overseas high schools, after which they will be eligible to apply for universities and colleges overseas. Under the Three-year International Program, after finishing high school education in Luzhou Tianli School, students will be admitted to a university exchange program co-operated by Xiamen University with Saint Peter's University and Greenville College in the United States.

Students enrolled in both international programs study together with their classmates who are enrolled in the PRC curriculum program and take all the courses offered under the PRC curriculum program of our high schools. In addition, they take international foundation courses such as English, culture studies and communication skills in preparation for their studies overseas. As of the end of the 2017 fall semester, we had over 80 students enrolled in the international programs. During the Track Record Period, over 30 students graduated from our exchange program, most of whom were admitted to reputable universities and colleges overseas, such as Toronto University and Pennsylvania State University.

OUR HIGH SCHOOLS

As of the Latest Practicable Date, we operated four high school programs in Guangyuan, Luzhou, Xichang and Yibin, all of which were operated by our self-owned schools. As of the end of the 2017 fall semester, 3,386 students were enrolled in our high school programs.

The curriculum of each high school in our school network is primarily formulated towards the Gaokao, emphasizing students' academic performance. Mandatory courses offered as part of our high school curriculum include English, Chinese, mathematics, politics, history, geography, biology, physics, chemistry, information technology, sports, psychology, applied skills, music and art. Eleventh and twelfth grade students are categorized into liberal arts and science concentrations, and the relevant course work is tailored according to the students' respective concentration. In the meantime, we encourage our high school students to develop other academic interests.

Admission

Our high school admission process is highly competitive as we regard our applicants as having excellent academic records and high learning potential. We consistently implement high admission standards in all of the high schools in our school network to ensure fair and consistent admission results. Admissions to the high schools in our school network require successful completion of grade nine in a middle school program and achieving a score satisfactory to us in the entrance examinations designed by the respective high school in our school network. In addition, when evaluating applicants, we also consider (i) students who received prizes in various contests involving scientific innovation, writing, arts and sports, among others, (ii) students who demonstrate artistic talents, (iii) students who achieved a sufficiently high score in the Zhongkao and (iv) students who graduated from the middle schools in our school network.

Our middle school students tend to seek admission to our high schools. However, as our high schools have a limited capacity as compared to the student base of our middle schools and the high quality education provided by our high schools attracts a high number of applicants outside our school network, our high school admission is highly competitive. As a result, while approximately 75%, 82% and 63% of our Grade 10 students at the beginning of the 2015/2016, 2016/2017 and 2017/2018 school years were our middle school graduates, respectively, only approximately 37%, 42% and 41% of our middle school graduates in the respective school years were admitted to our high schools.

Assessment, Grading and Student Performance

We tailor our high school assessment and grading system to ensure that the grades our students receive properly reflect their academic performance. The final grades of our high school students generally represent a combination of marks given for class participation, homework and the final examination results. Our high school students also participate in regional and city-wide standard examinations, the structure, content and grading scales of which are set in accordance with the requirements of the Gaokao.

Our high school students have consistently achieved outstanding results in the Gaokao. In 2015, 2016 and 2017, approximately 88.2%, 95.2% and 95.6%, respectively, of the high school students of our graduating classes who participated in the Gaokao in the relevant cities in which their schools are located were admitted to universities in China, and approximately 51.4%, 62.9% and 71.6%, respectively, were admitted to first-tier universities in China. As comparison, for the Gaokao administered in the same years, approximately 34.5%, 36.5% and 36.9%, respectively, of the graduating high school students of Sichuan Province were admitted to universities in China, and 8.4%, 10.7% and 10.6%, respectively, were admitted to first-tier universities in China, according to the Frost & Sullivan Report.

In 2016, the student with the highest score at the municipal level in the Gaokao in Luzhou came from Luzhou Tianli School. In 2017, the students with the highest scores at the municipal level in the Gaokao in Luzhou and Yibin came from Luzhou Tianli School and Yibin Cuiping District Tianli School, respectively. Such Gaokao top scorers were recognized as Gaokao Zhuangyuan (高考狀元), which is known as the highest academic achievement in the Gaokao. In addition, five of our high school graduates in 2016 and four in 2017 were admitted to Tsinghua University or Peking University.

Some of our high school students are artistic or sports talents and therefore apply for admission to universities as Talented Students (特長生). In each of the 2014/2015, 2015/2016 and 2016/2017 school years, 22, 38 and 30, respectively, of our high school graduates were admitted as Talented Students by universities including Communication University of China, China Academy of Art, China Central Academy of Fine Arts, the Central Academy of Drama and Central Conservatory of Music.

A number of our high school students have also achieved outstanding results in academic contests. Ten of our high school students won first grade prizes and 72 won second grade prizes in national academic contests in mathematics, Chinese language skills, English language skills, physics, chemistry and biology in the Track Record Period.

During the Track Record Period, we had also witnessed a trend of application to overseas higher education institutions by our high school students. In 2015, 2016 and 2017, the number of students admitted by overseas Top 100 universities on U.S. News and World Report Rankings in 2018 was three, five and four, respectively.

We believe our students' accomplishments are viewed as a strong endorsement of our teaching quality and have greatly enhanced our reputation.

OUR MIDDLE SCHOOLS AND ELEMENTARY SCHOOLS

As of the Latest Practicable Date, we operated six middle school programs in Guangyuan, Luzhou, Neijiang, Xichang, Ya'an and Yibin, all of which were operated by our self-owned schools, and eight elementary school programs in Guangyuan, Luzhou, Neijiang, Xichang, Ya'an and Yibin, seven of which were operated by our self-owed schools while one was operated by Luzhou Tianli Talent Foreign Language School which is an entrusted school. As of the end of the 2017 fall semester, our middle school programs had 9,135 students enrolled and our elementary school programs had 7,230 students, among which 1,036 elementary students were enrolled in the program operated by Luzhou Tianli Talent Foreign Language School.

Our middle school programs focus on nurturing our students' positive personal growth and academic development by guiding our students to acquire good learning, living and interpersonal skills. The middle schools in our school network offer the full middle school curriculum required by the PRC compulsory education system. We carefully tailor our middle school programs in alignment with our high school programs, with a focus on the all-around development of students. We also offer a variety of elective courses under our middle school programs, such as studies of ancient Chinese literature, ocean geography and basic urban planning knowledge at Luzhou Tianli School, Taekwondo, basic Japanese and ceramics at Neijiang Tianli (International) School and calligraphy, animation production and basic knowledge of the stock market at Guangyuan Tianli International School. We believe that our middle school programs address students' individual needs while laying a solid foundation for their academic development and ensuring smooth transition into high schools.

Our elementary school programs focus on inspiring curiosity and developing learning skills of our students by creating an interactive, engaging and friendly learning environment that leads to a lifelong desire to learn. We believe that courses offered under our elementary school programs represent a combination of the solid academic foundation of the PRC compulsory education curriculum with our carefully designed elective courses that we believe can lead our students to explore and develop their interests outside of the classroom. For example, photography is offered as an elective course at Guangyuan Tianli International School for elementary school students, and dancing classes and various musical instruments classes are offered at Neijiang Tianli (International) School. We believe that our elementary school programs provide our students the pathway to a balanced development, both intellectually and physically.

As our elementary school students are too young to fully adapt to the boarding environment, we assign child care supervisors to help them manage their daily lives, ensuring that they gradually learn to take care of themselves and at the same time enjoy the school programs and boarding life. We maintain student-supervisor ratios we consider as appropriate to the different ages of elementary school students, which are approximately 16:1 for Grade 1 and Grade 2 students, approximately 24:1 for Grade 3 and Grade 4, and approximately 32:1 for Grade 5 and Grade 6. As to our middle schools, we also assign one supervisor for every 50 to 100 students to take care of their daily lives on campus.

Admission

Admission to our middle schools require successful completion of Grade 6 in an elementary school program and achieving a score satisfactory to us in the entrance examinations designed by the respective middle school in our school network. When evaluating applicants, we also consider students who graduated from the elementary schools in our school network and students who have attained extra-curricular achievements in various subjects or demonstrate talents in arts and sports. In general, a majority of our elementary school graduates are able to be admitted to the middle schools in our school network if they wish to continue their education with us. In each of the 2015/2016, 2016/2017 and 2017/2018 school years, approximately 71%, 75% and 82% of our elementary school graduates, in the respective school years, were admitted to our middle schools.

For admission to the elementary schools in our school network, we generally require student applicants and their parents to go through an interview process so that we are able to selectively admit students we consider to be well-rounded to join our programs. We generally reserve places at the elementary schools in our school network for our kindergarten graduates if they wish to continue their education with us. In the 2015/2016, 2016/2017 and 2017/2018 school years, approximately 69%, 59% and 60% of our kindergartens graduates attended the elementary schools in our school network, respectively.

Assessment, Grading and Student Performance

Similar to the grading system adopted for our high school programs, the final grades of our middle school and elementary school students generally represent a combination of marks given for class participation, homework, quizzes, reports and the final examination results. Our middle school students also participate in regional and city-wide standard examinations, the structure, content and grading scales of which are set in accordance with the requirements of the Zhongkao.

Our middle school students have consistently achieved outstanding results in the local high school admission processes. In 2005, the year in which Luzhou Tianli School had its first graduating class of middle school students, five of its middle school graduates achieved the top 10 highest scores at the municipal level in the Zhongkao. In 2016, the students with highest scorers at the municipal level in the Zhongkao in Luzhou and Yibin came from Luzhou Tianli School and Yibin Cuiping District Tianli School (our two middle school programs with graduating classes as of the Latest Practicable Date), respectively. Our middle school programs in other regions started operations in September 2015 or after, hence none of their students had attended the Zhongkao as of the Latest Practicable Date.

Our middle school students have actively participated in academic contests. During the Track Record Period, 16 of our middle school students won second grade prizes and 19 won third grade prizes in national academic contests in mathematics, science and technology creativity, English languages skills and Chinese language skills.

Our elementary school students also have impressive academic and extra-curricular achievements. During the Track Record Period, our elementary school students have received various prizes in arts, language skills and scientific innovation contests, amounting to over 490, 350 and 380 prizes at the national, provincial and municipal levels, respectively. In particular, one of our students was granted the title of "New Talent in Scientific and Technological Creativity" in the 32nd Youth Scientific and Technological Creativity Competition of Sichuan Province in 2017. Our elementary school students also received five first grade prizes in the robotics competition of Sichuan Province in 2016.

OUR KINDERGARTENS

As of the Latest Practicable Date, we operated six kindergarten programs in Chengdu, Luzhou and Yibin, four of which were operated by our self-owned schools and two were operated by the Affiliated Kindergarten of Luzhou Tianli School and Affiliated Green Rhyme Kindergarten of Luzhou Tianli School which are entrusted schools. As of the end of the 2017 fall semester, the kindergartens in our school network had a total of 1,173 students, among which 508 were enrolled in Affiliated Kindergarten of Luzhou Tianli School.

Our kindergarten programs focus on developing an active and healthy environment that helps children develop an inquisitive mind at a young age and emphasize fun in the process of learning. The course materials we use aim to expose our students to various important subjects, including physical education, language, science and arts. We encourage our kindergarten students to participate in more outdoor activities, and we construct our facility to facilitate this aim. We generally admit students who are aged three and above into the kindergartens in our school network. Our kindergarten admission policies are relatively more flexible. We normally conduct interviews with student applicants and their parents and assess if those applicants would fit in our kindergarten programs.

OUR K-12 SCHOOLS UNDER DEVELOPMENT AND PLANNING

With an increasing demand for quality K-12 education in the PRC, we plan to explore opportunities in new geographic locations and gradually expand our school network to more second- and third-tier cities within and outside of Sichuan Province.

To better identify new locations for the expansion of our school network, we have formed an investment committee that meets regularly to discuss potential new opportunities. The process we go through in identifying and deciding on a new school location includes conducting market research, discussing project feasibility, determining target school locations, deciding on whether to build our own schools or cooperate with local partners, discussing terms of school setup with any counterparties, signing agreements, obtaining permits and approvals as necessary and appointing an operations team for new school.

The key factors that we will take into consideration in selecting new geographic markets and school locations include (1) the overall development of the city; (2) the economic growth prospects of the city; (3) local education market and competition; and (4) feasibility study and analysis of the new school.

Once we decide to enter a new geographic market, we would typically focus initially on establishing one to two school programs according to the local market demand, then gradually launch more school programs to establish a comprehensive K-12 school network as well as tutorial centers to supplement our K-12 school programs. Typically our site and campus planning will cater to two areas so as to develop and construct such schools in two different phases. We will consider commencing construction of a phase-II campus when we see a satisfactory increase in the student enrollment on the phase-I campus.

After deciding on the location and operating model of a new school, the operations team of the new school, which typically consists of a school principal, an admissions director, a general affairs director and a financial officer, will then proceed to (i) design and construct the new school, (ii) arrange necessary facilities and equipment, (iii) obtain necessary licenses and approvals, and (iv) formulate an effective teaching plan. Our marketing team formulates a tailored marketing plan for the new school and provides training to our operations team to maximize local promotion and teachers and student recruitment for the new school. It typically takes approximately 6 to 12 months for us to construct a school campus to a standard allowing the operation of the school programs to begin.

The following table sets forth certain information about our self-owned K-12 schools in our school network currently under development and planning:

School	Location	Status	Expected time of commencement of operation[1]	Estimated maximum capacity[2]	Estimated total capital expenditure	Costs incurred[3]	Expected source of funding	Type of buildings[4]	Estimated gross floor area
				(Student enrollment)	(RMB million)	(RMB million)	(RMB million)		(sq.m.)
Ziyang Yanjiang District Tianli School (資陽市雁江區天立學校)	Ziyang, Sichuan Province	Under development	September 2018	5,000	40	0.04	— Internal resources: 40 — Bank facilities: 0 — Net proceeds of the Global Offering: 0	Teaching building(s) Ancillary facilities	45,585 65,846
Deyang Tianli International School (德陽天立國際學校)	Deyang, Sichuan Province	Under planning	September 2018	5,000	530	92.88	— Internal resources: 300 — Bank facilities: 130 — Net proceeds of the Global Offering: 100	Teaching building(s) Ancillary facilities	46.442 61,325
Chengdu Tianli Elementary School (成都天立小學) .	Chengdu, Sichuan Province	Under planning	September 2019	1,440	200	30.66	— Internal resources: 100 — Bank facilities: 50 — Net proceeds of the Global Offering: 50	Teaching building(s) Ancillary facilities	15,029 12,565
Chengdu West District Tianli School (成都西區天立學校) .	Chengdu, Sichuan Province	Under planning	September 2019	2,340	300	64.81	— Internal resources: 170 — Bank facilities: 80 — Net proceeds of the Global Offering: 50	Teaching building(s) Ancillary facilities	12,675 20,538
Dazhou Tianli International School (達州天立國際學校)	Dazhou, Sichuan Province	Under planning	September 2019	4,200	246	0	— Internal resources: 96 — Bank facilities: 100 — Net proceeds of the Global Offering: 50	Teaching building(s) Ancillary facilities	27,373 30,835
Dongying Tianli School (東營天立學校)	Dongying, Shandong Province	Under planning	September 2019	3,000	250	0	— Internal resources: 120 — Bank facilities: 80 — Net proceeds of the Global Offering: 50	Teaching building(s) Ancillary facilities	15,696 25,310
Xiangtan Tianli International School (湘潭天立國際學校)	Xiangtan, Hunan Province	Under planning	September 2019	5,000	380	0	— Internal resources: 150 — Bank facilities: 130 — Net proceeds of the Global Offering: 100	Teaching building(s) Ancillary facilities	21,700 44,370
Chengdu East District Tianli School (成都東區天立學校) .	Chengdu, Sichuan Province	Under planning	September 2020	4,600	600	0	— Internal resources: 300 — Bank facilities: 100 — Net proceeds of the Global Offering: 200	Teaching building(s) Ancillary facilities	N/A[5] N/A[5]

Notes:

1. The expected time of commencement of operation is subject to various factors including but not limited to the time we obtain the relevant land use right, the relevant licenses and permits for school construction and the actual timeline of completion of the construction, and not all of such factors are under our control.

2. Estimated maximum capacity is calculated based on the capacity stated in the agreements we entered into with local governments regarding the investment, construction and operation of K-12 schools, or estimated by our Company based on class size and number of classes if no maximum capacity is stated in such agreements.

3. Represents capital expenditure incurred as of the Latest Practicable Date.

4. The buildings to be built can be categorized as teaching buildings and ancillary facilities (including but not limited to student dormitories, canteens, stadiums and gymnasiums). The starting point of the construction and design plan of a new school is generally based on the estimated total gross floor area of teaching buildings and ancillary facilities to be built respectively in each school instead of number of buildings to be built in total, and the number of total buildings to be built may change in different construction stages based on the actual circumstances while the estimated total gross floor area of teaching buildings and ancillary facilities respectively will generally remain the same.

5. The Company had not completed the construction plan of this school as of the Latest Practicable Date.

The targeted breakeven point of our self-owned K-12 schools under planning shall be the first or the second year after the commencement of school operations. The number of students to be enrolled each year and the allocation of teaching resources for each school will be planned in accordance with such targeted breakeven point. The targeted payback period of our self-owned K-12 schools under planning is expected to be approximately four to eight years based on the cash flow of the aforementioned targeted breakeven point and assuming full student enrollment of the schools. The expected investment return of our self-owned K-12 schools, which refers to the internal rate of return, is expected to be approximately 17% to 54%. Such range does not include Chengdu East District Tianli School as we had not completed its construction planning as at the Latest Practicable Date. The higher end of such range is in large part due to Ziyang Tianli International School's lower than usual capital expenditure as the Company will lease the relevant parcel of land and buildings instead of constructing a campus. Such estimations are formed based on various assumptions. The principal assumptions used in the calculation of the targeted breakeven point, targeted payback period and expected investment return for a new school include the tuition fees and boarding fees the school currently expects to receive from each student for each school year, the number of new students the school expects to admit for each school year, the cost of sales and other operating expenses the school expects to incur for the provision of the education services, and the estimated tax liabilities the school expects to be exposed to. In addition, we assume all other factors (such as the regulatory and economic conditions of the private education industry in the PRC) remain constant, the actual investment and construction costs of these schools will not materially deviate from the estimated amounts, and taking into account the financial resources available to us, including the expected net proceeds from the Global Offering based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised, the expected future cash flows to be generated from our operations, the expected available bank loans, and absence of unforeseeable circumstances. The estimations are highly sensitive to changes in any of the assumptions, including but not limited to the deviation between our assumptions and the actual capital expenditure incurred in the construction of these schools, the actual timeline of completion of the construction of the schools, the actual student enrollment after the commencement of school operations, the tuition fees and boarding fees the schools will actually charge and the actual costs incurred in the school operations.

While expanding our school network by opening new schools, we may also expand our existing self-owned K-12 schools. For instance, phase II of Ya'an Tianli School including teaching buildings and ancillary facilities and teachers' apartments in Xichang Tianli International School were under construction as of the Latest Practicable Date. The below table shows the information of construction projects of these two schools.

School	Construction status	Expected capital expenditure (RMB million)	Expected allocated net proceeds (RMB million/ HK dollar million)	Type of Buildings and Facilities to be built	Gross floor area (sq.m.)	Expected capacity (Student enrollment)	Expected commencement of operation[1]
Xichang Tianli International School	Under construction	55.0	45.0/55.9	Teachers' apartments	16,048	N/A	April 2019
Ya'an Tianli School	Under construction	78.0	55.0/68.2	Teaching buildings	10,506	1,950	September 2018
				Ancillary facilities (including student dormitories and gymnasium)	12,985		

Note:

1. The expected commencement of operation is subject to the actual timeline of the school construction.

In addition, we recently completed the construction projects of Guangyuan Tianli International School and Neijiang Tianli (International) School, as well as the majority of the construction projects of Xichang Tianli International School.

Among such construction projects of the four existing schools, (a) the construction projects of Guangyuan Tianli International School and Neijiang Tianli (International) School as well as the majority of the construction projects of Xichang Tianli International School were already completed as of the Latest Practicable Date, i.e. the capacity related to the facilities constructed has already been taken into account in the calculation of school utilization rates; (ii) the ongoing construction project of Xichang Tianli International School is the construction of teachers' apartments to attract and retain our teachers, which is for the purpose of maintenance of educational program quality and is not expected to impact school capacity; and (iii) the only construction project that impacts the utilization rate is the construction of phase II of Ya'an Tianli School, for which the construction timetable is specified under the agreement we entered into with the local government, and the school capacity will be increased by 1,950 students.

Furthermore, the relatively low utilization rate of these four schools is a result of our policy that, instead of recruiting students for all grades once a new school program commences, we generally recruit only Grade 1 to 6 students in the first year of a new elementary school program, Grade 7 students in the first year of a new middle school program, and Grade 10 students in the first year of a new high school program, in order to ensure such students have the opportunity to spend adequate time within its school network to form a solid foundation for a more satisfactory academic performance so as to maintain our educational quality. Therefore, it usually takes over three years for a new school to reach a high utilization.

Bank facilities are one of the expected sources of funding for our self-owned K-12 schools in our school network currently under development and planning as set out above. We evaluate all types of financing available to us from time to time. As disclosed in the section headed "Risk Factors — Depreciation charge and interest expense incurred over the construction period of new self-owned K-12 schools and the expansion of our existing K-12 schools may result in a decrease in our net profit margin" in this prospectus, our Group's interest expenses will increase as bank facilities are expected to be one of the sources of funding for the construction and expansion of new self-owned K-12 schools in addition to internal resources and net proceeds from the Global Offering. We are conscious of the interest expense impact on our profitability from debt financing given our gearing ratio was 55.3% as at December 31, 2017. Any decision relating to debt and equity financing will be merit-based and be considered in the circumstance. We will weigh carefully the optimal proportion of equity and debt financing. The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize our Shareholders' value. We manage our capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Our Directors confirmed that we are not subject to any externally imposed capital requirements.

Our depreciation charge is expected to increase over the construction period of new self-owned K-12 schools and the expansion of existing K-12 schools, as it usually takes time for a new K-12 school or an expanded existing K-12 school to reach its full capacity or to be put into full use. Before a K-12 school is fully utilized, the increase of costs of sales incurred may outpace the increase of revenue generated. As a result, we may experience a short term decrease in our gross profit margin and net profit margin. But with the increase in student enrollment in the new K-12 schools or the expanded existing K-12 schools, we expect the gross profit margin and net profit margin to increase and reach a level consistent with that during the Track Record Period. Meanwhile, our interest expense may also increase over the construction period of new self-owned K-12 schools and the expansion of existing K-12 schools as we expect bank facilities to be a source of funding for such construction and expansion, in addition to internal resources and net proceeds from the Global Offering. As a result, although a portion of interest on bank loans will be capitalized, we expect to incur additional interest expenses which may result in a short term decrease in our net profit and net profit margin.

In addition to development of our self-owned K-12 schools, we also plan to carry out part of our future expansion plan using an asset-light approach by managing additional schools owned by third parties under our "Tianli" brand. We have cooperated with third parties to expand our school network. See the paragraph headed "Business Collaborations" in this section for more information. To summarize, by adopting the asset-light approach, we will not contribute capital investment and thus will not incur capital expenditures in provision of management services to the entrusted K-12 schools which are under development or under planning, nor will we incur costs related to the operations of such entrusted schools as the respective counterparties of the management agreements of these entrusted schools will be responsible for the costs incurred in constructing and operating these entrusted schools. We may incur labor cost and administrative expenses, such as training expenses and administrative staff's travel expenses incurred when they travel to the entrusted schools to supervise and monitor their operations and expenses incurred in the provision of training to entrusted schools' employees, at the Group level in the provision of management services to these entrusted schools. These costs and expenses are expected to be minimal as compared to the costs incurred in the development and operation of our self-owned K-12 schools. In exchange for the provision of management services, we are entitled to management fees, which are usually calculated based on the revenue or profits/excess of school balance of the relevant entrusted K-12 schools and, in some cases, plus a fixed management fee, after these schools commence operations during the term of the respective management agreements. We consider the asset-light approach is, on the one hand, a flexible approach for future expansion which enables us to enter into a new market without incurring any capital expenditures and, on the other hand, a diversified source of revenue in addition to that generated from our self-owned K-12 schools.

Given we have limited control over our entrusted schools, during the negotiations with potential partners with respect to new entrusted schools, we would require, among others, (i) the ability to manage the teaching activities of the entrusted school, (ii) the use of curriculum and teaching materials designed by us, and (iii) the implementation of other policies and measures applicable to entrusted schools under our centralized school management system.

The following table sets forth certain information about the entrusted K-12 schools in our school network under development or under planning as of the Latest Practicable Date:

School	Location	Status	Expected time of commencement of operation[1]	Estimated maximum capacity[2] (Student enrollment)
Hejiang Tianli International School (合江天立國際學校) .	Luzhou, Sichuan Province	Under development[3]	September 2018	4,260
Ulanqab Tianli Kindergarten (烏蘭察布天立幼兒園)	Ulanqab, Inner Mongolia Autonomous Region	Under planning[3]	September 2018	400
Ulanqab Tianli International School (烏蘭察布天立國際學校)	Ulanqab, Inner Mongolia Autonomous Region	Under development[3]	September 2018	2,040

Notes:

1. As the entrusted schools are owned by third parties over which we have no control, the expected time of commencement of operation is subject to the timeline of school construction and the actual commencement of school operation which is under the control of the relevant school owner.

2. Estimated maximum capacity is calculated based on the capacity stated in the business collaboration agreements.

3. Schools under development refer to schools which were under construction or renovation as of the Latest Practicable Date. Schools under planning refer to schools of which the construction work had not started as of the Latest Practicable Date. School names of all schools under development and planning shown in the table are tentative and subject to final governmental approval and registration.

The Directors believe that the Company will succeed in capturing the demand in the new geographic markets that we currently plan to enter (i.e. Inner Mongolia Autonomous Region, Hunan Province and Shandong Province) considering the quality of our teaching staff, campus and teaching facilities, and historical performance.

TUITION AND BOARDING FEES OF SELF-OWNED K-12 SCHOOLS

We charge students enrolled in our self-owned K-12 schools tuition fees, and for boarding students, boarding fees. For all of our self-owned grade schools, tuition fees and boarding fees are generally paid in advance prior to the beginning of each school year. We typically charge boarding fees ranging from RMB1,200 to RMB1,500 per student per semester. For our self-owned kindergartens, tuition fees are generally paid in advance at the beginning of every semester.

To attract students with academic excellence or specialties in sports, music or art, we may offer partial or full tuition fee waivers to a certain percentage of our middle and high school students who have achieved relatively high test scores in our self-designed middle or high school entrance examinations or the standardized middle or high school entrance examinations administered by the local educational authorities, or who have demonstrated specialties in sports, music or art. During the Track Record Period, we offered partial or full tuition fee waivers to a number of students in recognition of their academic excellence or specialties in sports, music or art. To support students from less privileged families and ethnic minority students, we offer tuition fees waivers and meal allowances on a case-by-case basis. On the other hand, we charge a one-off admission fee to a small number of high school students who are admitted to the high schools in our school network from the waiting list. For children of our teachers and staff who enroll in our schools, we offer a 50% discount on their tuition fees or, if certain conditions are met, waive their tuition fees.

Our tuition fees rates are determined based on 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 the general economic conditions in China and the areas in which our schools are located, subject to applicable approvals from the local government. We evaluate our tuition fee rates and make adjustments from time to time, subject to applicable governmental approvals. In the 2017/2018 school year, we raised the tuition fees for high schools, middle schools and elementary schools in Luzhou campus by 13.6%, 10.0% and 9.1%, respectively. We also raised tuition fees for high schools and middle schools in Yibin campus by 10% in the 2017/2018 school year. For Guangyuan campus, we raised tuition fees for high schools, middle schools and elementary schools by 10%, 25% and 25%, respectively, in the 2016/2017 school year. For Neijiang campus, we raised tuition fees for middle schools and elementary schools by 31.6% and 33.3%, respectively, in the 2016/2017 school year. Our Directors considered that (i) as the Luzhou campus and the Yibin campus started operation in 2002 and in 2013 respectively, they are fully developed and have achieved outstanding results, which contributed to the increasing demand for our education services from the local families, and (ii) although Guangyuan and Neijiang campuses commenced operation in 2015, they have already received positive feedback regarding the education service from the local market.

As disclosed in the paragraph headed "Our Strengths — We provide education across a range of ages which creates a pipeline of students for our school network" in this section, our ability to effectively attract and retain students within our school network provides us with a stable and recurring revenue base backed by the figures disclosed therein. Further, the Directors are of the view that as our industry depends on the word of mouth and peer connections, demand for our education services rises as we have a better reputation by becoming more established and accumulating more students with outstanding results. As disclosed in the paragraph headed "Our Strengths — Our centralized and standardized management system and our corporate culture enable us to successfully replicate our highly scalable business model in new markets" in this section, in each of the 2014/2015, 2015/2016 and 2016/2017 school years, over 95% of our students and parents expressed in our annual surveys that they were satisfied with our K-12 school programs and educational services. In addition, the increase in demand in our education services is evident from the measure of student enrollment. As disclosed under the section headed "Factors Affecting Our Results of Operations and Financial Condition — Student Enrollment" in the "Financial Information —" in this prospectus, as of the end of the 2014/2015, 2015/2016 and 2016/2017 school years, the total number of students enrolled in our self-owned K-12 schools amounted to approximately 7,799, 11,214, and 15,138 respectively, growing at a CAGR of 39.3% from the end of 2014/2015 school year to the end of 2016/2017 school year. The number further grew to 19,380 as of the end of the 2017 fall semester. Therefore, our Directors considered such factors contributing to the optimisation of our pricing in these regions in the relevant school year and we raised tuition fee rates as mentioned above. In general, an adjusted tuition fee is applicable to newly admitted students (i.e., students in the first, seventh or tenth grade depending on the school program) only, while existing students in other grades are not affected by the adjustment and would continue to pay tuition fee at the rates effective when they were enrolled.

The following table sets forth the tuition fees per student charged by our self-owned K-12 schools in the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school years:

	Tuition			
	2014/2015 school year	2015/2016 school year	2016/2017 school year	2017/2018 school year
	(RMB)			
High schools[1]	19,000–20,000	20,000–22,000	20,000–22,000	22,000–25,000
Middle schools[2]	18,000	16,000–20,000	20,000–25,000	20,000–25,000
Elementary schools	16,000–20,000	16,000–21,500	20,000–24,000	20,000–24,000
Kindergartens	26,000	26,000	26,000	26,000–90,000[3]

Notes:

1. For certain high school students enrolled in Luzhou Tianli School, we charge a fixed tuition fees of RMB920 per student per school year pursuant to the cooperation agreement entered into between us and the local government. See the paragraph headed "Business Collaborations — Cooperation agreement with Luzhou Longmatan District government" in this section for more information.

2. For certain middle school students enrolled in Luzhou Tianli School and certain students enrolled in Xichang Tianli (International) School, we do not charge tuition fees pursuant to the cooperation agreement entered into between us and the local government. See the paragraphs headed "Business Collaborations — Cooperation agreement with Luzhou Longmatan District government" and "Business Collaborations — School investment and operation agreement with Xichang Municipal Government regarding Xichang Tianli (International) School" in this section for more information.

3. We acquired Chengdu Wuhou District Kinderworld Kindergarten in November 2017, which is one of our high-end educational institutions and we charge a substantially higher tuition fees of RMB90,000 per student per school year.

4. Tuition fees shown above are applicable to newly enrolled students in the relevant school years only, excluding boarding fees.

For the years ended December 31, 2015, 2016 and 2017, tuition fees from our schools accounted for 74.6%, 73.1% and 72.0% of our total revenue, respectively, while boarding fees accounted for 7.3%, 7.9% and 8.0% of our total revenue, respectively. Tuition and boarding fees from our schools are recognized proportionately over the relevant period when the educational and boarding services are provided. See note 2.4 to the Accountants' Report in Appendix I to this prospectus for more information.

We have in place a refund policy for students who withdraw from our K-12 schools. Under our policy, if a student decides to withdraw from our elementary school, middle school or high school, we refund the prepaid tuition fees proportionately for the remaining semester(s) but we do not refund the prepaid boarding fees. If a student decides to withdraw from our kindergarten, we refund the prepaid tuition fees proportionately for the remaining month(s).

OUR TUTORIAL CENTERS AND EARLY CHILDHOOD EDUCATION CENTERS

In addition to K-12 educational services, we also offer tutoring services to K-12 students as well as pre-kindergarten children. Tutorial centers in our school network mainly provide (i) after-school tutoring services targeting elementary school and middle school students, which cover core academic subjects, including mathematics, English, Chinese, physics and chemistry, and (ii) music, art and sports tutoring services targeting K-12 students. Early childhood education centers in our school network mainly provide tutoring services targeting pre-kindergarten children.

As of the Latest Practicable Date, we had 11 tutorial centers in our school network in operation located in Sichuan Province, among which nine were our self-owned schools which we control and operate and two were entrusted schools to which we provide management services. As of the same date, we had four childhood education centers located in Sichuan Province and Chongqing, among which one was our self-owned early childhood education center which we control and operate and three were franchised early childhood education centers to which we license our "Tianli" brand and provide our recommended curriculum and teaching materials. During the Track Record Period, the franchise fees we collected from our franchised accounted for less than 0.1% of our total revenue. Our control over our entrusted tutorial centers and franchised early childhood education centers is limited. See the sections headed "Overview of Our School Network — Our Management System" and "Risk Factors — Our business is heavily dependent on the market recognition of our 'Tianli' brand and the reputation of our school network." in this prospectus for more information. Going forward, we do not plan to add new franchised early childhood education centers into our school network.

Our tutoring courses typically consist of 14 to 16 sessions during the spring school semester and 10 to 16 sessions during the summer or winter break. Each session typically lasts for one and a half hours to two hours. Tuition fees for courses undertaken by students in our self-owned tutorial centers and early childhood education center are generally paid in advance prior to the beginning of each course. Tuition fees from our self-owned tutorial centers and early childhood education center are recognized proportionately over the relevant period when the educational services are provided. See note 2.4 to the Accountants' Report in Appendix I to this prospectus for more information.

The following table sets forth the tuition information of our self-owned tutorial centers and early childhood education center, which do not vary enormously in different cities within the same category.

	Tuition per course during the	
	Spring or fall school semester	Summer or winter break
	(RMB)	
After-school tutoring services	480–3,200	280–2,000
Music, art and sports tutoring services	320–1,200	400–1,920
Early childhood tutoring services	5,660–14,100	5,660–14,100

We typically enroll (i) a maximum of 40 students per class for after-school tutoring courses, (ii) a maximum of 20 students per class for music, art and sports tutoring courses, and (iii) a maximum of 20 students per class for early childhood tutoring courses. We control the size of our tutoring classes so that students can receive more individual attention from teachers than what they would typically experience in a larger class setting and are able to learn in an interactive environment. Moreover, we believe moderate classes allow our teachers to maintain frequent interactions with students and parents before and after classes to discuss their questions, address their concerns and provide feedback on the students' progress. For some of our tutoring courses, in particularly certain music courses, we offer personalized tutoring services in a one-on-one setting.

We design our tutoring course curricula catering to our students' different educational requirements and needs. Some of our courses for the same subject and grade level are offered at different levels of difficulty to better cater to the different needs of our students. For example, we offer mathematics tutoring courses to students at the same grade level in the form of basic courses, advanced courses which are taught at an accelerated pace and guide the students to delve deeper into the subject and specialized courses which focus on specialized training for mathematics competitions. In general, we periodically assess our students' progress, and based on the results of such assessment, reassign students to different classes on an as-needed basis such that each student's situation and needs are taken into consideration.

ANCILLARY SERVICES

We provide ancillary services to better serve our students, including on-campus canteens and transportation services, for which we charge separately in addition to tuition and boarding fees. Each of our self-owned K-12 schools has an on-campus canteen. We also operate transportation services intended for kindergarten and elementary school students in a number of K-12 schools in our school network. All of the on-campus canteens and transportation services are operated by the relevant K-12 schools.

Our revenue for other services is recognized when the related services are rendered, as a result, our revenue from other services is subject to seasonal fluctuations. See note 2.4 to the Accountants' Report in Appendix I to this prospectus for more information.

Canteens

We operate all the canteens situated in our self-owned K-12 schools. Our high school and middle school students have the option to choose their meals from the canteen menus and make payments using their prepaid on-campus identity cards when the meals of their choice are delivered. Our kindergarten and elementary school students are offered set meals and pay for their set meals in advance of each semester.

As of the Latest Practicable Date, our PRC Legal Adviser confirmed that all our canteens had obtained all the necessary licenses and permits for their operation, including the licenses for operation of business involving food (食品經營許可證) or the licenses for provision of catering services (餐飲服務許可證), except that we were in the process of renewing the license for provision of catering services. As advised by our PRC Legal Adviser, there is no legal impediment to the renewal of such license.

Transportation Services

We provide transportation services to kindergarten and elementary school students in Luzhou Longmatan Tianli Elementary School, Affiliated Kindergarten of Luzhou Tianli School, Tianli Kindergarten of Gulin County, Yibin Cuiping District Tianli School, Neijiang Tianli (International) School, Ya'an Tianli School and Cangxi Tianli School. Each of the schools operates school buses according to our school buses management policies with a strong awareness of student safety. We generally charge each of our students RMB2,000 to RMB3,000 per school year for providing such transportation services.

BUSINESS COLLABORATIONS

Historically, we developed and expanded our school network mainly through the establishment of our own schools. As the reputation of our "Tianli" brand continues to grow, we have been able to leverage our reputation and experience as a premium school operator to expand our school network by partnering with local governments and other third parties. We set out below details of such arrangements:

Cooperation agreement with Luzhou Longmatan District government.

We entered into a cooperation agreement with Luzhou Longmatan District government to accommodate the students of Luzhou Sixteenth Secondary School, a public school, in 2004. The term of the cooperation agreement is from 2004 until the date of termination of teaching activities at Luzhou Tianli School. Pursuant to the cooperation agreement, we acquired an additional site and constructed new school premises to expand the capacity of Luzhou Tianli School. Under the cooperation agreement, we agreed to admit a certain number of students of Luzhou Sixteenth Secondary School, who are public school students. We do not charge tuition fees for middle school students with public school student status, and we only charge a fixed tuition fee of RMB920 per student per school year for high school students with public school student status. In addition, we are in complete charge of the operations of Luzhou Tianli School and are responsible for the maintenance, renovation and upgrade of all school premises and the recruitment of teachers, other teaching staff and administrative staff. As advised by our PRC Legal Adviser, (i) Luzhou Tianli School is a private school, instead of a public school according to the Private School Operating Permit of Luzhou Tianli School issued by education bureau of Luzhou, and (ii) such cooperation agreement does not affect the private school status of Luzhou Tianli School. Our PRC Legal Adviser has advised that the cooperation agreement with Luzhou Longmatan District government is generally of the nature of procurement of services by the government, which does not affect the private school status of Luzhou Tianli School.

School investment and operation agreement with Xichang Municipal Government regarding Xichang Tianli (International) School

We entered into a school investment and operation agreement with Xichang Municipal Government to develop and operate Xichang Tianli (International) School in December 2015. The initial term of the agreement is not less than 30 years starting from the commencement of the school operation. Xichang Tianli (International) School commenced operation in September 2016. Under this agreement, Xichang Municipal Government has agreed to pay a total amount of RMB60,750,000 to Xichang Tianli (International) School as consideration to accommodate not exceeding 1,350 students during the term of operation of Xichang Tianli (International) School. We do not charge tuition fees for such students. Such arrangement is a procurement of services by the local government. Please see Note 2.4 to the Accountants' Report in Appendix I in this prospectus for details of the accounting treatment of the consideration for procurement of services, according to which the amount which will be recognized within one year is presented as current deferred revenue, and the amount which will be recognized beyond one year is presented as non-current deferred revenue.

Framework cooperation agreement with Xiangtan Yuhu District government and Xiangtan University.

We entered into a framework cooperation agreement with Xiangtan Yuhu District government and Xiangtan University, together with Tianli Holding in January 2018. Under this framework cooperation agreement, we are responsible for the development and operations of Xiangtan Tianli International School, while Tianli Holding is responsible for the development of a commercial and residential complex. Under the framework cooperation agreement, we have agreed to construct and operate a self-owned K-12 school, Xiangtan Tianli International School, on a parcel of land the land use right to which belongs to Xiangtan University. The ownership of all school buildings constructed on the land shall belong to Xiangtan University, but we are entitled to use the parcel of land for nil consideration for 30 years commencing from the date the school opens, and we have right to use all the school buildings for 30 years commencing from the date the school opens. In exchange, we have agreed to (i) employ certain teachers who are currently employees of the affiliated schools of Xiangtan University to work at the new school, and (ii) admit up to a certain number of the children of Xiangtan University's employees. Xiangtan Tianli International School is expected to commence operation in September 2019, on the condition that Xiangtan University is able to ready the relevant parcel of land for our construction in a timely manner. Tianli Holding is controlled as to 72.84% by Mr. Luo, a Director and a Controlling Shareholder. Although our and Tianli Holding's respective rights and obligations are separate and independent from each other, the framework cooperation agreement may be considered as a one-off connected transaction. Pursuant to the framework cooperation agreement, a definitive agreement in relation to the establishment and operation of Xiangtan Tianli International School will be entered into, upon which all our rights and obligations under the framework cooperation agreement are expected to be terminated.

School management agreement regarding Affiliated Kindergarten of Luzhou Tianli School. We started providing management services to Affiliated Kindergarten of Luzhou Tianli School in October 2013 pursuant to a resolution approved by the shareholders' meeting of the kindergarten. We entered into a school management agreement with Affiliated Kindergarten of Luzhou Tianli School in April 2015 for a term of five years and 11 months. The agreement is renewable by the parties upon its expiration. Pursuant to the agreement, we provide management services to Affiliated Kindergarten of Luzhou Tianli School in relation to its daily operations, teachers' trainings, performance review of principal, educational studies and marketing activities, subject to applicable approvals by the board of the kindergarten. We have also agreed to reserve places at Luzhou Tianli International Elementary School for a fixed number of the graduates of Affiliated Kindergarten of Luzhou Tianli School. In exchange for our management services, Affiliated Kindergarten of Luzhou Tianli School has agreed to pay us a fixed percentage of its revenue every year.

School management agreements regarding Luzhou Tianli Talent Foreign Language School and Longmatan District Tianli Talent Tutoring School. We entered to a school management agreement with a number of Independent Third Parties, and an elementary school and a tutorial center owned by these Independent Third Parties in December 2015, as supplemented by a supplemental agreement in January 2016. Pursuant to these agreements, the elementary school and the tutorial center are allowed to use our "Tianli" brand and hence have been renamed Luzhou Tianli Talent Foreign Language School and Longmatan District Tianli Talent Tutoring School (龍馬潭區天立英才文化藝術學校), respectively, and we started providing management services to them in 2016. The school management agreement has a term of 12 years and eight months and can be renewed by the parties upon its expiration. The management services we provide under the agreements are primarily with respect to teaching activities, training of teaching staff, student recruitment, promotion and daily operation of these schools using the standards we have adopted in our self-owned schools. Our decisions regarding the school operations are subject to applicable approvals by the respective school boards, each comprising a director appointed by the Independent Third Parties and two directors appointed by us. We have also agreed to reserve places at Luzhou Tianli School for a portion of the graduates of Luzhou Tianli Talent Foreign Language School. In exchange for our management services, every year we are entitled to receive (i) a fixed management service fee and (ii) a variable management service fee calculated based on the excess of the school balance at the end of each school year.

School management agreement regarding Luzhou Tianli Culture and Arts Tutoring School Yinglun Campus.
We entered into a school management agreement with Luzhou Yinglun Culture and Arts Tutoring School in January 2017. The term of the agreement is six years. Under the agreement, we have agreed to operate the tutorial center under the name of "Luzhou Tianli Culture and Arts Tutoring School Yinglun Campus (瀘州天立文化藝術培訓學校英倫教學點)". We are in charge of the school's operation in relation to teaching activities. Luzhou Yinglun Culture and Arts Tutoring School is entitled to appoint the financial personnel of the entrusted school. We are entitled to receive a fixed percentage of the profits of Luzhou Tianli Culture and Arts Tutoring School Yinglun Campus and are also responsible for a fixed percentage of its losses.

School management agreements regarding Ulanqab Tianli Kindergarten and Ulanqab Tianli International School.
In March 2017, we entered into two school management agreements with the school sponsor of Ulanqab Tianli Kindergarten and Ulanqab Tianli International School, a Grade 1–9 school. The term of each management agreement is 20 years. Under these two agreements, we have authorized the kindergarten and the Grade 1–9 school to use our "Tianli" brand. We are in complete charge of each school's operations with respect to teaching activities, subject to applicable approvals from the school board, which consists of three directors appointed by us and two appointed by the school sponsor. The school sponsor is entitled to appoint the chairman of the board of each school, while we are entitled to appoint the principal. We are entitled to a management fee equal to a fixed percentage of the profit earned by the kindergarten or the Grade 1–9 school every year. Under the school management agreement, we are required to upgrade the Ulanqab Tianli Kindergarten and the costs incurred for such upgrade will be paid by us and to be reimbursed from the revenue to be generated by the kindergarten. The school sponsor is responsible for the construction of the Grade 1–9 school under the school management agreement. As at the Latest Practicable Date, the upgrade of Ulanqab Tianli Kindergarten was under planning while the construction of Ulanqab Tianli International School was in progress. Both Ulanqab Tianli Kindergarten and Ulanqab Tianli International School are expected to commence operations in September 2018.

School management agreement regarding Affiliated Green Rhyme Kindergarten of Luzhou Tianli School.
In March 2017, we entered into a school management agreement with two Independent Third Parties to manage a kindergarten they own, namely Affiliated Green Rhyme Kindergarten of Luzhou Tianli School. The term of the management agreement is 15 years. Under this agreement, we have authorized the kindergarten to use our "Tianli" brand. We are responsible for the kindergarten's staff management, student recruitment, tuition pricing, daily operation and expenses decisions, subject to applicable approvals from the board of the kindergarten. The board of the kindergarten consists of five directors, three of which are appointed by the Independent Third Parties, including the chairman, and two directors are appointed by us. The principal of the kindergarten is appointed by us. We agree to reserve places at Luzhou Longmatan Tianli Elementary School for the graduates of this kindergarten. We are entitled to a

fixed management fee plus a variable management fee calculated based on the excess of the school balance at the end of each school year. Affiliated Green Rhyme Kindergarten of Luzhou Tianli School commenced operation in March 2018.

School management agreement regarding Hejiang Tianli International School. In April 2017, we entered into a school management agreement in connection with the management of Hejiang Tianli International School with the local government of Hejiang County and an investment entity owned by the local government of Hejiang County which is the sponsor of the school. The term of the management agreement is 20 years. We have authorized the school to use our "Tianli" brand under this agreement. We are responsible for the school's staff management, student recruitment, tuition pricing, daily operation and expenses decisions, subject to approvals from the board of the school, which consists of five directors, three of which are appointed by the school sponsor, including the chairman, and two are appointed by us. We are also entitled to appoint the school principal, subject to consent from the local government of Hejiang County and the school sponsor. We are entitled to a fixed management fee plus a variable management fee calculated based on the excess of the school balance at the end of each school year. As at the Latest Practicable Date, Heijiang Tianli International School was under construction and is expected to commence operation in September 2018.

Our entry into the management agreements for each of the entrusted schools above does not require obtaining prior approval from any PRC regulatory authority according to PRC laws and regulations. With the assistance of our PRC Legal Adviser, we have also conducted verbal inquires with the relevant local and provincial education bureaus, which are the competent authorities for regulating the private education sector in the relevant regions according to our PRC Legal Adviser, to assess the regulatory positions on the management agreements. The relevant education authorities confirmed that (i) execution of the management agreements is not subject to any prior approval from or registration with such authorities, (ii) they were not aware of any non-compliance incidents under PRC laws and regulations in relation to the operations of each of the entrusted schools, and (iii) execution of the management agreements will not affect the renewal of the Education Operating Licenses (辦學許可證) or the annual inspection of the relevant entrusted schools. As advised by our PRC Legal Adviser, each of these management agreements is valid, legally binding and enforceable, and does not violate any PRC laws and regulations including the Interim Regulations on Registration and Management of Privately-funded Non-enterprise Entities (民辦非企業單位登記管理暫行條例) and the Interim Procedures on Registration of Privately-funded Non-enterprise Entities (民辦非企業單位登記暫行辦法).

THE DECISION ON AMENDING THE LAW FOR PROMOTING PRIVATE EDUCATION OF THE PRC

On 7 November 2016, the Decision on Amending the Law for Promoting Private Education of the PRC (the "**Decision**") was approved by the Standing Committee of the National People's Congress, which became effective on 1 September 2017. It has made certain amendments to the Law for Promoting Private Education. According to the Decision, sponsors of private schools can choose to establish schools as not-for-profit or for-profit entities, with the exception of schools providing compulsory education, which can only be established as not-for-profit entities. The following table sets forth key differences between a for-profit private school and a not-for-profit private school under the Decision:

Item	For-profit private school	Not-for-profit private school
Receipt of operating profits	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	Sponsors are not allowed to receive operating profits, and all surplus from operations shall be used for the operation of the school
Licences and registration	Private school operating licences and business licences	Private school operating licences and legal person certificate of private non-enterprise/the legal person certificate of public institution (in accordance with implementing measures and relevant regulations)
Fees to be charged	Determined by the school based on its school operating costs and market demands, and no prior regulatory approval is required	Determined based on school operating costs and market demands, pursuant to the fee charge regulations to be promulgated by the provincial governments
Tax treatment	Preferential tax treatment as stipulated by the State	Same preferential tax treatment as public schools
Land	Acquired according to applicable PRC laws and regulations	Acquired through land allocation or other ways under the same standard as public schools
Public funding	Public funding in the form of purchase of services, student loans, scholarships, and 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. Sponsors can obtain the school's remaining assets after the settlement of the school's indebtedness	For schools established before the promulgation of the decision, if there are still remaining school assets after the settlement of the school's indebtedness, such assets shall be used continuously for the operation the not-for-profit school. School sponsors can apply for compensation or rewards which shall be decided based on a number of factors

If an existing private school at the time of promulgation of the Decision chooses to register as a not-for-profit private school, it shall continue its school operation under its articles of association as amended according to the Decision. If, upon termination, there are remaining assets after liquidation of the assets of a private school in accordance with the Law for Promoting Private Education, a school sponsor will be compensated or awarded accordingly based on the school sponsor's application and comprehensively taking into consideration various factors such as pre-Decision contribution, status on reasonable returns and operation benefits, while other remaining assets shall continue to be used in the operation of other not-for-profit schools. For those choosing to register as for-profit private schools, they shall conduct financial settlement, clarify the ownership of assets, pay relevant taxes and fees, re-register and continue operation. Please refer to the section headed "Regulatory Overview — Laws and Regulations relating to the Industry — The Latest Development of Private School Regulations" in this prospectus for details. We intend to register the schools we currently operate (except Gulin Tianli Jiaozi Culture and Arts Tutoring School Co., Ltd. and Xichang Tianli Jiaozi Culture and Arts Tutoring Co., Ltd., which have been registered as for-profit schools upon establishment, Cangxi Tianli School which has already been registered as a not-for-profit school upon establishment, and our self-owned early childhood education center which is not a school under the PRC laws) as not-for-profit schools after the Decision and its implementing measures come into effect, and the detailed local rules and regulations regarding the conversion of existing schools are promulgated by relevant local authorities and take effect. Our decision to register each of such schools as a not-for-profit or for-profit school is subject to and may be affected by the impact of such regulatory changes on our operations, especially the impact on preferential tax treatment of each school. Pursuant to the Decision, sponsors of not-for-profit schools are not allowed to receive operating profits. Nevertheless, such not-for-profit schools will continue to pay service fees to Tibet Yongsi in accordance with the Structured Contracts, which, as advised by our PRC Legal Adviser, will not be regarded as a distribution of operating profits of schools to the investors/school sponsors. Please refer to the sections headed "Risk Factors — Risks relating to Our Structured Contracts — Our PRC Operating Entities may be subject to limitations on their ability to operate private education business or make payments to related parties" and "Structured Contracts — Legality of the Structured Contracts — PRC Legal Opinions" in this prospectus for further details.

However, the Decision is silent on the specific measures regarding how existing private schools can choose to become for-profit private schools or not-for-profit private schools, which, according to relevant provisions of the Decision, shall be regulated by the corresponding laws and regulations to be promulgated by the local government authorities. On May 2, 2018, the Implementing Regulations on Classification Registration of Private Schools in Sichuan Province (the "**Sichuan Implementing Regulations**") were promulgated by the Education Department of Sichuan Province and other four relevant departments of Sichuan Province. Please refer to the section headed "Regulatory Overview-Education Law of the PRC-The Latest Development of Private School Regulations-Implementing Regulations on Classification Registration of Private Schools" for details of the Sichuan Implementing Regulations.

The Sichuan Implementing Regulations do not stipulate the respective preferential tax treatment which may be enjoyed by for-profit private schools and not-for-profit private schools. Accordingly, as of the Latest Practicable Date, we were not able to assess with certainty the application of and impact, if any, of the Sichuan Implementing Regulations and the Decision on our business operations. Nevertheless, as all of our self-owned K-12 schools that enjoyed preferential tax rates with respect to both corporate income tax and PRC value-added tax during the Track Record Period are not-for-profit private K-12 schools (except for Tianli Kindergarten of Gulin County and Chengdu Wuhou District Kinderworld

Kindergarten which only enjoyed tax exempt status with respect to the PRC value-added tax and Cangxi Tianli School which received its corporate income tax-exempt confirmation from the local tax bureau in April 2018) and we do not intend to turn any of them into a for-profit school even if practicable under PRC law, our Directors are of the view that the Decision will not disentitle any of our self-owned K-12 schools of the preferential tax treatment they currently enjoy.

During the Track Record Period and as of the Latest Practicable Date, all of our self-owned K-12 schools enjoyed tax exempt status with respect to PRC corporate income tax, except (i) Tianli Kindergarten of Gulin County; (ii) Chengdu Wuhou District Kinderworld Kindergarten; and (iii) Cangxi Tianli School which did not enjoy such tax exempt status during the Track Record Period. Both Tianli Kindergarten of Gulin County and Chengdu Wuhou District Kinderworld Kindergarten had not obtained tax-exempt confirmations as of the Latest Practicable Date and hence were subject to the PRC corporate income tax during the Track Record Period. Cangxi Tianli School received its corporate tax-exempt confirmation from the local tax bureau in April 2018 and enjoyed such tax exempt status as of the Latest Practicable Date.

During the Track Record Period and as of the Latest Practicable Date, all of our self-owned K-12 schools enjoyed tax exempt status with respect to PRC value-added tax.

The table below illustrates the preferential tax rate applicable to our schools during the Track Record Period as mentioned above:

	PRC corporate income tax rate for the year ended December 31,			PRC value-added tax rate for the year ended December 31,		
	2015	2016	2017	2015	2016	2017
Luzhou Tianli School (瀘州天立學校)	0%	0%	0%	0%	0%	0%
Luzhou Longmatan Tianli Elementary School (瀘州市龍馬潭區天立小學)	0%	0%	0%	0%	0%	0%
Yibin Cuiping District Tianli School (宜賓市翠屏區天立學校)	0%	0%	0%	0%	0%	0%
Guangyuan Tianli International School (廣元天立國際學校)	0%	0%	0%	0%	0%	0%
Neijiang Tianli (International) School (內江天立(國際)學校)	0%	0%	0%	0%	0%	0%
Xichang Tianli International School (西昌天立國際學校)	N/A	0%	0%	N/A	0%	0%
Ya'an Tianli School (雅安天立學校)	N/A	N/A	0%	N/A	N/A	0%
Tianli Kindergarten of Gulin County Tianli Kindergarten of Gulin County (古藺縣天立幼兒園)	N/A	25%	25%	N/A	0%	0%
Chengdu Wuhou District Kinderworld Kindergarten (成都市武侯區凱星幼兒園)	N/A	N/A	25%	N/A	N/A	0%
Cangxi Tianli School (蒼溪天立學校)	N/A	N/A	25%	N/A	N/A	0%

Note:

(1) The preferential tax rate in the financial year when a relevant school was not established yet as of the end of that financial year is marked as "N/A".

(2) We acquired Chengdu Wuhou District Kinderworld Kindergarten (成都市武侯區凱星幼兒園) in November 2017, as such, only the tax rates for the year ended December 31, 2017 are applicable to our Group.

As the Sichuan Implementing Regulations were newly promulgated, while they do not provide when the existing private schools shall complete the classification registration after they take effect, we will communicate with the local regulatory authorities about the details of their implementation to facilitate the classification registration of the relevant schools in our school network. We are also closely monitoring any further development of the regulatory environment in Sichuan Province. On June 7, 2018, we obtained a positive confirmation from Sichuan Provincial Office, State Administration of Taxation (四川省國家税務局), being the competent authority as confirmed by our PRC Legal Adviser, that our existing preferential tax treatment will remain unchanged during the five-year validity period of the Sichuan Implementing Regulations.

STUDENT RECRUITMENT AND BRAND BUILDING

Historically, we have relied on word-of-mouth referrals of our existing students and their parents to establish our reputation and support student enrollment. We believe the most effective recruiting tool to strengthen our reputation is the provision of strong education programs that elevates academic standards and consistently improves and challenges our students, thereby strengthening our reputation and attracting students since parents who are satisfied with our education program would refer our schools to other parents. Our student enrollment has benefited and will continue to benefit from referrals by our extensive network of students, parents and alumni satisfied with the high-quality education that we offer.

During the Track Record Period, we enjoyed high student retention rates and high levels of student and parent satisfaction with our quality education services. In the 2015/2016 and 2016/2017 school years and the 2017 fall semester, only 1.7%, 1.8% and 0.9% students, respectively, withdrew from the K-12 schools in our school network. We conduct an annual parent survey at each K-12 school in our school network, and an annual student survey at each of our self-owned K-12 schools. In each of the 2014/2015, 2015/2016 and 2016/2017 school years, over 95% of our students and parents expressed in our annual surveys that they were satisfied with our school programs and educational services.

We believe that our student recruitment also depends on the success of our brand name. We have employed a variety of outlets to increase the awareness of our "Tianli" brand. For example, we advertise our brand on our websites, WeChat and other online and mobile platforms. We also utilize social media and mobile platforms such as Weibo, WeChat and other online and mobile platforms to promote our schools to potential students and their parents. If necessary, we also offer individual informational meetings. In addition, from time to time we invite the parents of our students, the media and the officials of local educational authorities to attend our on-campus events and communicate with our students and teachers face-to-face. We also attend education industry conferences in various parts of Sichuan Province and elsewhere in China.

We also promote our brand and recruit students with the assistance of our student recruitment officers, who are responsible for student recruitment affairs, including answering questions from prospective students and their parents. We require each of our recruiting staff to attend marketing training sessions and they are responsible for answering inquiries made by interested parents and holding promotional events to attract new students. To further attract high-quality students, we offer partial or full tuition fee waivers to outstanding applicants who demonstrate academic excellence, leadership skills, talent in sports, music or art and other qualities. See the paragraph headed "Tuition and Boarding Fees of Self-owned K-12 Schools" in this section for more information.

TEACHERS AND TEACHER RECRUITMENT

We recognize the importance of hiring teachers who are professional and passionate in teaching as we consider teachers are the key to maintaining high-quality educational programs and services as well as maintaining our brand and reputation. As an operator of private schools, we enjoy more flexibility than public school in providing various incentives to recruit qualified teachers who meet our hiring criteria and can thrive in our schools.

As of December 31, 2017, our self-owned K-12 schools employed approximately 1,560 teachers, all of whom except four foreign teachers were PRC-certified, and 1,419 of whom have obtained a bachelor's or equivalent degree. PRC-certified teachers are crucial to our business, allowing us to maintain the quality of our educational services while undergoing expansion. All of the courses offered under the curriculum mandated by the PRC regulatory authorities are taught by PRC-certified teachers, who hold valid teacher qualification certificates (教師資格證) issued by relevant local educational authorities. Most teachers we employed as of the Latest Practicable Date are full-time teachers.

The table below sets forth a breakdown of the number of full-time teachers employed by us as of the dates indicated:

	As of			
	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Self-owned grade schools	618	864	1,132	1,457
Self-owned kindergartens	31	55	79	91
Self-owned K-12 schools (not specifically assigned to one school program)	0	0	0	12
Self-owned tutorial centers	10	25	37	65
Total	659	944	1,248	1,625

As advised by our PRC Legal Adviser, an early childhood education center is not regarded as a school which is regulated by educational laws and regulations of the PRC and the employees thereof are not required to be licensed teachers for the provision of tutoring services to pre-kindergarten children who are accompanied by their parents when attending the courses. As such, the employees of our self-owned early childhood education center are not teachers. As of December 31, 2015, 2016 and 2017, there were 11, 13 and 12 employees, respectively, in our self-owned early childhood education center.

We seek to employ teachers who have a strong command of the subject areas they teach, sound communication and interpersonal skills and who are passionate about education and improving students' academic performance and overall well-being. Factors we take into account when hiring each teacher include his or her prior teaching experience, academic record, reference letters as well as his or her performance in interviews. We also conduct background checks on our candidates during the recruiting process. For certain teaching positions, we require applicants to teach a live class as part of his or her interview process. We recruit teachers through different channels and methods, including campus recruitment, general public recruitment, assessment of candidates who apply through our recruitment procedures and the use of online recruiting websites. We offer internships to undergraduate students who major in education or related fields and who show promising potential during our recruiting process.

Through such internships, candidates are given the opportunity to immerse themselves into our school culture and to demonstrate their ability to employ a variety of teaching tools and methods tailored to their students. We make hiring decisions with respect to these candidates based on their performance during the internships. We also actively seek experienced teachers from public and other private schools to expand our talent pool.

We have an established training system, including orientation program and continuous on-the-job training, to introduce new knowledge and improve the teaching skills of our teachers. Through our training programs, our teachers can stay abreast of the changes in student demands, new teaching theories and/or methodologies, changing testing and admission standards and other trends. We also implement ongoing monitoring and evaluation procedures for our teachers. We assess the performance of our teachers based on a number of factors, including students' test results and other achievements and feedback from students and parents.

We offer a relatively competitive remuneration package, which typically includes salary, benefit and bonus elements, to attract high quality teachers. In general, we determine the remuneration package based on the qualifications, teaching hours, experience and performance of each teacher. We offer a variety of benefits including but not limited to tuition fee waivers for teachers' children enrolled in our self-owned K-12 schools, rental allowances, living expenses allowances, sponsored trainings and health examinations. In addition, we have adopted the Restricted Share Award Scheme and plan to adopt the Share Option Scheme to provide additional means to attract, motivate, retain and reward our teachers and other employees. See the sections headed "Statutory and General Information — D. Restricted Share Award Scheme" and "Statutory and General Information — E. Share Option Scheme" in Appendix V to this prospectus for more details. We believe that we maintained a good working relationship with our teachers and enjoyed a high teacher retention rate during the Track Record Period and up to the Latest Practicable Date. In each of the years ended December 31, 2015, 2016 and 2017, approximately 1.7%, 5.1% and 4.8% of our teachers voluntarily resigned from our self-owned K-12 schools.

EMPLOYEES

As of December 31, 2017, we had a total of 3,196 employees. Our employees are primarily located in Sichuan Province. The table below sets forth a breakdown of the number of our employees as of the dates indicated:

	As of			
Function	**December 31, 2014**	**December 31, 2015**	**December 31, 2016**	**December 31, 2017**
Senior management at the Group and school levels	15	22	30	48
Teachers[1]	659	944	1,248	1,625
Non-teaching staff at school level	542	767	1,068	1,483
Administration staff	4	5	6	15
Sales and marketing at the Group level	0	1	3	6
Others	4	14	16	19
Total	1,224	1,753	2,371	3,196

Note:

1. Excluding (i) employees who held valid teacher qualification certificates but did not teach any courses and (ii) teachers that serve as senior management as of the relevant dates indicated.

We enter into individual employment contracts with our employees to cover matters such as wages, benefits and grounds for termination. We also make contributions to social insurance fund, including basic pension insurance, medical insurance, unemployment insurance, childbirth insurance, work-related injury insurance funds, and housing provident fund for our employees, except that we did not comply with all the relevant requirements in relation to contributions to the social insurance plans and the housing provident fund for our employees during the Track Record Period and up to the Latest Practicable Date. See the paragraph headed "Legal Proceedings and Compliance" in this section for details.

Certain schools owned by our Group have established their respective labor unions and our employees may voluntarily join the labor unions. Each labor union may represent employees for the purpose of promulgation of bylaws and internal protocols. Our Directors confirmed that we had not experienced any material labor disputes or any material difficulty in recruiting employees for our operations during the Track Record Period and up to the Latest Practicable Date.

AWARDS AND RECOGNITION

The table below sets forth a summary of the major awards and recognition we and our Directors and senior management received during the Track Record Period.

Award/Recognition	Recipient	Year	Awarding Organization/Authority
China Reputable Education Group of 2017 (2017中國品牌實力教育集團) . .	our Group	2017	The Sina Education Channel
People with Outstanding Contribution in Education Industry of 2017 (2017年度卓越貢獻教育人物)	Mr. Luo	2017	Xinhuanet
Outstanding School in Comprehensive Evaluation of Educational Quality of Luzhou Middle Schools in 2017 (瀘州市2017年初中教育質量綜合評價優秀學校)	Luzhou Tianli School	2017	Luzhou Municipal Education Bureau
Second prize in Comprehensive Evaluation of Educational Quality of Luzhou High Schools in 2017 (Band A Schools) (瀘州市2017年普通高中教育質量綜合評價(A類學校)二等獎) .	Luzhou Tianli School	2017	Luzhou Municipal Education Bureau
Grand Prize in Teaching and Research Activities in 2016 (2016年教研工作特等獎)	Luzhou Tianli Talent Foreign Language School	2017	Teaching and Research Department of Education Bureau of Longmatan District, Luzhou (瀘州市龍馬潭區教育局教研室)

Award/Recognition	Recipient	Year	Awarding Organization/Authority
China Leading Enterprise in Educational Creativity in 2016 (2016年度中國教育創新示範單位)	Tianli Education	2016	The Chinese Society for Futures Studies Educational Branch, Chinese Academy of Management Science Research Institute of Educational Science, and The Chinese Society for Futures Studies Industry, Academy and Research Collaborations Branch (中國未來研究會教育分會, 中國管理科學研究院教育科學研究所, 中國未來研究會產學研交流合作促進分會)
Leading Enterprise of the 14th Youth Robotics Innovation and Practice Activities of Sichuan Province (第十四屆四川省青少年機器人創新實踐活動先進單位)	Neijiang Tianli (International) School	2016	Shizhong District Committee of Communist Party in Neijiang and People's Government of Shizhong District of Neijiang (中共內江市市中區委, 內江市市中區人民政府)
Leading Enterprise of Educational Institutions of Shizhong District, Neijiang in 2016 (2016年度內江市市中區教育系統先進集體)	Neijiang Tianli (International) School	2016	Shizhong District Committee of Communist Party in Neijiang and People's Government of Shizhong District of Neijiang (中共內江市市中區委, 內江市市中區人民政府)
State Featured Education Demonstrative Enterprise of Chinese Wisdom Education under "the 13th Five-Year Plan Period" Planning and Inspection Survey (中國智慧教育"十三五"規劃督導調研全國特色教育示範單位) . . .	Neijiang Tianli (International) School, Yibin Cuiping District Tianli School, Luzhou Tianli School	2016	China Wisdom Engineering Association of Ministry of Education and Professional Committee of Educational Inspection (教育部中國智慧工程研究會, 教育督導專業委員會)
Outstanding School in Comprehensive Evaluation of Luzhou Middle Schools Educational Quality in 2016 (瀘州市2016年初中教育質量綜合評價優秀學校)	Luzhou Tianli School	2016	Luzhou Municipal Education Bureau
Grand Prize in Comprehensive Evaluation of Middle Schools Educational Quality of Longmatan District in 2015 (2015年度龍馬潭區教育教學質量綜合評估(初中組)特等獎)	Luzhou Tianli School	2015	Education Bureau of Longmatan District, Luzhou

RESEARCH AND DEVELOPMENT

Our Group established two research institutes in 2015 — one focuses on development of teaching materials and curriculum, the other focuses on school design and construction.

Our educational research institute has developed our own textbooks and teaching materials to supplement the education materials mandated under the PRC compulsory education system. Our school-based elective courses and our tutoring courses, as well as some of the course materials for those courses are also developed in-house. As of the Latest Practicable Date, we had a dedicated research and development team responsible for developing, updating and improving our curricula and course materials. Our educational research institute is led by an educational expert who is the president of Sino-

America Educational Research Association. She obtained a doctor's degree from a reputable university in the United States and has over 20 years' teaching experience as well as extensive educational research experience. Our educational research institute has developed a curriculum and responsive textbooks echoing our "Six Establishments and One Accomplishment" (六立一達) concept. We received an award of *China Leading Enterprise in Educational Creativity in 2016* granted by institutions under The Chinese Society for Futures Studies and the Chinese Academy of Management Science in November 2016, and we attributed such recognition to the continuous efforts made by our educational research institution.

Our design research institute has played a leading role in the planning, design and construction of our Yibin, Neijiang, Guangyuan and Xichang campuses. It participated in early-stage investment discussions, conducted on-site visits to potential construction projects, and advised on technical specifications and facilities planning and design. We place strong emphasis on campus safety and we aim to construct school facilities to support our various courses. Our design research institute is led by a senior engineer who has extensive public facility designing experience including formulating designs for educational institutions.

CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students and their parents. We did not have a single customer who accounted for more than 5% of our revenue for the years ended December 31, 2015, 2016 and 2017. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any dispute with our students or their parents which may have a material adverse effect on our business.

Our suppliers primarily comprise of construction contractors which constructed our schools. In the years ended December 31, 2015, 2016 and 2017, (i) purchases from our five largest suppliers together amounted to RMB241.4 million, RMB212.3 million and RMB212.1 million, respectively, accounting for 57.3%, 73.4% and 55.9% of the total purchases of our Group, respectively, and (ii) purchases from our largest supplier amounted to RMB138.8 million, RMB181.3 million and RMB137.9 million, respectively, accounting for 33.0%, 62.7% and 36.3% of the total purchase of our Group, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material dispute with our suppliers or any material breach of our supply contracts or agreements. To the best of our knowledge, as of the Latest Practicable Date, we were not aware of any information or arrangement that would lead to termination of our relationships with any of our major suppliers. None of our Directors, their respective associates, or any Shareholder who, to the knowledge of our Directors, owned 5% or more of our issued share capital, had any interest in any of our five largest suppliers during the Track Record Period, except Nanyuan Construction and Sichuan Jinchen Construction Engineering Co., Ltd.. Nanyuan Construction and Sichuan Jinchen Construction Engineering Co., Ltd. are wholly-owned subsidiaries of Tianli Holding. See the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions" in this prospectus and note 34 to the Accountants' Report in Appendix I to this prospectus for more information. During the Track Record Period, none of our major suppliers was also our customer.

COMPETITION

The private fundamental education market in China, which covers preschool, elementary school, middle school and high school education provided by private schools, is rapidly evolving, highly fragmented and competitive. According to the Frost & Sullivan Report, total revenue generated by China's private fundamental education industry increased from RMB124.0 billion in 2012 to RMB241.6 billion in 2016, and is expected to increase to RMB466.5 billion in 2021, representing a CAGR of approximately 18.1% and 14.1% respectively. This rapid growth was primarily driven by the parents' and students' increasing preference for private schools, which resulted in the increased student enrollment in private schools. It is expected that China's private fundamental education industry will continue to grow rapidly, driven primarily by the following factors: (1) higher attention on children's education of Chinese households, (2) government support, (3) increase in private investment, (4) increase in income and wealth, and (5) relaxation of the one-child policy and implementation of the two-child policy.

We face competition from other educational services providers in the fundamental education market in China. In particular, we compete with public and private K-12 schools that offer PRC curriculum programs, and we expect such competition to persist and intensify. The principal competitive factors in our relevant markets include brand recognition and reputation, scope and quality of education programs, academic performance of students, tuition fee rates, students and parents satisfaction rate as well as, ability to attract and retain high quality teachers and other teaching staff.

We are a leading private education service provider in Western China, according to the Frost & Sullivan Report. In terms of student enrollment in 2017, we are the second largest private K-12 school operator in Western China according to the Frost & Sullivan Report, with approximately 20,924 students enrolled in the K-12 schools in our school network as of the end of the 2017 fall semester. We believe that our core competitive strength is our well-established "Tianli" brand. In addition, our ability to rapidly evolve and expand while maintaining the quality of our education programs enables us to capitalize on the opportunities offered by the booming private education market in China. We believe that we are able to maintain our competitiveness by leveraging our reputation and experience as a premium school operator to expand our school network. However, our existing and potential competitors may have more resources than we do, and may be able to devote greater resources than we can to student recruitment and education program development, and respond more quickly to changes in student demands, testing materials, admissions standards, market needs or new technology. See the sections headed "Risk Factors — Risks Relating to Our Business and Our Industry" and "Industry Overview" in this prospectus for more details.

HEALTH AND SAFETY MATTERS

We are dedicated to protecting the health and safety of our students. Each K-12 school in our school network maintains a team of security guards and camera surveillance equipment on campus. We also maintain on-campus medical rooms to handle routine medical situations involving our students. During the Track Record Period and up to the Latest Practicable Date, there were no health or safety incident involving our students which our Directors consider have material adverse effect on our business.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had four trademarks registered in Hong Kong, two trademarks under review and approval for registration in Hong Kong, three trademarks under review and approval for registration in the PRC, as well as seven registered domain names in the PRC. See the section headed "Statutory and General Information — B. Further Information about Our Business" in Appendix V to this prospectus for further details of our material intellectual property rights.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement claims that had any material impact on our Group. See the section headed "Risk Factors — Risks Relating to our Business and our Industry — If we fail to protect our intellectual property rights or prevent the misappropriation of our intellectual property rights, we may lose our competitive edge and our brand, reputation and operations may be materially and adversely affected." in this prospectus for more information.

PROPERTIES

We have obtained all the land use rights certificates and building ownership certificates for the properties owned by us, except that we were in the process of obtaining the relevant building ownership certificates of Guangyuan Tianli International School (phase II), Neijiang Tianli (International) School, Ya'an Tianli School, and Yibin Cuiping District Tianli School as of the Latest Practicable Date. As advised by our PRC Legal Adviser, pursuant to the written confirmations issued by relevant competent authorities, there is no legal impediment which may affect our ability in obtaining such building ownership certificates. All of the properties owned by us are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. See "Property Valuation Report" in Appendix III to this prospectus for more information.

The following table sets forth a summary of the land use rights owned by us as of the Latest Practicable Date:

School	Location	Use of property	Gross site area	Land use rights certificate expiry date
			(sq.m.)	
Guangyuan Tianli International School (廣元天立國際學校)	Lizhou District, Guangyuan, Sichuan Province	Science/ Education	145,621.9	March 18, 2066
Luzhou Tianli School (瀘州天立學校)	Longmatan District, Luzhou, Sichuan Province	Education	74,115.5	January 28, 2042
Luzhou Tianli School (瀘州天立學校)	Longmatan District, Luzhou, Sichuan Province	Education	4,772.9	N/A[1]
Luzhou Longmatan Tianli Elementary School (瀘州市龍馬潭區天立小學)	Longmatan District, Luzhou, Sichuan Province	Education	11,934.0	January 28, 2042
Neijiang Tianli (International) School (內江天立(國際)學校)	Shizhong District, Neijiang, Sichuan Province	Science/ Education	166,727.0	N/A[1]
Ya'an Tianli School (雅安天立學校)	Yucheng District, Ya'an, Sichuan Province	Science/ Education	61,380.8	May 23, 2067

School	Location	Use of property	Gross site area	Land use rights certificate expiry date
			(sq.m.)	
Ya'an Tianli School (雅安天立學校)	Yucheng District, Ya'an, Sichuan Province	Science/ Education	17,758.8	September 10, 2067
Yibin Cuiping District Tianli School (宜賓市翠屏區天立學校)	Lingang Development District, Yibin, Sichuan Province	Science/ Education	177,099.0	April 8, 2063

Note:

1. Pursuant to the relevant land us right certificates, the land use rights we have been granted relating to these parents of land are allocated land use rights which do not have expiry dates.

In addition, we have entered into a school investment and operation agreement with the local government regarding the development and operations Xichang Tianli (International) School (西昌天立(國際)學校), pursuant to which we have been granted a right to use a parcel of land, with a gross site area of approximately 13,000 sq.m., for nil consideration for an initial term of no less than 30 years. We are entitled to extend the term to use the parcel of land for nil consideration if Xichang Tianli (International) School continues its operation when the 30 year's initial term expires.

On March 29, 2018, we entered into a state-owned construction land use right transfer contract and a supplemental agreement with Chengdu Pidu District Land and Resources Bureau to acquire a parcel of land with a total gross floor area of approximately 76,609.09 sq.m. located in Pidu District in Chengdu. The land premium is approximately RMB92.0 million to be paid in two installments. The relevant parcel of land is expected to be used for development of Chengdu West District Tianli School.

On May 22, 2018, we entered into a state-owned construction land use right transfer contract and a supplemental agreement with Chengdu Longquanyi District Land and Resources Bureau to acquire a parcel of land with a total gross floor area of approximately 32,127.13 sq.m. located in Longquanyi District in Chengdu. The land premium is approximately RMB60.7 million to be paid in three installments. The relevant parcel of land is expected to be used for development of Chengdu Tianli Elementary School.

The following table sets forth a summary of the buildings owned by us as of the Latest Practicable Date:

School	Location	Number of buildings/units	Use of property	Gross floor area
				(sq.m.)
Luzhou Tianli School (瀘州天立學校)	Longmatan District, Luzhou, Sichuan Province	7	Education	64,266.7
Luzhou Longmatan Tianli Elementary School (瀘州市龍馬潭區天立小學)	Longmatan District, Luzhou, Sichuan Province	2	Education	14,560.3
Guangyuan Tianli International School (廣元天立國際學校)	Lizhou District, Guangyuan, Sichuan Province	10	Science/ Education	54927.1

In addition, we were in the process of obtaining the relevant building ownership certificates for Guangyuan Tianli International School (phase II), Neijiang Tianli (International) School, Ya'an Tianli School (phase I), and Yibin Cuiping District Tianli School as of the Latest Practicable Date.

Guangyuan Tianli International School (phase II) and Ya'an Tianli School (phase I)

Guangyuan Tianli International School (phase II) and Ya'an Tianli School (phase I) have both obtained the respective complete sets of relevant building construction approval documents for the respective construction projects and the final acceptance of the respective completed projects (竣工驗收). We had submitted all the relevant documents for the application for the relevant building ownership certificates as of the Latest Practicable Date. As advised by the our PRC Legal Adviser, the applicable PRC laws and regulations do not impose any time limit for submission of relevant documents for application of building ownership certificates after the completion of the final acceptance of the completed projects. We confirm there was no delay in submission of such relevant application documents which led to a failure in obtaining building ownership certificates. The competent local authorities were in the process of reviewing the application documents and thus had not issued such building ownership certificates as of the Latest Practicable Date. As advised by our PRC Legal Adviser, considering all the facts above, there is no material legal impediment which may affect our ability to obtain such building ownership certificates for the construction projects of Guangyuan Tianli International School (phase II) and Ya'an Tianli School (phase I).

Neijiang Tianli (International) School

Pursuant to the written confirmation issued by Neijiang Shizhong People's Government (內江市市中區人民政府), we had not obtained the relevant building ownership certificates for Neijiang Tianli (International) School as of the Latest Practicable Date because certain demolishment work within such parcel of land had not been completed. Our Directors confirmed that Neijiang Shizhong People's Government, instead of us, is responsible for such demolishment work.

As advised by our PRC Legal Adviser, all the relevant building construction approval documents for the construction project of Neijiang Tianli (International) School have been obtained. In addition, the Neijiang Shizhong People's Government, which is confirmed to be a competent government authority by our PRC Legal Adviser, has confirmed in writing that the buildings built for the construction project of Neijiang Tianli (International) School were in a ready-for-use status and in compliance with the project planning, and thus can be put into use for the school operation. The Neijiang Shizhong People's Government has also confirmed to the Company in writing that (i) no administrative penalties will be imposed on Neijiang Tianli (International) School for its construction and operation activities on the relevant parcel of land before the completion of the demolishment work, and (ii) it will assist in the Neijiang Tianli (International) School's application for the building ownership certificates once the demolishment work has been completed by the relevant land and resources department of Neijiang.

Yibin Cuiping District Tianli School

The building ownership certificates for the construction project of Yibin Cuiping District Tianli School were yet to be obtained because it did not perform its obligations in strict compliance with the state-owned land use right grant agreement it entered into with the competent land and resources authority, which resulted in its failure to complete the state-owned land review and examination (國有建設用地覆核驗收) and in turn the failure to obtain the building ownership certificates as of the Latest Practicable Date. Nevertheless, Lingang Economic and Technological Development Zone Branch Bureau of the Land and Resources Department of Yibin City, which is confirmed to be a competent government authority by our PRC Legal Adviser, has confirmed in writing that (i) the contractual obligations of Yibin Cuiping District Tianli School have been fully performed, and (ii) no penalties (including the suspension of construction and operation) will be imposed on Yibin Cuiping District Tianli School for the construction and operation on the relevant parcel of land before the completion of the state-owned land review and examination. Meanwhile, as confirmed by the Real Estate Administration Department of Lingang Economic and Technological Development Zone of Yibin (宜賓臨港經濟技術開發區房地產管理局), which is confirmed to be a competent government authority by our PRC Legal Adviser, in writing that (i) the buildings under the construction project of Yibin Cuiping District Tianli School can be put into use for the school operation, and (ii) it will process Yibin Cuiping District Tianli School's application for the building ownership certificate upon completion of the state-owned land review and examination.

The following table sets forth a summary of the schools in which we were in the process of obtaining the relevant building ownership certificates:

School	Location	Use of property	Gross floor area
			(sq.m.)
Guangyuan Tianli International School (廣元天立國際學校)	Lizhou District, Guangyuan, Sichuan Province	Science/ Education	16,530.62
Neijiang Tianli (International) School (內江天立(國際)學校)	Shizhong District, Neijiang, Sichuan Province	Science/ Education	69,407.59
Ya'an Tianli School (雅安天立學校)	Yucheng District, Ya'an, Sichuan Province	Science/ Education	22,040.83
Yibin Cuiping District Tianli School (宜賓市翠屏區天立學校)	Lingang Development District, Yibin, Sichuan Province	Science/ Education	88,146.00

As the Latest Practicable Date, we leased certain properties for our self-owned K-12 schools, self-owned tutorial centers and other PRC Operating Entities with a gross floor area of approximately 60,000 sq.m. The relevant leases will expire in July 2018 the earliest and August 2037 the latest, except one lease regarding a premise with a gross floor area of 58.95 sq.m. has indefinite term. We shall renew the relevant leases according to our operational need.

The table below shows the details of leased properties used by our self-owned K-12 schools and self-owned tutorial centers:

School	Location	Owner of the property	Gross floor area under the lease	Commencement date of lease	Expiry date of lease	Monthly rental payable
			(sq.m.)			(RMB)
Cangxi Tianli School (蒼溪天立學校)	Cangxi County, Guangyuan, Sichuan Province	People's Government of Cangxi County	43,266.6	September 1, 2017	August 31, 2037	166,667 for the first ten years since September 2018 250,000 for the remaining years
Tianli Kindergarten of Gulin County (古藺縣天立幼兒園) . .	Gulin County, Luzhou, Sichuan Province	Gulin Tianli Shengzhong Industry Co., Ltd.	4,091.96	January 1, 2018	December 31, 2020	32,083
Chengdu Wuhou District Kinderworld Kindergarten (成都市武侯區凱星幼兒園)	Wuhou District, Chengdu, Sichuan Province	Chengdu Tengwangge Property Development Co., Ltd.	3,329.34	November 1, 2013	October 31, 2025	81,476.7 for the first year 6% annual increase starting from the second year

School	Location	Owner of the property	Gross floor area under the lease	Commencement date of lease	Expiry date of lease	Monthly rental payable
			(sq.m.)			(RMB)
Tianli International Early Childhood Education Center (天立國際早教中心) (operated by Luzhou Shenzhou Tianli Early Childhood Education Consulting Services Center (General Partnership) (瀘州神州天立早教諮詢服務中心(普通合夥))	Jiangyang District, Chengdu, Sichuan Province	Liu Hongtai, Deng Tairong and Zeng Deqin	348	December 1, 2013	November 30, 2018	8,000 for the first three years, (10% annual increase starting from the fourth year)
Guangyuan Tianli Jiaozi Education and Tutoring School (廣元天立驕子教育培訓學校)	Lizhou District, Guangyuan, Sichuan Province	Guangyuan Xinpei General Merchandise Co., Ltd.	1,500	December 10, 2016	December 31, 2020	25,000
Gulin Tianli Jiaozi Culture and Arts Tutoring School Co., Ltd. (古藺天立驕子文化藝術培訓學校有限責任公司)	Gulin County, Luzhou, Sichuan Province	Xu Qin	734	November 20, 2017	November 20, 2020	16,083
Luzhou Jiangyang Tianli Culture and Arts Tutoring School (瀘州市江陽區天立文化藝術培訓學校) . . .	Jiangyang District, Chengdu, Sichuan Province	Luzhou Nanyang Property Development Co., Ltd.	1,045.49	July 1, 2016	June 30, 2021	2016–2017: 31,365 2017–2018: 32,933 2018–2019: 34,580 2019–2020: 36,309 2020–2021: 38,124
Luzhou Longmatan Tianli Culture and Arts Tutoring School (瀘州市龍馬潭區天立文化藝術培訓學校) . . .	Longmatan District, Luzhou, Sichuan Province	Sichuan Tianli Real Estate Development Co., Ltd.	589.262	January 1, 2018	December 31, 2020	2018: 26,670 2019: 29,337 2020: 32,094
			450	January 1, 2018	December 31, 2020	2018: 9,000 2019: 9,900 2020: 10,890
Neijiang Dongxing Tianli Jiaozi Tutoring School (內江市東興區天立驕子培訓學校)	Dongxing District, Nejiang, Sichuan Province	Rong Benqin, Hu Lizuo	594.19	January 1, 2017	December 31, 2021	11,000 (paid by Neijiang Tianli Jiaozi Education Technology Co., Ltd. as it's a sublease from Neijiang Tianli Jiaozi Education Technology Co., Ltd.)
Xichang Tianli Jiaozi Culture and Arts Tutoring Co., Ltd. (西昌天立驕子文化藝術培訓有限公司) . . .	Xichang, Sichuan Province	Liangshan Yi Autonomous Prefecture Sugar and Wine Co., Ltd.	957.9	December 11, 2017	December 10, 2018	8,333

School	Location	Owner of the property	Gross floor area under the lease	Commencement date of lease	Expiry date of lease	Monthly rental payable
			(sq.m.)			(RMB)
Renjie Education Tutoring School of Gong County (珙縣人杰教育培訓學校)	Gong County, Yibin, Sichuan Province	Chen Mingqiang, Zhang Qingxiu and Tang Mi	660.05	January 1, 2018	December 31, 2018	8,580.7
Yibin Cuiping Tianjiao Tutoring School (宜賓市翠屏區天驕培訓學校)	Cuiping District, Yibin, Sichuan Province	Li Shuqin	454.25	November 8, 2016	November 7, 2023	18,000 for the first year (5% annual increase starting from the second year)
Yibin Cuiping Tianzhan Tutoring School (宜賓市翠屏區天展培訓學校)	Lingang Development District, Yibin, Sichuan Province	Yibin Cuiping District Tianli School	1,000	April 1, 2015	March 30, 2022	0

We failed to complete registration of certain lease agreements due to, among others, the fact that such registration is not available in some regions and some property owners failed to provide us with the building ownership certificates. In relation to the registration of lease agreements with the relevant government authorities, as advised by our PRC Legal Adviser, a fine ranging from RMB1,000 to RMB10,000 may be imposed on us for each unregistered lease. However, our PRC Legal Adviser advised that the lack of registration will not affect the validity and enforceability of the lease agreements. We will take all reasonable steps to complete the filing of all the lease agreements as soon as practicable.

Our Directors are of the view that, given the nature of the incidents above, they will not materially and adversely affect the operations and financial results of our Company, and the risks of being penalized are also immaterial.

As of the Latest Practicable Date, with respect to certain of our leased properties, the relevant lessors had not provided us with valid property ownership certificates. Such leased properties were used as offices or tutorial centers. The absence of the property ownership certificates limited our ability to determine whether the lessors have the right to lease the properties to us, and if any of the lessors is not the legal owner and had not been duly authorized by the legal owner, the relevant lease agreements may be deemed invalid, and as a result, we may face challenges from the legal owners of the properties or other third parties, and may be forced to vacate the relevant properties and relocate to new locations.

INSURANCE

We maintain various insurance policies to safeguard against risks and unexpected events. We purchased property insurance on the school facilities that we own legal title to and the insurance policies cover losses due to fire, explosion and a wide range of human accidents. In particular, we have purchased earthquake insurance for all of the schools of which we own the relevant properties. We also maintain school liability insurance and have procured student safety insurance coverage on behalf of our students. We do not maintain business interruption insurance key-man life insurance. Our Directors believe that our insurance coverage is generally in line with customary industry practice in the PRC. For risks associated with our insurance coverage, see the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — We maintain limited insurance coverage." in this prospectus for details.

CERTIFICATES, PERMITS AND LICENSES

We are required to obtain and renew certain certificates, permits and licenses for operating the self-owned schools in our school network and providing educational services. See the section headed "Regulatory Overview" section in this prospectus for more information about the material certificates, permits and licenses required for our business operations in the PRC. During the Track Record Period and up to the Latest Practicable Date, we had obtained all material requisite certificates, permits and licenses that are material for our business operation, and all of such certificates, permits and licenses remained in full effect as of the Latest Practicable Date.

The following table sets forth a summary of the licenses, permits and certificates that is material to our business operation as of the Latest Practicable Date:

No	School	Certificate/Permit/ License	Issue Authority	Issue Date	Expiry Date[1]
1.	Luzhou Tianli School (瀘州天立學校)	Private school operating license	Luzhou Municipal Education Bureau	September 28, 2017	Renewable upon passing the annual inspections
2.	Luzhou Tianli School (瀘州天立學校)	Registration certificate for private non-enterprise entities	Luzhou Municipal Civil Affairs Bureau	September 28, 2017	September 28, 2021
3.	Luzhou Longmatan Tianli Elementary School (瀘州市龍馬潭區天立小學)	Private school operating license	Education Bureau of Longmatan District, Luzhou	October 2017	N/A
4.	Luzhou Longmatan Tianli Elementary School (瀘州市龍馬潭區天立小學)	Registration certificate for private non-enterprise entities	Civil Affairs Bureau of Longmatan District, Luzhou	September 14, 2017	September 13, 2021
5.	Luzhou Longmatan Tianli Culture and Arts Tutoring School (瀘州市龍馬潭區天立文化藝術培訓學校)	Private school operating license	Education Bureau of Longmatan District, Luzhou	March 2011	N/A
6.	Luzhou Longmatan Tianli Culture and Arts Tutoring School (瀘州市龍馬潭區天立文化藝術培訓學校)	Registration certificate for private non-enterprise entities	Civil Affairs Bureau of Longmatan District, Luzhou	September 20, 2016	September 20, 2020
7.	Luzhou Jiangyang Tianli Culture and Arts Tutoring School (瀘州市江陽區天立文化藝術培訓學校)	Private school operating license	Education Bureau of Jiangyang District, Luzhou	N/A	Renewable upon passing the annual inspections
8.	Luzhou Jiangyang Tianli Culture and Arts Tutoring School (瀘州市江陽區天立文化藝術培訓學校)	Registration certificate for private non-enterprise entities	Civil Affairs Bureau of Jiangyang District, Luzhou	July 14, 2017	July 13, 2021
9.	Tianli Kindergarten of Gulin County (古藺縣天立幼兒園)	Private school operating license	Education Bureau of Gulin County	N/A	Renewable upon passing the annual inspections

No	School	Certificate/Permit/ License	Issue Authority	Issue Date	Expiry Date[1]
10.	Tianli Kindergarten of Gulin County (古藺縣天立幼兒園)	Registration certificate for private non-enterprise entities	Civil Affairs Bureau of Gulin County	August 29, 2016	August 29, 2020
11.	Gulin Tianli Jiaozi Culture and Arts Tutoring School Co., Ltd. (古藺天立驕子文化藝術培訓學校有限責任公司)	Private school operating license	Education Bureau of Gulin County	N/A	Renewable upon passing the annual inspections
12.	Gulin Tianli Jiaozi Culture and Arts Tutoring School Co., Ltd. (古藺天立驕子文化藝術培訓學校有限責任公司)	Business license	Administration of Industry and commerce and Quality and Technology Supervision Bureau	December 27, 2017	N/A
13.	Neijiang Tianli (International) School (內江天立(國際)學校)	Private school operating license	Education Bureau of Shizhong District, Neijiang	N/A	Renewable upon passing the annual inspections
14.	Neijiang Tianli (International) School (內江天立(國際)學校)	Registration certificate for private non-enterprise entities	Civil Affairs Bureau of Sizhong District, Neijiang	January 17, 2017	December 31, 2021
15.	Neijiang Dongxing Tianli Jiaozi Tutoring School (內江市東興區天立驕子培訓學校)	Private school operating license	Education Bureau of Dongxing District, Neijiang	November 19, 2013	Renewable upon passing the annual inspections
16.	Neijiang Dongxing Tianli Jiaozi Tutoring School (內江市東興區天立驕子培訓學校)	Registration certificate for private non-enterprise entities	Civil Affairs Bureau of Dongxing District, Neijiang	December 7, 2017	December 6, 2021
17.	Guangyuan Tianli International School (廣元天立國際學校)	Private school operating license	Education Bureau of Lizhou District, Guangyuan	October 14, 2014	October 13, 2018
18.	Guangyuan Tianli International School (廣元天立國際學校)	Registration certificate for private non-enterprise entities	Civil Affairs Bureau of Lizhou District, Guangyuan	June 21, 2017	June 20, 2021
19.	Cangxi Tianli School (蒼溪天立學校)	Private school operating license	Education and Science Bureau of Cangxi County	N/A	Renewable upon passing the annual inspections
20.	Cangxi Tianli School (蒼溪天立學校)	Registration certificate for private non-enterprise entities	Civil Affairs Bureau of Cangxi County	December 29, 2017	December 28, 2021
21.	Guangyuan Tianli Jiaozi Education and Tutoring School (廣元天立驕子教育培訓學校)	Private school operating license	Guangyuan Municipal Education Bureau	August 8, 2017	August 7, 2025
22.	Guangyuan Tianli Jiaozi Education and Tutoring School (廣元天立驕子教育培訓學校)	Registration certificate for private non-enterprise entities	Guangyuan Municipal Civil Affairs Bureau	September 18, 2017	September 17, 2021

No	School	Certificate/Permit/ License	Issue Authority	Issue Date	Expiry Date[1]
23.	Yibin Cuiping District Tianli School (宜賓市翠屏區天立學校)	Private school operating license	Education Bureau of Cuiping District, Yibin	August 17, 2017	August 16, 2023
24.	Yibin Cuiping District Tianli School (宜賓市翠屏區天立學校)	Registration certificate for private non-enterprise entities	Civil Affairs Bureau of Cuiping District, Yibin	August 18, 2017	August 17, 2021
25.	Yibin Cuiping Tianjiao Tutoring School (宜賓市翠屏區天驕培訓學校)	Private school operating license	Education Bureau of Cuiping District, Yibin	June 16, 2017	June 15, 2023
26.	Yibin Cuiping Tianjiao Tutoring School (宜賓市翠屏區天驕培訓學校)	Registration certificate for private non-enterprise entities	Civil Affairs Bureau of Cuiping District, Yibin	July 4, 2017	July 3, 2021
27.	Yibin Cuiping Tianzhan Tutoring School (宜賓市翠屏區天展培訓學校)	Private school operating license	Education Bureau of Cuiping District, Yibin	September 14, 2017	September 13, 2023
28.	Yibin Cuiping Tianzhan Tutoring School (宜賓市翠屏區天展培訓學校)	Registration certificate for private non-enterprise entities	Civil Affairs Bureau of Cuiping District, Yibin	December 13, 2016	December 11, 2020
29.	Renjie Education Tutoring School of Gong County (珙縣人傑教育培訓學校)	Private school operating license	Education, Culture, Broadcast and Television Bureau of Gong County	November 18, 2013	November 17, 2018
30.	Renjie Education Tutoring School of Gong County (珙縣人杰教育培訓學校)	Registration certificate for private non-enterprise entities	Civil Affairs Bureau of Gong County	April 13, 2017	November 17, 2018
31.	Ya'an Tianli School (雅安天立學校)	Private school operating license	Ya'an Municipal Education Bureau	April 18, 2017	April 17, 2025
32.	Ya'an Tianli School (雅安天立學校)	Registration certificate for private non-enterprise entities	Ya'an Municipal Civil Affairs Bureau	April 19, 2017	April 18, 2021
33.	Xichang Tianli (International) School (西昌天立(國際)學校)	Private school operating license	Liangshan Yi Autonomous Prefecture Education Bureau	September 2017	September 2022
34.	Xichang Tianli (International) School (西昌天立(國際)學校)	Registration certificate for private non-enterprise entities	Liangshan Yi Autonomous Prefecture Civil Affairs Bureau	March 11, 2016	March 11, 2020
35.	Xichang Tianli Jiaozi Culture and Arts Tutoring Co., Ltd. (西昌天立驕子文化藝術培訓有限公司)	Business license	Administration of Food, Drugs, Industry and Commerce and Quality Supervision	December 13, 2017	N/A
36.	Xichang Tianli Jiaozi Culture and Arts Tutoring Co., Ltd. (西昌天立驕子文化藝術培訓有限公司)	Private school operating license	Education Science and Technology and Intellectual Property Bureau of Xichang	February 6, 2018	February 6, 2023

No	School	Certificate/Permit/ License	Issue Authority	Issue Date	Expiry Date[1]
37.	Chengdu Wuhou District Kinderworld Kindergarten (成都市武侯區凱星幼兒園)	Private school operating license	Administrative Approval Bureau of Wuhou District, Chengdu	November 2017	November 2024
38.	Chengdu Wuhou District Kinderworld Kindergarten (成都市武侯區凱星幼兒園)	Registration certificate for private non-enterprise entities	Administrative Approval Bureau of Wuhou District, Chengdu	April 29, 2016	April 28, 2021
39.	Ziyang Yanjiang District Tianli School (資陽市雁江區天立學校)	Private school operating license	Education Bureau of Yanjiang District, Ziyang	April 3, 2018	April 2, 2024
40.	Ziyang Yanjiang District Tianli School (資陽市雁江區天立學校)	Registration certificate for private non-enterprise entities	Civil Affairs Bureau of Yanjiang District, Ziyang	April 13, 2018	April 12, 2022

Note:

1. The relevant private school operating licenses in the table above which are renewable upon passing the annual inspections do not have a specific expiry date as stated on the licenses. As advised by our PRC Legal Adviser, all of such private school operating licenses were in full effect as of the Latest Practicable Date, as the relevant schools had passed necessary annual inspections to renew such licenses.

LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we are subject to legal proceedings, investigations and claims incidental to the conduct of our business.

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings and we were not aware of any material pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors which, in the opinion of our Directors, could have a material adverse effect on our business operations or financial condition as a whole.

During the Track Record Period and up to the Latest Practicable Date, other than as disclosed below, we did not experience any material or systemic non-compliance with the laws or regulations which taken as a whole, in the opinion of our Directors, is likely to have a material adverse effect on our business operations or financial condition as a whole. During the same periods, we also did not experience any material non-compliance with the laws or regulations which taken as a whole, in the opinion of our Directors, reflects negatively on the ability or tendency of us, our Directors or our senior management, to operate in a compliant manner in all material aspects. Our PRC Legal Adviser is of the opinion that, other than as disclosed in the sections headed "Risk factors", "Business" and "Financial Information" in this prospectus, we have complied with all relevant PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

Non-compliance Incident

During the Track Record Period and up to the Latest Practicable Date, we did not comply with all the relevant requirements in relation to contributions to the social insurance plans and the housing provident fund for our employees.

We estimate that the amount of social insurance payments and housing provident fund contributions that we did not pay during the years ended December 31, 2015, 2016 and 2017 were approximately RMB9.4 million, RMB12.9 million and RMB8.3 million, respectively, with respect to social insurance payments, and RMB0.2 million, RMB0.7 million and RMB1.5 million, respectively, with respect to housing provident fund contributions.

Reasons for the Non-compliance

The non-compliance was primarily caused by administrative oversight, the relevant personnel being unfamiliar with the relevant regulatory requirements, different levels of acceptance of the social insurance scheme by our employees and inconsistent implementation or interpretation by local authorities in the PRC of the relevant regulations.

Legal Consequences and Potential Maximum Penalties

Our PRC Legal Adviser has advised us that, under the relevant PRC laws and regulations, late fees and fines will be imposed on an employer for not making full social insurance payments for employees in a timely manner. If any competent government authority is of the view that the social insurance payments we made for our employees did not comply with the requirements under relevant PRC laws and regulations, it can order us to pay the outstanding balance within a prescribed time period and a late fee of 0.05% of the total outstanding balance per day. If we fail to pay the outstanding balance within the prescribed time period, we may be subject to a fine ranging between one to three times of the total outstanding balance.

Our PRC Legal Adviser has also advised us that, if any competent government authority is of the view that the contributions for the housing provident fund do not satisfy the requirements under relevant PRC laws and regulations, it can order us to pay the outstanding balance to the relevant local authorities within a prescribed period.

As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant government authorities with respect to this non-compliance incident, nor had any of the schools been required to settle the outstanding amount of social insurance payments and housing provident fund contributions.

Remedies and Rectification Measures Taken to Prevent Future Non-compliance and Ensure On-going Compliance

Our existing self-owned schools and our early childhood education center are located in Ya'an, Xichang (which is located in Liangshan), Luzhou, Yibin, Guangyuan, Neijiang and Chengdu.

We have engaged our PRC Legal Adviser to conduct interviews with the relevant human resources and social security bureaus and housing provident fund management centres in Ya'an, Xichang, Luzhou, Yibin, Guangyuan, Neijiang and Chengdu to determine the likelihood of penalties and the current practice of these authorities with respect to implementation and interpretation of the relevant regulations. Each of these authorities confirmed in the interview that:

(a) it would not initiate any request for payment of the outstanding balance solely based on the fact that we made partial social insurance payments and housing provident fund contributions; and

(b) it would not initiate any proceedings of penalties solely based on the fact that we made partial social insurance payments and housing provident fund contributions.

We have also obtained written confirmations from the relevant local human resources and social security bureaus and housing provident fund management centers in Ya'an, Liangshan (whose jurisdiction covers Xichang), Luzhou, Yibin, Guangyuan, Neijiang and Chengdu, to the effect, confirming that we did not violate the relevant PRC laws and regulations and we have started to make the relevant contributions.

Our PRC Legal Adviser has also confirmed that the authorities interviewed by our PRC Legal Adviser or that have issued us written confirmation are the competent authorities for their respective cities. In addition, our PRC Legal Adviser has advised us that, based on the written confirmations, it is of the view that:

- the possibility that any of the relevant local human resources and social security bureaus will initiate any payment request or penalty proceeding on its own solely based on the fact that we made partial social insurance payments is relatively remote; and

- the possibility that any of the relevant local housing provident fund management centres will initiate any payment request or penalty proceeding on its own solely based on the fact that we made partial housing provident fund contributions is relatively remote.

We have taken reasonable steps to rectify this non-compliance:

- Our Directors undertake to use their best endeavors to comply with applicable laws and regulations. As of December 31, 2017, we had increased the amount of social insurance payments and housing provident fund contributions we made for our employees. We intend to continue rectifying this non-compliance as soon as reasonably practicable until it is fully rectified. As it takes time to discuss and coordinate with the competent government authorities, we intend to make full contributions to the social insurance plans and the housing provident funds as soon as practicable.

- We have established an internal control team to monitor our on-going compliance with the social insurance and housing provident fund contribution regulations and oversee the implementation of any necessary measures to comply with the applicable laws and regulations.

We will disclose the process of the aforesaid rectification in our interim/annual reports as appropriate and, where applicable, explanation for any delay in such rectification.

Our PRC Legal Adviser is of the view that there is no legal impediment for us to rectify this non-compliance.

Senior Management in Charge of Rectification

Mr. Tao, the deputy operation director of our Company, has been designated as the officer responsible for the rectification of non-compliance incidents.

Potential Impact on Our Operations and Financial Conditions

We have already made provisions for the years ended December 31, 2015, 2016 and 2017 in the amounts of RMB9.4 million, RMB12.9 million, and RMB8.3 million for the unpaid amount of social insurance payments respectively and RMB0.2 million, RMB0.7 million and RMB1.5 million for the unpaid amount of housing provident fund contributions, respectively. Our Directors believe that such provisions are sufficient to cover our liabilities in respect of the unpaid social insurance payments and housing provident fund contributions.

Based on the foregoing and on the basis that our Group will fully comply with all applicable requirements for social insurance plans and housing provident funds as soon as practicable, our Directors are of the view that this non-compliance will not have a material adverse effect on our business operations or financial condition as a whole.

Each of our Controlling Shareholders has agreed to indemnify our Group pursuant to the Deed of Indemnity on a joint and several basis, against any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by our Group arising from this non-compliance incident.

INTERNAL CONTROL AND RISK MANAGEMENT

We have engaged an internal control consultant (the "**Internal Control Consultant**"), to perform certain agreed-upon procedures in connection with the internal control of the Company and our major operating subsidiaries and to report factual findings on our Group's entity-level controls and internal controls of various processes, including pricing management, procurement and payment management, information technology management, asset management, human resources, investment management, health and safety management, tax management and financial reporting. The work performed by the Internal Control Consultant was conducted from October 2017 to November 2017 and resulted in a number of findings and recommendations. We have taken corrective actions in response to the Internal Control Consultant's 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 December 2017. As of the Latest Practicable Date, there was no material issue remaining in relation to the internal controls of our Group.

Set out below is a summary of the key recommendations from the Internal Control Consultant and the corrective actions adopted by us to prevent future occurrence of the non-compliance incidents:

Compliance with social insurance and housing provident fund contributions requirements in the PRC

The manager of the human resources department of our Group would review the reporting and contributions of social insurance and housing provident fund for our employees regularly. Our human resources department will also consult with our PRC Legal Adviser on requirements under the relevant PRC laws and regulations in relation to social insurance and housing provident fund. We would also provide training to the relevant personnel from time to time to keep them abreast of any change in law in these areas.

The manager of the human resources department would report to the chief financial officer and the deputy finance officer of our Group on the legal and regulatory compliance and provide improvement recommendations when required.

Compliance with the licensing, permits and other regulatory requirements in the PRC

We have established compliance guidelines and a compliance checklist, which set forth our policies and procedures with respect to compliance issues. The compliance guidelines and checklist will be implemented by the relevant functional departments in each of our schools. The relevant functional departments will monitor our on-going compliance with the relevant PRC laws and regulations that govern our business operations and oversee the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management (including the principals and vice principals of our schools) and employees involved with continuing training programs and updates regarding the relevant PRC laws and regulations regularly with a view to proactively identify any concerns and issues relating to potential non-compliance.

To enhance the effectiveness of our corporate governance measures and to strengthen the monitoring of our internal control system, we have put in place, among others, the following measures to ensure on-going compliance with all applicable laws and regulations:

- we have established a set of internal audit policies and an independent internal audit department. Our internal audit policies cover, among other things, the supervision of financial operations, business operations, compliance matters and risk management matters. The internal audit department will perform internal audits on, among other things, the financial, operational, compliance and risk management aspects of our Group and reports to the audit committee of our Board from time to time. Members of the internal audit department will not participate in the ordinary business operations of our Group;

- we have established a risk assessment system, which covers, among other things, the management of strategic risks, market risks, legal risks, operational risks, financial risks and information and technology risks of our Group. Senior management of our Company has also assessed our risks and established corresponding measures to control identified risks;

- we have established a legal department, which reports directly to our Board. The legal department is responsible for providing legal advice on the operations of our Group, drafting and reviewing contracts, communicating with external legal advisers and coordinating legal training and counseling (to be provided in-house or by external legal advisers) to our management and staff. Moreover, in addition to our Compliance Adviser appointed pursuant to the Listing Rules, our Group will engage external professional advisers (including Hong Kong and PRC legal advisers) of appropriate qualifications and experience to provide advice and guidance on the legal and compliance matters from time to time;

- we have adopted policies, systems and procedures relating to human resources management, information system management, financial reporting and disclosure, cash flow and investment management; and

- we have adopted policies, systems and procedures relating to sales, procurement, suppliers, fixed assets management and the management of construction in progress.

Taking into account the internal control measures implemented by us in connection with the non-compliance incidents disclosed under the paragraph headed "Legal Proceedings and Compliance" in this section, the ongoing monitoring and supervision by our internal control department with the assistance and advice of professional external advisers where required, and the fact that, as confirmed by our Directors and our PRC Legal Adviser, the non-compliance incidents did not involve fraud or dishonesty, our Directors are of the view that our enhanced internal control measures are adequate and effective; the suitability of our Directors is compliant with Listing Rules 3.08 and 3.09; and the Company is suitable for listing under Listing Rule 8.04. Based on their review of the internal control report and other due diligence documents, discussions with the Directors and the Directors' confirmation, nothing has come to the attention of the Sole Sponsor that would cast doubts on the views of the Directors.

In addition, we have in place a policy in relation to the preparing of tax filings of the Company which sets out, among others:

- the accounting staff of each school are responsible for making tax estimates at the end of each month for the following month and completing the calculation of enterprise income tax before May of each year;
- if considered necessary and with the approval of our management, provision in respect of taxes may be made for any exceptional items;
- the accounting department of each school or entity maintains a consolidated file reflecting the taxes paid or which should be paid. Such consolidated file is reviewed by the financial supervisor of each school or entity on a monthly basis; and
- any filings of taxes submitted are also reviewed by our treasury centre, and, if necessary, corrections would be made in the next filing.

In relation to the preparation of financial statements, we have also put in place a set of policies which set out, among others:

- each school should adhere to the applicable accounting systems under applicable law, and any changes in accounting policies should be approved by our Directors;
- each school should submit its financial statements to the management in a timely manner, based on complete and accurate underlying transactions and data, and they should be signed and approved by the respective responsible person in each school;
- any financial statements or reports which are required to be disclosed externally should be reviewed and approved by our Directors;
- the basis of preparing the financial statements of each school should be centralised and recorded using centralised terms. Bookkeeping methodology should also be the same for each school; and
- our treasury centre is responsible for reviewing the accuracy and truthfulness of the financial condition of each school and should regularly review whether each school has implemented and adhered to the relevant policies in place.

Risk Management

We recognize that risk management is critical to the success of our business operation. Key operational risks faced by us include, among others, changes in general market conditions and perceptions of private education, changes in the regulatory environment in the PRC education industry, our ability to offer quality education to our students, our ability to increase student enrollment and/or raise tuition rates, our potential expansion into other regions in China, availability of financing to fund our expansion and business operations and competition from other school operators that offer similar quality of education services and have similar scale of operations. See the "Risk Factors" section in this prospectus for a discussion of various risks and uncertainties we face. We also face various market risks. In particular, we are exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of our business. See the section headed "Financial Information — Qualitative and Quantitative Disclosure about Market Risk" in this prospectus for a discussion of these market risks.

In order to meet these challenges, we have developed a risk management framework, which is summarized as follows:

- our Board of Directors holds the general power to manage the operations of schools and is in charge of managing the overall risks of our Group. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures, such as decisions 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 or to operate new schools;

- we maintain insurance coverage, which we believe is in line with customary practice in the PRC education industry, including school liability insurance. We also adopt health and safety measures on our campuses to safeguard our students' well-being; and

- we have made arrangements with our lenders to ensure that we are able to obtain credits to support our business operation and expansion.

You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2015, 2016 and 2017 included in the Accountants' Report set out in Appendix I to this prospectus, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a leading private education service provider in Western China, according to the Frost & Sullivan Report. We primarily offer K-12 educational services, supplemented by tutoring services for K-12 students and pre-kindergarten children. In terms of student enrollment in 2017, we are the second largest private K-12 school operator in Western China according to the Frost & Sullivan Report, with approximately 20,924 students enrolled in the K-12 schools in our school network as of the end of the 2017 fall semester. We have established a school network consisting of (i) self-owned schools and a self-owned early childhood education center which are owned and operated by us, (ii) entrusted schools to which we provide management services, and (iii) franchised early childhood education centers to which we have licensed the right to use our brand. As of the Latest Practicable Date, our school network consisted of 13 K-12 schools in operation, which administered four high school programs, six middle school programs, eight elementary school programs and six kindergarten programs, 11 tutorial centers and four early childhood education centers across eight cites in China.

We have established a centralized and standardized management system which we believe is essential to the success of our business as it enables us to integrate our resources, enhance our operating efficiency and ensure the quality of our educational services. Leveraging our management system, we have been able to quickly expand our school network into new geographic locations and at the same time implement our quality standards across our school network. We opened two new K-12 schools in each of 2015, 2016 and 2017, and we are actively exploring opportunities in other second- and third-tier cities for our future expansion. As of the Latest Practicable Date, we had entered into agreements to open six K-12 schools in 2018 and five K-12 schools in 2019. We believe our deep understanding of the K-12 education market in second- and third-tier cities in Sichuan Province, support for private K-12 education from the local governments, our position as a market leader and the potential of our target markets are highly favorable to our continued successful expansion both in and outside of Sichuan Province.

We have experienced steady growth in our revenue and student enrollment in the Track Record Period. Our revenue increased from RMB218.0 million for the year ended December 31, 2015 to RMB326.4 million for the year ended December 31, 2016, and further to RMB468.0 million for the year ended December 31, 2017. Our overall student enrollment at our self-owned K-12 schools grew from approximately 7,799 as of the end of the 2014/2015 school year to approximately 11,214 as of the end of the 2015/2016 school year, to approximately 15,138 as of the end of the 2016/2017 school year and to approximately 19,380 as of the end of the 2017 fall semester. Our net profit amounted to RMB18.2 million, RMB74.7 million and RMB136.2 million in the years ended December 31, 2015, 2016 and 2017, respectively.

BASIS OF PRESENTATION

Pursuant to the Reorganization as described in the section headed "History and Reorganization" in this prospectus, our Company became the holding company of the companies now comprising our Group on December 15, 2017.

During the Track Record Period, due to regulatory restrictions on foreign ownership in the schools in the PRC, our businesses were carried out by our PRC Operating Entities. Pursuant to the Reorganization, Tibet Yongsi, our Company's wholly-owned subsidiary, has entered into the Structured Contracts with, among others, our PRC Operating Schools and Registered Shareholders. The arrangements of the Structured Contracts enable Tibet Yongsi to exercise effective control over our PRC Operating Entities and obtain substantially all their economic benefits. Accordingly, our PRC Operating Entities are combined in the financial statements for the Track Record Period continuously. Please see "Structured Contracts" in this prospectus and note 2.1 to the Accountants' Report in Appendix I to this prospectus for details. Our Group does not have any equity interest in the PRC Operating Entities.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations, financial condition and the period-to-period comparability of our financial results are principally affected by the following factors:

Demand for Private Education in China

Our business has benefited from the increasing demand for private education in China, which in turn is driven by a number of factors, including, among others, Chinese parents' emphasis on their children's education, increases in disposable income of the Chinese households and policies and regulations favorable to private education. China's per capita disposable income increased from RMB16,510 in 2012 to RMB23,821 in 2016, representing a CAGR of approximately 9.6%, according to the Frost & Sullivan Report. Demand for private education has increased along with the growth in urban population in China. According to the Frost & Sullivan Report, the total number of students enrolled in private K-12 schools in China increased from 31.4 million in 2012 to 40.1 million in 2016, representing a CAGR of approximately 6.2%. In addition, the Chinese government announced in 2013 that it would gradually relax its "one-child policy" as a measure to stimulate birth rates, and in 2015 adopted a formal "two-child policy" allowing almost all families to have two children. According to the Frost & Sullivan Report, China's crude birth rate has increased due to the relaxation of the "one-child policy", which would lead to a large demand for educational resources in the future when newborns reach school age. Therefore, we anticipate the demand for private education in China to continue to increase.

Student Enrollment

Our business largely depends on the number of students enrolled in our self-owned K-12 schools, which affects the amount of tuition fees, boarding fees and fees from ancillary services we collect from our students. As of the end of the 2014/2015, 2015/2016 and 2016/2017 school years, the total number of students enrolled in our self-owned K-12 schools amounted to approximately 7,799, 11,214, and 15,138, respectively, growing at a CAGR of 39.3% from the end of 2014/2015 school year to the end of 2016/2017 school year. The number further grew to 19,380 as of the end of the 2017 fall semester. Such student enrollment depends on a number of factors, in particular, the reputation of our self-owned K-12 schools, which is mainly driven by the quality of the educational services we provide, our tuition levels and our school capacity. The quality of our educational services is mainly reflected by the academic performance and well-rounded development of our students, the curriculum offered at our self-owned K-12 schools and our school facilities. We believe our proven track record in these aspects will continue to help us attract students who seek quality private education. Moreover, the quality of our teachers is also a major factor that has in the past played, and will continue to play, an important role in the success of our self-owned K-12 schools. Accordingly, we provide competitive compensation to attract and retain quality teachers, maintain continuous training programs and enforce teacher evaluation systems to maintain and improve our teachers' performances, which we believe will have a positive impact on student enrollment levels at our schools.

Tuition Fees

In addition to student enrollment, our results of operations are also affected by the level of tuition fees we charge in our self-owned K-12 schools. For all of our self-owned grade schools, tuition fees are generally paid in advance prior to the beginning of each school year. For our self-owned kindergartens, tuition fees are generally paid in advance at the beginning of each semester. Tuition fees from tutorial centers are also generally collected in advance on a lump-sum basis. The tuition fees we charge at our self-owned K-12 schools are typically based on the demand for our educational programs, the cost of our operations, the geographic markets in which we operate our self-owned K-12 schools, the tuition fees charged by our competitors, our pricing strategy to gain market share and the general economic conditions in China and in the areas in which our schools are located, subject to applicable governmental approval. While we have successfully increased tuition fee rates during the Track Record Period, there is no guarantee we will be able to continue to raise tuition fees. Please refer to the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — Our business and results of operations mainly depend on the level of tuition fees we are able to charge and our ability to maintain and raise tuition fees." in this prospectus for further details. For those students who are unable to complete a school term, we have refund policies in place. We also offer partial tuition fee waivers to a certain percentage of our middle and high school students and discounted tuition fee rates to children of our teachers and staff who enroll in our self-owned K-12 schools. Please refer to the section headed "Business — Overview of Our School Network — Tuition and Boarding Fees of Self-owned K-12 Schools" in this prospectus for further details.

According to the Frost & Sullivan Report, tuition rates at our self-owned K-12 schools are higher than those in the public school system in China. Historically, we have kept our tuition fees at levels we believe are competitive as compared to our competitors in order to attract more students and thereby, increase our student enrollment and market share. During the Track Record Period, even though we increased our tuition rates on several occasions for certain of our self-owned K-12 schools, we believe such increases did not adversely impact our reputation or affect our student enrollment.

Utilization Rate of Our Self-owned K-12 Schools

The utilization rate of our self-owned K-12 schools is a key driver of the growth in our revenue and gross profit margin. The utilization rate of a given self-owned K-12 school is calculated as the number of students enrolled in such school divided by the capacity of such school. As over a majority of our self-owned K-12 schools commenced operations in the last few years, they have not reached their full capacity. We intend to increase their utilization rates by recruiting more students. By increasing the overall utilization rate of our self-owned K-12 schools, we expect to achieve greater economies of scale and as a result higher gross profit margin.

As of the end of the 2017 fall semester, the overall utilization rate of our self-owned K-12 schools was approximately 73.1% based on a maximum capacity to accommodate approximately 26,523 students in all of our self-owned K-12 schools. The utilization rates of our self-owned K-12 schools in newly entered markets are typically lower because it takes time for us to gradually establish our brand recognition and build up our student pipeline in those markets. See the section headed "Business — Overview of Our School Network — Our K-12 Schools" in this prospectus.

Ability to Control Our Costs and Expenses

Our profitability also depends on our ability to effectively control our costs and expenses. A significant component of our cost of sales is labor costs, which primarily consist of salaries and other benefits for our teachers and other teaching staff. We offer competitive remuneration to our teachers in order to attract and retain high-quality teachers and maintain and improve the teaching quality at our schools. For the years ended December 31, 2015, 2016 and 2017, labor costs in cost of sales represented 45.9%, 42.7% and 31.0% of our revenue, respectively, and 62.7%, 60.1% and 53.8% of our cost of sales, respectively. Our labor costs increased during the Track Record Period as a result of increases in the number of teachers employed by us, as well as an increase in compensation levels. We employed approximately 944, 1,248 and 1,625 teachers as of December 31, 2015, 2016 and 2017, respectively. In the 2016/2017 school year, we increased teachers' salaries at Yibin Tianli International School and Luzhou Tianli School, as part of our strategy to maintain and attract high-quality teachers. As we continue to expand our school network, we will need to recruit more teachers. We may also need to increase teachers' salaries and other benefits from time to time to stay competitive in the labor market. As a result, our labor costs as a percentage of revenue may increase. If we are unable to effectively manage any such increase, our profitability and results of operations may be adversely affected. Please refer to the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — Our business relies on our ability to attract and retain our senior management, dedicated and qualified teachers and other personnel." in this prospectus for further details.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements are prepared in accordance with the significant accounting policies set out in the Accountants' Report included in Appendix I to this prospectus. We set forth below certain information with respect to those accounting policies which we believe are of critical importance to us or involve the most critical accounting judgment, estimates and assumptions used in the preparation of our consolidated financial statements. Our judgment, estimates and assumptions are based on our historical experience and other factors that we consider to be relevant and are reviewed on an on-going basis. However, our actual results may differ from these judgment, estimates and assumptions. We have not changed our material judgment, assumptions or estimates or noticed any material error regarding our judgment, assumptions or estimates during the Track Record Period. Our significant accounting policies, judgment, estimates and assumptions, which are important for an understanding of our financial condition and results of operations, are set forth in notes 2.4 and 3 to the Accountants' Report in Appendix I to this prospectus.

RESULTS OF OPERATIONS

The following table sets out our summary consolidated statements of profit or loss and other comprehensive income for the years ended December 31, 2015, 2016 and 2017:

	Year ended December 31,		
	2015	2016	2017
	(RMB'000)		
Revenue	218,044	326,355	468,017
Cost of sales	(159,888)	(231,863)	(270,072)
Gross profit	58,156	94,492	197,945
Other income and gains	21,907	44,492	14,835
Selling and distribution costs	(8,660)	(8,038)	(10,135)
Administrative expenses	(41,252)	(42,709)	(50,306)
Other expenses	(1,343)	(556)	(1,317)
Interest expense	(9,478)	(12,601)	(14,009)
Share of profits and losses of associates	1,076	789	256
Profit before Tax	20,406	75,869	137,269
Income Tax	(2,158)	(1,121)	(1,024)
PROFIT FOR THE YEAR	18,248	74,748	136,245

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

For the years ended December 31, 2015, 2016 and 2017, we generated revenue of RMB218.0 million, RMB326.4 million and RMB468.0 million, respectively.

During the Track Record Period, we derived revenue primarily from tuition and boarding fees collected by our self-owned K-12 schools and fees paid by our students for our canteen and convenience store operations. Tuition and boarding fees accounted for approximately 81.9%, 81.0% and 80.0% of our total revenue, respectively, during the years ended December 31, 2015, 2016 and 2017. Revenue from school canteen operations accounted for approximately 18.0%, 18.7% and 19.7% of our total revenue, respectively, during the years ended December 31, 2015, 2016 and 2017.

We also received management service fees for managing our entrusted schools and franchise fees for providing services to our franchised early childhood education centers.

The following table sets forth the breakdown of our revenue for the periods as indicated:

	Year ended December 31,		
	2015	2016	2017
	(RMB'000)		
Tuition fees	162,743	238,584	336,848
Boarding fees	15,910	25,679	37,412
Canteen operation fees	39,204	61,132	92,180
Management and franchise fees	187	960	1,577
Total	218,044	326,355	468,017

Cost of Sales

Our cost of sales consists of labor costs, teaching related costs, depreciation and amortization, material consumption, utilities and others. The following table sets forth the components of our cost of sales for the periods indicated.

	Year ended December 31,		
	2015	2016	2017
	(RMB'000)		
Labor costs	100,173	139,234	145,293
Teaching related costs	12,878	15,435	18,021
Depreciation and amortization	12,644	26,246	36,431
Material consumption	26,799	39,694	54,231
Utilities	4,176	6,581	9,179
Others	3,218	4,673	6,917
Total	159,888	231,863	270,072

Labor costs constitute the largest portion of our cost of sales, and primarily consist of wages and salaries paid to our teachers and other teaching staff and their other benefits. Labor costs amounted to RMB100.2 million, RMB139.2 million and RMB145.3 million for the years ended December 31, 2015, 2016 and 2017, respectively, representing approximately 62.7%, 60.1% and 53.8% of our total cost of sales for the respective periods. Teaching related costs primarily consist of expenses incurred during our teachers' teaching and training activities. Depreciation and amortization costs primarily relate to the depreciation of property, plant and equipment, and the amortization of prepaid land lease payments. Material consumption costs primarily consist of costs of raw materials related to our canteen and convenience store operations. Other costs primarily consist of maintenance costs and rental costs.

During the Track Record Period, we received various government grants from PRC local government authorities for the purpose of promoting private education in certain geographic areas. Government grants received were either related to operating costs arising from teaching activities at some of our self-owned K-12 schools or related to certain assets of some of our self-owned K-12 schools. Government grants related to operating costs are applied on a systematic basis against our cost of sales of the relevant periods. In other words, as government grants relating to operating costs are for the purpose of subsidizing labor costs arising from teaching activities at certain schools of the Group, such government grants received would, upon completion of the teaching activities, be released to profit or loss and accounted for as a deduction from the relevant labor costs under cost of sales. In years ended December 31, 2015, 2016 and 2017, RMB18.7 million, RMB27.4 million and RMB70.3 million of government grants were applied against our costs of sales, respectively. Government grants related to operating costs that have been received but yet to be expensed are recorded as deferred income. Government grants related to assets are applied against the carrying value of the relevant assets. See the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — Our historical financial and operating results may not be indicative of our future performance." in this prospectus.

Other Income and Gains

Other income and gains primarily consist of interest income from bank deposits and loans to related parties, other service income, gain on disposal of subsidiaries, gain on disposal of available-for-sale investments and rental income. The following table sets forth the breakdown of our other income and gains for the periods indicated.

	Year ended December 31,		
	2015	2016	2017
	(RMB'000)		
Bank interest income	457	461	846
Interest income from a related party	11,256	34,833	—
Total interest income	11,713	35,294	846
Other service income	6,347	7,194	9,279
Gain on disposal of subsidiaries	2,664	—	—
Gain on disposal of available-for-sale investments	507	357	2,996
Rental income	376	579	723
Others	300	1,068	991
Total	21,907	44,492	14,835

Bank interest income primarily consists of interest income from bank deposits. Interest income from related parties amounted to RMB11.3 million and RMB34.8 million for the years ended December 31, 2015 and 2016, respectively, representing interest payments from Tianli Holding in relation to loans granted by us. Tianli Holding fully repaid such loans in 2016. Other service income primarily represents income generated from our transportation services and fees we charge our students for taking noon-time naps at school. We recorded a gain for the disposal of the entire equity interest in Neijiang Tianrui and Guangyuan Tianjiao to Yibin Tianrui, a related party of our Group. The disposal was completed in 2015. We recorded a gain for our investments in available-for-sale investments, which were short-term wealth management products issued by licensed commercial banks in the PRC. Such products typically mature within 34 days with coupon rates ranging from 1.6% to 4.3% per annum.

Sensitivity Analysis

The following table sets out the potential impact on our profitability before taxation during the Track Record Period under the effect of the fluctuation of our tuition fees and our labor costs included in our cost of sales, with all other variables remained constant. The fluctuation of tuition fees and labor costs is hypothetical in nature and we assume that all other variables remained constant.

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Sensitivity analysis of tuition fees income	Impact on our profit before taxation for the year		
Tuition fees income (decrease)/increase			
(30)%	(48,823)	(71,575)	(101,054)
(20)%	(32,549)	(47,717)	(67,370)
(10)%	(16,274)	(23,858)	(33,685)
10%	16,274	23,858	33,685
20%	32,549	47,717	67,370
30%	48,823	71,575	101,054
Sensitivity analysis of staff costs	Impact on our profit before taxation for the year		
Staff costs (decrease)/increase			
(30)%	30,052	41,770	43,588
(20)%	20,035	27,847	29,059
(10)%	10,017	13,923	14,529
10%	(10,017)	(13,923)	(14,529)
20%	(20,035)	(27,847)	(29,059)
30%	(30,052)	(41,770)	(43,588)

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of (i) our marketing staff costs, (ii) advertising expenses incurred for the purposes of promoting our schools, such as printing brochures, and (iii) travelling and related expenses incurred in connection with sales and marketing activities. The following table sets forth the breakdown of our selling and distribution expenses for the periods indicated.

	Year ended December 31,		
	2015	2016	2017
		(RMB'000)	
Staff costs	1,608	1,186	2,855
Advertising	4,700	4,929	4,077
Travel and entertainment	1,848	1,550	2,798
Others	504	373	405
Total	8,660	8,038	10,135

Administrative Expenses

Administrative expenses primarily consist of (i) administrative staff costs, (ii) office administration expenses, which primarily consist of office supply and utilities and travelling, meal and training expenses incurred in connection with administrative activities, and (iii) listing expenses incurred by auditors and consultants. The following table sets forth the breakdown of our administrative expenses for the periods indicated.

	Year ended December 31,		
	2015	2016	2017
	(RMB'000)		
Staff costs	24,856	26,724	32,047
Depreciation	168	486	924
Office administration expenses	14,347	11,871	12,035
Listing expense	841	2,768	4,312
Others	1,040	860	988
Total	41,252	42,709	50,306

Other Expenses

Other expenses primarily consist of donation, loss on disposal of certain obsolete facilities, service charges by banks and loss on disposal of a subsidiary. The following table sets forth the breakdown of our other expenses for the periods indicated.

	Year ended December 31,		
	2015	2016	2017
	(RMB'000)		
Donation	29	27	26
Loss on disposal of property, plant and equipment	840	21	—
Bank charges	125	226	729
Loss on disposal of a subsidiary	—	—	40
Others	349	282	522
Total	1,343	556	1,317

Interest Expenses

Interest expenses primarily consist of interest on bank loans. The following table sets forth the breakdown of our interest expenses for the periods indicated.

	Year ended December 31,		
	2015	2016	2017
	(RMB'000)		
Interest on bank loans	13,796	30,101	39,880
Less: amounts capitalized	(4,318)	(17,500)	(25,871)
Total	9,478	12,601	14,009

Income Tax Expense

Our income tax expense primarily consists of the current income tax at the statutory rates applicable to our assessable profit before taxation as determined under relevant laws and regulations. For the years ended 2015, 2016 and 2017, we recorded income tax expenses of RMB2.2 million, RMB1.1 million and RMB1.0 million, respectively.

Cayman Islands Income Tax

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax from business carried out in the Cayman Islands.

British Virgin Islands Income Tax

Our Company's directly held subsidiary was incorporated in the British Virgin Islands with liability under the British Virgin Islands Companies Act 2004 and accordingly is not subject to income tax from business carried out in the BVI.

Hong Kong Profit Tax

We did not make any provision for Hong Kong profits tax during the Track Record Period as we had no assessable profits derived from or earned in Hong Kong during the Track Record Period.

PRC Corporate Income Tax

Pursuant to the PRC income tax law and the respective regulations, all of the Group's non-school subsidiaries established in the PRC are subject to the PRC corporate income tax at a rate of 25% during the Track Record Period.

Based on the confirmations from the relevant local tax bureaus and local office of the SAT, our self-owned K-12 schools enjoyed tax-exempt status with respect to PRC corporate income tax during the Track Record Period, except for (i) Tianli Kindergarten of Gulin County; and (ii) Chengdu Wuhou District Kinderworld Kindergarten, both of which had not obtained tax-exempt confirmations as of the Latest Practicable Date and hence were subject to the PRC corporate income tax at a rate of 25% during the Track Record Period. Cangxi Tianli School, which was newly established in 2017 and had not received its tax-exempt confirmation from the local tax bureau until April 2018, did not enjoy the tax exempt status with respect to PRC corporate income tax during the Track Record Period but enjoyed such tax exempt status as of the Latest Practicable Date. Our self-owned tutorial centers and early childhood education center which provide non-academic educational services are subject to PRC corporate income tax at a rate of 25% during the Track Record Period. See the section headed "Regulatory Overview — Laws and Regulations Relating to the Taxation" in this prospectus for further details.

In preparation for the Global Offering, it has come to our attention that there were discrepancies between the enterprise income taxes (which were determined on the basis of the tax return presented to the relevant tax authorities) that were actually paid, and the taxes payable (which were calculated based on our Group's financial statements prepared in accordance with IFRS) during the Track Record Period, in respect of certain subsidiaries of our Group (namely, (i) Luzhou Longmatan Tianli Culture and Arts Tutoring School; (ii) Yibin Cuiping Tianzhan Tutoring School; and (iii) Chengdu Tianli Jiaozi Education Technology Co., Ltd.).

We confirm that, during the Track Record Period, the tax returns filed by these schools and company with the relevant tax authorities, as well as the annual filings by Chengdu Tianli Jiaozi Education Technology Co., Ltd. with the relevant Administration of Industry and Commerce were based on the underlying financial statements of the Group which were prepared under the PRC Generally Accepted Accounting Principles ("**PRC GAAP**") at that time, and the annual filings by Luzhou Longmatan Tianli Culture and Arts Tutoring School and Yibin Cuiping Tianzhan Tutoring School with the relevant Bureaus of Civil Administration were based on the underlying financial statements of the Group which were prepared under the Non-governmental Non-profit Organization Accounting System at that time (collectively, the "**Management Accounts**"). Based on a detailed review of the re-examined accounts (the "**Re-examined Accounts**"), we consider the discrepancies between the Management Accounts and the Re-examined Accounts of Luzhou Longmatan Tianli Culture and Arts Tutoring School and Yibin Cuiping Tianzhan Tutoring School to be immaterial. This view is supported by the fact that the aggregate amount of the expenses cut-off and staff costs inadvertently recorded (which contributed to the discrepancies as explained below) represented only approximately 1.01% and 0.57%, respectively, of our Group's total expenses for each of the years ended December 31, 2015 and 2016. The amount and nature of such discrepancies between the Management Accounts and the Re-examined Accounts are summarized as follows:

Year ended December 31, 2015:
The expenses cut-off mainly represented net salaries cut-off adjustment and amounted to RMB109,902 which consisted of (i) salaries which should be recorded in December 2015 payroll but were inadvertently recorded by management in January 2016 of RMB1,521,389, and (ii) offset with salaries which should be recorded in December 2014 but were inadvertently recorded by management in January 2015 of RMB1,411,487. In addition, bonuses for certain senior management amounting to RMB2,330,500 in relation to Luzhou Tianli School and Luzhou Longmatan Tianli Elementary School were inadvertently recorded as staff costs of Luzhou Longmatan Tianli Culture and Arts Tutoring School.

Year ended December 31, 2016:
The expenses cut-off mainly represented salaries cut-off adjustment amounting to RMB1,682,347 which consisted of (i) salaries which should have been recorded in December 2015 but were inadvertently recorded by management in January 2016 of RMB1,521,389, and (ii) salaries which were inadvertently over accrued in December 2016 payroll by management in the amount of RMB160,958.

We have made tax filings of Luzhou Longmatan Tianli Culture and Arts Tutoring School and Yibin Cuiping Tianzhan Tutoring School for the year ended December 31, 2017. Along with such filings, Re-examined Accounts for these two schools and notes were submitted to the relevant tax authorities respectively, explaining that there was a discrepancy between the Management Accounts and the Re-examined Accounts as the tax returns filed during the Track Record Period were filed based on the Management Accounts. The relevant tax authority for Luzhou Longmatan Tianli Culture and Arts Tutoring School has stamped on a copy of the Re-examined Accounts to acknowledge receipt while the relevant tax authority for Yibin Cuiping Tianzhan Tutoring School did not affix any stamp on the Re-examined Accounts. However, our Directors confirm that the content of the explanatory note has been communicated with the relevant tax authority for Yibin Cuiping Tianzhan Tutoring School and the same has been duly submitted.

Furthermore, Luzhou Longmatan Tianli Culture and Arts Tutoring School and Yibin Cuiping Tianzhan Tutoring School have obtained written confirmations issued by the relevant tax authorities, being the competent authorities to issue such confirmations as advised our PRC Legal Adviser, after the aforementioned tax filings. Such confirmations confirmed that there had not been any outstanding income tax from the respective entities and that the relevant tax authorities had not initiated any proceedings against the respective schools.

In respect of the income tax payable for Chengdu Tianli Jiaozi Education Technology Co., Ltd. for the year ended December 31, 2017, the Directors are of the view that the amount concerned is immaterial because the relevant amount was RMB344,398. Such income tax had not been paid as of December 31, 2017 because the tax returns filing and tax settlement by a PRC enterprise for a financial year are generally completed in the first half of the next calendar year. Furthermore, Chengdu Tianli Jiaozi Education Technology Co., Ltd. had no enterprise income tax payable for the years ended December 31, 2015 and December 31, 2016. As such, no further tax filings would be required or desirable.

Please refer to the section headed "Business — Internal Control and Risk Management" in this prospectus for further details of our policies regarding preparing tax filings and financial statements.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Our revenue increased by 43.4% from RMB326.4 million for the year ended December 31, 2016 to RMB468.0 million for the year ended December 31, 2017, primarily driven by an increase in revenue from tuition fees.

Revenue from tuition fees increased by 41.2% from RMB238.6 million for the year ended December 31, 2016 to RMB336.8 million for the year ended December 31, 2017, primarily as a result of an increase in the number of students enrolled in our existing self-owned K-12 schools as we increased the overall utilization rate of our self-owned K-12 schools and the opening of two new self-owned K-12 schools, Cangxi Tianli School and Ya'an Tianli International School, both of which commenced operations in 2017. The increase in revenue from tuition fees is also attributable to an increase in tuition fee rates for some of our self-owned K-12 schools. In the 2017/2018 school year, we raised the tuition fee rates for high schools, middle schools and elementary schools at our Luzhou campus by approximately 13.6%, 10.0% and 9.1%, respectively. We also raised tuition fee rates for high schools and middle schools in our Yibin campus by approximately 10% in the 2017/2018 school year.

Revenue from boarding fees increased by 45.7% from RMB25.7 million for the year ended December 31, 2016 to RMB37.4 million for the year ended December 31, 2017, primarily as a result of increased student enrollment.

Revenue from school canteen and convenience store operations increased by 50.8% from RMB61.1 million for the year ended December 31, 2016 to RMB92.2 million for the year ended December 31, 2017, primarily as a result of increased student enrollment.

Revenue from management fees increased by 64.3% from RMB1.0 million for the year ended December 31, 2016 to RMB1.6 million for the year ended December 31, 2017, primarily because (i) we recorded a full year of management service fees from Luzhou Tianli Talent Foreign Language School and Longmatan District Tianli Talent Tutoring School, both of which started to generate management service fees in March 2016, and (ii) we experienced an increase in management service fees from Affiliated Kindergarten of Luzhou Tianli School, which are based on an agreed fixed percentage of its revenue every year.

Cost of Sales

Cost of sales increased by 16.5% from RMB231.9 million for the year ended December 31, 2016 to RMB270.1 million for the year ended December 31, 2017, primarily due to increases in material consumption costs, depreciation and amortization costs, and labor costs.

Labor costs increased by 4.4% from RMB139.2 million for the year ended December 31, 2016 to RMB145.3 million for the year ended December 31, 2017, primarily because we hired new teachers as a result of the increased student enrollment and the expansion of our school network while raising the salaries and wages of our teachers to attract and retain well-qualified teaching staff, partially offset by additional government grants related to operating costs from local government authorities in 2017, most of which was applied against our labor costs for the year ended December 31, 2017.

Teaching related costs increased by 16.8% from RMB15.4 million for the year ended December 31, 2016 to RMB18.0 million for the year ended December 31, 2017, primarily because of an increase in our teachers' teaching related activities resulting from the increased student enrollment.

Depreciation and amortization costs increased by 38.8% from RMB26.2 million for the year ended December 31, 2016 to RMB36.4 million for the year ended December 31, 2017, primarily because we opened two self-owned K-12 schools in 2017, and there was an increase in depreciation costs in Xichang Tianli International School during the year ended December 31, 2017.

Material consumption costs increased by 36.6% from RMB39.7 million for the year ended December 31, 2016 to RMB54.2 million for the year ended December 31, 2017, primarily because of the increased student enrollment.

Utilities increased by 39.5% from RMB6.6 million for the year ended December 31, 2016 to RMB9.2 million for the year ended December 31, 2017, primarily because we incurred additional utility costs for our self-owned tutorial centers, which commenced operations in 2017, and there was an increase in utilities in Xichang Tianli International School during the year ended December 31, 2017.

Other costs increased by 48.0% from RMB4.7 million for the year ended December 31, 2016 to RMB6.9 million for the year ended December 31, 2017, primarily because we incurred additional maintenance and rental costs for our self-owned tutorial centers, which commenced operations in 2017.

Other Income and Gains

Other income and gains decreased by 66.7% from RMB44.5 million for the year ended December 31, 2016 to RMB14.8 million for the year ended December 31, 2017, primarily because we ceased to receive interest income on our loans to Tianli Holding as such loans were fully repaid in 2016.

Selling and Distribution Expenses

Selling and distribution expenses increased by 26.1% from RMB8.0 million for the year ended December 31, 2016 to RMB10.1 million for the year ended December 31, 2017, primarily because we carried out more marketing activities for our existing and new self-owned K-12 schools.

Administrative Expenses

Administrative expenses increased by 17.8% from RMB42.7 million for the year ended December 31, 2016 to RMB50.3 million for the year ended December 31, 2017, primarily as a result of an increase in administrative staff costs.

Administrative staff costs increased by 19.9% from RMB26.7 million for the year ended December 31, 2016 to RMB32.0 million for the year ended December 31, 2017, primarily because we recruited additional administrative staff and management personnel for the two self-owned K-12 schools we opened in 2017.

Other Expenses

Other expenses increased by 136.9% from RMB0.6 million for the year ended December 31, 2016 to RMB1.3 million for the year ended December 31, 2017, primarily as a result of an increase in bank charges. We started to adopt a centralized fund management system in 2017, which led to more frequent fund allocations and transfers. Our increased investment in wealth management products also led to an increase of bank charges.

Interest Expenses

Interest expenses increase by 11.2% from RMB12.6 million for the year ended December 31, 2016 to RMB14.0 million for the year ended December 31, 2017, primarily because our average outstanding loan balance increased in 2017 due to our school construction and operation.

Income Tax Expenses

Our income tax expense decreased by 8.7% from RMB1.1 million for the year ended December 31, 2016 to RMB1.0 million for the year ended December 31, 2017, primarily because we experienced a slight decrease in the profits generated from our self-owned tutorial centers.

Net Profit and Net Profit Margin

As a result of the foregoing, our net profit increased by 82.3% from RMB74.7 million for the year ended December 31, 2016 to RMB136.2 million for the year ended December 31, 2017. Our net profit margin increased from 22.9% for the year ended December 31, 2016 to 29.1% for the year ended December 31, 2017, primarily attributable to the growth of our business, which enabled us to achieve greater economies of scale, and to a lesser extent due to additional government grants related to operating costs from local government authorities in 2017, most of which was applied against our labor costs for the year ended December 31, 2017.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue

Our revenue increased by 49.7% from RMB218.0 million for the year ended December 31, 2015 to RMB326.4 million for the year ended December 31, 2016, primarily driven by an increase in revenue from tuition fees.

Revenue from tuition fees increased by 46.6% from RMB162.7 million for the year ended December 31, 2015 to RMB238.6 million for the year ended December 31, 2016, primarily as a result of an increase in the number of students enrolled in our existing self-owned K-12 schools as we increased the overall utilization rate of our self-owned K-12 schools, and the opening of two new self-owned K-12 schools, Xichang Tianli International School and Tianli Kindergarten of Gulin County, both of which commenced operations in 2016. The increase in revenue from tuition fees is also attributable to an increase in tuition fee rates for some of our self-owned K-12 schools. We raised tuition fee rates for high schools, middle schools and elementary schools in our Guangyuan campus by approximately 10%, 25% and 25%, respectively, in the 2016/2017 school year. We also raised tuition fee rates for middle schools and elementary schools in our Neijiang campus by approximately 31.6% and 33.3%, respectively, in the 2016/2017 school year.

Revenue from boarding fees increased by 61.4% from RMB15.9 million for the year ended December 31, 2015 to RMB25.7 million for the year ended December 31, 2016, primarily as a result of increased student enrollment.

Revenue from school canteen and convenience store operations increased by 55.9% from RMB39.2 million for the year ended December 31, 2015 to RMB61.1 million for the year ended December 31, 2016, primarily as a result of increased student enrollment.

Revenue from management fees increased from RMB0.2 million for the year ended December 31, 2015 to RMB1.0 million for the year ended December 31, 2016, primarily because we started to receive management service fees from Luzhou Tianli Talent Foreign Language School and Longmatan District Tianli Talent Tutoring School in March 2016.

Cost of Sales

Cost of sales increased by 45.0% from RMB159.9 million for the year ended December 31, 2015 to RMB231.9 million for the year ended December 31, 2016, primarily due to increases in labor costs, depreciation and amortization costs, and material consumption costs.

Labor costs increased by 39.0% from RMB100.2 million for the year ended December 31, 2015 to RMB139.2 million for the year ended December 31, 2016, primarily because we hired new teachers as a result of the increased student enrollment and the expansion of our school network while raising salaries and wages of our teachers to attract and retain well-qualified teaching staff.

Teaching related costs increased by 19.9% from RMB12.9 million for the year ended December 31, 2015 to RMB15.4 million for the year ended December 31, 2016, primarily as a result of an increase in our teachers' teaching related activities resulting from the increased student enrollment.

Depreciation and amortization costs increased by 107.6% from RMB12.6 million for the year ended December 31, 2015 to RMB26.2 million for the year ended December 31, 2016, primarily because we opened two self-owned K-12 schools in 2016.

Material consumption costs increased by 48.1% from RMB26.8 million for the year ended December 31, 2015 to RMB39.7 million for the year ended December 31, 2016, primarily because of an increase in materials purchased by our school canteens.

Utilities increased by 57.6% from RMB4.2 million for the year ended December 31, 2015 to RMB6.6 million for the year ended December 31, 2016, primarily because in 2016 we incurred full year of utility costs for Guangyuan Tianli International School and Neijiang Tianli (International) School, both of which commenced operations in September 2015.

Other costs increased by 45.2% from RMB3.2 million for the year ended December 31, 2015 to RMB4.7 million for the year ended December 31, 2016, primarily because in 2016 we incurred full year of maintenance for Guangyuan Tianli International School and Neijiang Tianli (International) School, both of which commenced operations in September 2015.

Other Income and Gains

Other income and gains increased by 103.1% from RMB21.9 million for the year ended December 31, 2015 to RMB44.5 million for the year ended December 31, 2016, primarily due to an increase in the interest income from a related party, Tianli Holding, which borrowed additional loans from us.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 7.2% from RMB8.7 million for the year ended December 31, 2015 to RMB8.0 million for the year ended December 31, 2016, primarily because we incurred additional marketing costs for our new self-owned K-12 schools in 2015. We opened one self-owned K-12 school with multiple school programs and one kindergarten in 2016, while in 2015 we opened two self-owned K-12 schools with multiple school programs, and marketing costs for such schools are generally higher as compared with kindergartens.

Administrative Expenses

Administrative expenses increased by 3.5% from RMB41.3 million for the year ended December 31, 2015 to RMB42.7 million for the year ended December 31, 2016, primarily as a result of an increase in administrative staff costs.

Administrative staff costs increased by 7.5% from RMB24.9 million for the year ended December 31, 2015 to RMB26.7 million for the year ended December 31, 2016, primarily because we recruited additional administrative staff and management personnel for self-owned schools opened in 2016.

Other Expenses

Other expenses decreased by 58.6% from RMB1.3 million for the year ended December 31, 2015 to RMB0.6 million for the year ended December 31, 2016, primarily because we recorded a loss in 2015 for the disposal of an obsolete facility in Luzhou Tianli School.

Interest Expenses

Interest expenses increased by 32.9% from RMB9.5 million for the year ended December 31, 2015 to RMB12.6 million for the year ended December 31, 2016, primarily because we borrowed additional bank loans in 2016 to fund our working capital.

Income Tax Expenses

Our income tax expenses decreased by 48.1% from RMB2.2 million for the year ended December 31, 2015 to RMB1.1 million for the year ended December 31, 2016, primarily because of a decrease in the profits from one of our non-school subsidiaries, mainly because such non-school subsidiary sold school uniforms in 2015 but ceased doing so in 2016.

Net Profit and Net Profit Margin

As a result of the foregoing, our net profit increased significantly from RMB18.2 million for the year ended December 31, 2015 to RMB74.7 million for the year ended December 31, 2016. Our net profit margin increased from 8.4% for the year ended December 31, 2015 to 22.9% for the year ended December 31, 2016, primarily attributable to the growth of our business, which enabled us to achieve greater economies of scale.

DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Current Assets and Current Liabilities

The following table sets forth details of our current assets, current liabilities and net current liabilities as of the dates indicated:

	As of December 31,			As of May 31,
	2015	2016	2017	2018
		(RMB'000)		
				(Unaudited)
CURRENT ASSETS				
Inventories	1,031	1,750	3,613	3,696
Trade and bills receivables	764	89	903	2,217
Prepayments, deposits and other receivables	49,397	19,330	22,216	53,188
Amounts due from related parties	239,571	23,284	6,275	4,790
Available-for-sale investment/ Financial assets at fair value through profit or loss	6,191	50,000	14,240	3,114
Pledged deposits	—	—	27,855	27,855
Cash and cash equivalents	32,047	325,651	313,539	275,756
Total current assets	329,001	420,104	388,641	370,615
CURRENT LIABILITIES				
Trade and bills payables	4,785	7,311	16,191	20,194
Other payables and accruals	166,039	114,631	166,524	110,095
Deferred revenue/Contract liabilities	116,741	185,686	242,092	357,485
Interest-bearing bank and other borrowings — current	83,500	101,900	137,300	155,906
Amounts due to related parties	123,310	169,758	31,723	10,967
Tax payable	2,400	2,961	2,899	—
Deferred income	24,000	34,000	57,241	53,720
Total current liabilities	520,775	616,247	653,970	708,366
NET CURRENT LIABILITIES	(191,774)	(196,143)	(265,329)	(337,751)

As of December 31, 2015, 2016 and 2017 and May 31, 2018, we had net current liabilities of RMB191.8 million, RMB196.1 million, RMB265.3 million and RMB337.8 million, respectively. We recorded net current liabilities as of each of these dates primarily because (i) we recorded large amounts of deferred revenue, which primarily consisted of advanced payments of tuition fees and boarding fees received from students that had not been recognized as of the respective dates, (ii) we had substantial amounts of outstanding bank loans which were primarily incurred to support our business expansion and fund our working capital, (iii) we recorded amounts due to related parties, which primarily consisted of payables to related parties in relation to the construction of our schools, and (iv) we recorded substantial amounts of other payables and accruals, which primarily consisted of payables for the purchase of property, plant and equipment, miscellaneous advance from students, and accrued bonuses and other employee benefits.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables primarily consist of refundable deposit for the purchase of land use rights, advance to staffs and government grant receivable. Advance to staffs represents advanced payments of costs and expenses for the preparation of our new self-owned schools before commencement of operation. Government grant receivable represents government grant that has been determined by the local authorities but yet to be paid to us.

The following table sets forth our prepayments, deposits and other receivables as of the dates indicated.

	As of December 31,		
	2015	2016	2017
		(RMB'000)	
Current			
Prepayments	3,550	4,360	2,495
Refundable deposit for the purchase of land use rights	35,000	—	—
Other deposit	888	1,005	6,041
Advance to third parties	1,833	1,833	2,021
Advance to staffs	6,109	7,877	3,686
Deferred listing expenses	—	—	2,348
Prepaid land lease payment to be amortized within one year	1,827	3,940	4,640
Other receivable	190	315	985
Sub-total	49,397	19,330	22,216
Non-Current			
Prepayment for property, plant and equipment	823	1,961	3,265
Prepayment for land lease payment	33,862	—	—
Sub-total	34,685	1,961	3,265
Total	84,082	21,291	25,481

The current portion of the repayments, deposits and other receivables decreased by 60.9% from RMB49.4 million as of December 31, 2015 to RMB19.3 million as of December 31, 2016, primarily because the refundable deposit for the purchase of land use rights was repaid in 2016. The current portion of the repayments, deposits and other receivables increased by 14.9% from RMB19.3 million as of December 31, 2016 to RMB22.2 million as of December 31, 2017, primarily because (i) we recorded an increase in other deposits primarily due to a RMB3.6 million deposit we made to the local government as a guarantee towards the payment of construction workers' wages for the construction project of Ya'an Tianli School, which will be refunded to us after the construction project is completed, during the year ended December 31, 2017, and (ii) we recorded RMB2.3 million of deferred listing expenses in the year ended December 31, 2017.

Available-for-sale Investments

During the Track Record Period, we made investments in available-for-sale investments. These available-for-sale investments include investments in short-term wealth management products issued by licensed financial institutions in the PRC, which typically mature within 34 days and have coupon rates ranging from 1.6% to 4.3% per annum. The underlying investments of these wealth management products we invested in during the Track Record Period primarily consisted of (i) highly liquid assets, including, but not limited to, PRC government bonds, financial bonds, corporate bonds, enterprise bonds, short-term financing instruments, medium-term notes and other high credit rating debt instruments, bank deposits, money market funds and currency funds; (ii) credit assets, such as credit-based trust products; (iii) equity-related assets, including, but not limited to, equity investment trusts; and (iv) various types of asset management plans, or a combination of any of the foregoing.

These wealth management products are not principal-protected. They have different risk levels, ranging from relatively low-risk to medium-risk, depending on the types and percentages of the underlying assets in a particular investment portfolio. According to the product description of these wealth management products issued by the respective licensed financial institutions, the investment allocation decisions of these unlisted funds are generally made by the licensed financial institutions on a discretionary basis. We made investments in these wealth management products primarily for the purposes of gaining higher short-term investment returns than fixed rate returns from cash deposits at banks.

Our Treasury and Investment Policy

During the Track Record Period, we managed our surplus cash mainly through investing in short-term (less than one year) financial products issued by the licensed financial institutions that we believe have relatively low risks and offer better returns than cash deposits at licensed commercial banks in the PRC. Accordingly, we have adopted and implemented treasury and investment measures that govern our investments in such financial assets. These measures include, among other things, the following:

- investments in available-for-sale investments shall be made when we have surplus cash which will not impact our normal operations and investment demands;

- we only purchase products issued by licensed financial institutions. We mainly purchase financial products issued by the large state-owned licensed commercial banks in China, including Agricultural Bank of China, China Construction Bank, Bank of China, China CITIC Bank and Industrial and Commercial Bank of China during the Track Record Period;

- the types of investments shall be low-to medium-risk wealth management products. We evaluate the risks associated with the underlying financial instruments based on the risk classification provided by the issuing financial institutions;

- our treasury center shall consider the criteria of the investments, which include, but are not limited to, liquidity, risk and expected return, to form an investment plan for our chief financial officer to review and approve. During the Track Record Period, we primarily considered investing in low-to-medium-risk wealth management products that provide reasonable returns while allowing us to maintain an adequate level of liquidity;

- our risk management and internal control center shall supervise and audit our wealth management products investments quarterly, by reviewing, among others, all relevant information relating to the risks and risk management of our Company which includes historical data and forecast estimates handling and approval of the wealth management products, the use of funds and the performance of purchased wealth management products. Our risk management and internal control center will supervise and urge the treasury center to take actions as necessary; and

- investments shall generally be short term (less than one year) in order to maintain our liquidity and financial flexibility.

In order to further reduce risks associated with our available-for-sale investments described above, we may update our treasury and investment policy from time to time in accordance with the development of our Group and the macroeconomic environment in the PRC.

Risk Management Policies and Internal Control Measures

To better detect and manage the risks we are exposed to in our operations, we have established and implemented a risk management policy, according to which the work procedures of risk management generally include (i) collection of initial information of risk management, (ii) identification and evaluation of risks, (iii) preparation of solutions responding to various risks, and (iv) supervision and improvement of our risk management framework.

Our treasury center is mainly responsible for (i) identification and evaluation of financial and operational risks, including the risks involved in our investment in available-for-sale investments, (ii) provision of relevant risk analyses to our risk management and internal control center, (iii) preparation of solutions responding to the financial and operational risks, and (iv) coordination of implementation of such plans. The treasury center shall seek the chief financial officer's approval on the risk identification and evaluation results and the solutions before moving on to the next step. The chief executive officer will evaluate the performance of risk management measures regularly. Our treasury center will also review the fair value of our available-for-sale investments to monitor its fluctuation (if any) on monthly basis.

Our risk management and internal control center is chiefly responsible for (i) identification of the risks of our Group, (ii) implementation of the risk evaluation systems including monitoring, analyzing and controlling the risks in our operations, (iii) collection of relevant information relating to risks from various departments and schools, and (iv) presentation of a summary of such risks to our chief executive officer and our Board.

Once the risks are properly identified and analyzed, appropriate risk management measures to avoid risks, accept risks, mitigate risks or diversify risks will be implemented.

In order to strictly adhere to our treasury and investment policies, we have established and implemented a set of internal control procedures relating to our available-for-sale investments during the Track Record Period. The following sets forth the detailed internal control procedures:

- all of our employees responsible for handling our investments in wealth management products shall comply with our confidentiality policy, under which no information relating to the investments may be disclosed without a prior approval;

- the responsibility of approval, and operation and risk management relating to our investment in wealth management products are separated and borne by employees belonging to different function departments. Our audit department is responsible for supervision of such separation of functions and no cross-function interference is allowed;

- our treasury center shall keep records of relevant documents, such as investment agreements and clearing documents, for any future inspections. Clearing shall be made promptly in compliance with the terms of the investment agreements;

- our treasury center shall closely monitor the underlying investments of the wealth management products we purchase, and report to our chief financial officer and our risk management and audit center within 24 hours after an adverse factor or material uncertain factor lying in any of the products is discovered. Our chief financial officer and risk management and internal control center shall respond to such risk immediately, and, when necessary, such proposition shall be escalated to the chairman who will in turn present it to our Board to review and decide;

- all of our business units, subsidiaries and schools must report their investments in available-for-sale investments to their respective finance managers who will in turn report to our chief financial officer. They will monitor the maturity date of the available-for-sale investments and report to our chief financial officer regarding the actual investment income to be received as of the maturity date based on the initial investment recommendation and whether the actual investment income is in line with the expected investment income;

- our risk management and internal control center will review the results of risk management measures, conduct supervision evaluation, and prepare supervision evaluation reports from time to time, which will be directly submitted to our chief executive officer and our Board;

- no investment can be made without the express authorization from our chief financial officer; and

- such policies apply to all the self-owned schools in our school network.

During the Track Record Period, we used surplus cash to purchase financial products that in our view allow us more flexibility in the management of our cash flow and liquidity while providing higher investment returns than commercial bank savings deposit yields. We have not borrowed any bank loans or made other borrowings for the purposes of our investments in financial products during the Track Record Period, and we expect to continue to use only our surplus cash to invest in low-risk and short-to medium term financial products, and will not borrow any bank loans or make other borrowings for our investments in such financial products.

Other Payables and Accruals

Other payables and accruals primarily consist of payables for the purchase of property, plant and equipment to third parties, miscellaneous expenses advanced from students and accrued bonuses and other employee benefits. Miscellaneous expenses advanced from students primarily represent advances received from students for purchasing school uniforms and textbooks. Accrued bonuses and other employee benefits primarily represent unpaid bonuses to teachers and provisions we made for the non-compliance with the requirement to make full contributions to the social insurance plans and the housing provident fund for our employees. See the section headed "Business — Legal Proceedings and Compliance" in this prospectus for more information. Our teachers' bonuses for each school year are paid by the end of the calendar year in which such school year ends. Deposits primarily represent (i) deposits received from contractors participating in the tender process for the construction of our self-owned schools, and (ii) retention money we withhold from contractors to cover any contingent expenses as a result of any construction defects during the warranty period, the unused portion of which will be paid to the contractors after the warranty period ends.

The following table sets forth a breakdown of our other payables and accruals as of the dates indicated.

	As of December 31,		
	2015	2016	2017
		(RMB'000)	
Payables for purchase of property, plant and equipment	67,112	35,440	54,500
Miscellaneous expenses advanced from students	10,859	14,483	29,577
Accrued bonuses and other employee benefits	36,820	48,171	67,374
Collection of advances on behalf of a related party	30,916	—	—
Deposit	14,171	8,109	6,843
Interest payable	1,566	1,852	230
Other payables and accrued expenses	4,595	6,576	8,000
Total	166,039	114,631	166,524

Other payables and accruals decreased by 31.0% from RMB166.0 million as of December 31, 2015 to RMB114.6 million as of December 31, 2016, primarily attributable to (i) a decrease in payables for purchase of property, plant and equipment as we engaged more related parties for the construction of our new schools, and (ii) a full repayment of collection of advances on behalf of Tianli Holding. Other payables and accruals increased by 45.3% from RMB114.6 million as of December 31, 2016 to RMB166.5 million as of December 31, 2017, primarily attributable to (i) an increase in payables for the purchase of property, plant and equipment for the construction of Xichang Tianli (International) School and Ya'an Tianli School in the year ended December 31, 2017, (ii) an increase in miscellaneous expenses advanced from students as we received large amounts of advanced payments in the beginning of the 2017/2018 school year, and (iii) an increase in accrued bonuses and other employee benefits as the number of our employees increased because we opened Ya'an Tianli School and Cangxi Tianli School in 2017, while we expect to increase bonuses to our employees due to our satisfactory overall performance in 2017.

Deferred Revenue

Deferred revenue primarily consists of tuition fees, boarding fees and canteen fees that we have received but are yet to be recognized. The following table sets forth a breakdown of our deferred revenue as of the dates indicated.

	As of December 31,		
	2015	2016	2017
		(RMB'000)	
Tuition fees	109,257	180,901	277,935
Boarding fees	2,814	8,887	7,245
Canteen operation fees	3,240	7,805	10,913
Management and franchise fees	—	466	—
Others	1,430	1,105	473
Total	116,741	199,164	296,566
Current Portion	116,741	185,686	242,092
Non-current Portion	—	13,478	54,474
	116,741	199,164	296,566

Our deferred revenue increased by 70.6% from RMB116.7 million as of December 31, 2015 to RMB199.2 million as of December 31, 2016, primarily due to increased student enrollment. Our deferred revenue increased by 48.9% from RMB199.2 million as of December 31, 2016 to RMB296.6 million as of December 31, 2017, primarily because we received large amounts of advanced payments of tuition and boarding fees in the beginning of the 2017/2018 school year, and to a lesser extent attributable to increased student enrollment.

Deferred Income

Deferred income balances represent government grants related to salaries and wages arising from teaching activities at some of our self-owned K-12 schools that have been received but are yet to be applied against our labor costs. The following table sets forth certain details about our deferred revenue during the Track Record Period.

	As of December 31,		
	2015	2016	2017
		(RMB'000)	
Government grants related to expense items			
At the beginning of the year	58,667	80,440	83,047
Government grants received	40,471	30,000	80,407
Released to profit and loss	(18,698)	(27,393)	(70,310)
At the end of the year	80,440	83,047	93,144
Current	24,000	34,000	57,241
Non-current	56,440	49,047	35,903
Total	80,440	83,047	93,144

Other Key Item

Goodwill

Goodwill represents goodwill acquired through business combination. Our goodwill was nil, nil and RMB7.57 million as of December 31, 2015, 2016 and 2017, respectively. The significant increase in our goodwill from December 31, 2016 to December 31, 2017 was due to goodwill of RMB7.57 million arising from our acquisition of Chengdu Wuhou District Kinderworld Kindergarten in 2017.

Goodwill from business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the fair value of the identifiable net assets acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. We perform annual impairment test of goodwill as of December 31. For the purpose of the impairment test, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of our Group are assigned to those units or groups of units.

The sensitivity on the key assumptions which are most sensitive in the recoverable amount (i.e., value in use) calculation and the headroom on the impairment of goodwill of Chengdu Wuhou District Kinderworld Kindergarten cash-generating unit are as follows:

	Recoverable amount RMB'000	Carrying amount RMB'000	Headroom RMB'000
Pre-tax discount rate increase by:			
0% (base case)	35,641	9,497	26,144
5%	33,962	9,497	24,465
10%	32,467	9,497	22,970
15%	31,126	9,497	21,629
Revenue growth rate decrease by:			
0% (base case)	35,641	9,497	26,144
5%	35,422	9,497	25,925
10%	35,203	9,497	25,706
15%	34,984	9,497	25,487
EBIT (% of growth rate) decrease by:			
0% (base case)	35,641	9,497	26,144
5%	34,220	9,497	24,723
10%	32,800	9,497	23,303
15%	31,379	9,497	21,882

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash are to fund our working capital requirements, our purchase of property, plant and equipment and land use rights, and to repay loans and related interest expenses. During the Track Record Period and up to the Latest Practicable Date, we have funded our operations principally with cash generated from our operations and bank loans and other borrowings. The following table sets forth a summary of our cash flows for the periods indicated.

	Year ended December 31,		
	2015	2016	2017
	(RMB'000)		
Net cash inflow from operating activities	1,554	198,204	326,874
Net cash outflow from investing activities	(254,285)	(112,843)	(420,257)
Net cash inflow from financing activities	258,910	208,243	81,271
Net increase/(decrease) in cash and cash equivalents	6,179	293,604	(12,112)
Cash and cash equivalents at beginning of the year	25,868	32,047	325,651
Cash and cash equivalents at end of the year	32,047	325,651	313,539

Operating Activities

Our cash inflow from operating activities primarily comprises tuition fees, boarding fees and canteen operation fees. Our cash outflow from operating activities primarily comprises payments for labor costs, material consumption and administrative expenses.

For the year ended December 31, 2017, our net cash inflow from operating activities was RMB326.9 million, consisting of RMB113.7 million of cash generated from operating activities before working capital adjustments and RMB213.2 million of positive net working capital adjustments. Our positive net working capital adjustments for the year ended December 31, 2017 were primarily attributable to (i) a RMB92.0 million increase in deferred revenue, primarily attributable to increased student enrollment, and (ii) receipt of RMB80.4 million of government grants.

For the year ended December 31, 2016, our net cash inflow from operating activities was RMB198.2 million, consisting of RMB51.4 million of cash generated from operating activities before working capital adjustments and RMB146.8 million of positive net working capital adjustments. Our positive net working capital adjustments for the year ended December 31, 2016 were primarily attributable to (i) a RMB57.4 million decrease in amounts due from related parties, primarily because Guangyuan Tianjiao and Yibin Tianrui settled substantially all of their amounts due to us in 2016, (ii) a RMB82.4 million increase in deferred revenue, primarily due to increased student enrollment, and (iii) receipt of RMB30.0 million of government grants.

For the year ended December 31, 2015, our net cash inflow from operating activities was RMB1.6 million, consisting of RMB8.9 million of cash generated from operating activities that was partially offset by RMB7.3 million of negative net working capital adjustments. Our negative net working capital adjustments for the year ended December 31, 2015 were primarily attributable to a RMB119.6 million increase in amounts due from related parties, primarily because (i) upon our disposal of Guangyuan Tianjiao to Yibin Tianrui in 2015, we recorded substantial amounts due from Guangyuan Tianjiao, which were subject to intercompany elimination before such disposal, and (ii) we extended credits to Affiliated Kindergarten of Luzhou Tianli School in 2015 to fund its working capital, partially offset by (i) a RMB47.3 million increase in deferred revenue, primarily due to increased student enrollment, and (ii) receipt of RMB40.5 million of government grants.

Investing Activities

Our cash flows from and used in investing activities were primarily related to purchases of property, plant and equipment, purchase of land use rights, and purchase and sale of available-for-sale investments.

For the year ended December 31, 2017, our net cash used in investing activities was RMB420.3 million, primarily attributable to (i) payments of RMB6,512.7 million for the purchase of available-for-sale investments, (ii) payments of RMB404.5 million for the purchase of property, plant and equipment, primarily in connection with the construction of our new self-owned K-12 schools, (iii) a RMB27.9 million increase in pledged deposits to secure our bank loans and bank notes, and (iv) payments of RMB24.0 million for the purchase of land use rights in connection with our new self-owned K-12 schools, partially offset by proceeds of RMB6,548.4 million from the disposal of available-for-sale investments and proceeds of RMB3.8 million from the interest received of bank deposits.

For year ended December 31, 2016, our net cash used in investing activities was RMB112.8 million, primarily attributable to (i) payments of RMB518.8 million for the purchase of available-for-sale investments, (ii) payments of RMB184.4 million for the purchase of property, plant and equipment, primarily in connection with the construction of our new self-owned K-12 schools, and (iii) payments of RMB82.9 million for the purchase of land use rights in connection with our new self-owned K-12 schools, partially offset by (i) proceeds of RMB475.0 million from the disposal of available-for-sale investments, (ii) RMB109.9 million of advances and loans to related parties, primarily comprising loans to Tianli Holding, (iii) RMB53.4 million of interest received on our loans to Tianli Holding and our bank deposits, and (iv) RMB35.0 million of refund of deposit for the purchase of land use rights.

For year ended December 31, 2015, our net cash used in investing activities was RMB254.3 million, primarily attributable to (i) payments of RMB1,348.6 million for the purchase of available-for-sale investments, (ii) payments of RMB287.4 million for the purchase of property, plant and equipment, primarily in connection with the construction of our new self-owned K-12 schools, (iii) a deposit of RMB35.0 million paid for the purchase of land uses rights, and (iv) payments of RMB23.9 million for the purchase of land use rights in connection with our new self-owned K-12 schools, partially offset by (i) proceeds of RMB1,350.3 million from the disposal of available-for-sale investments, and (ii) RMB89.4 million of advances and loans to related parties, primarily comprising loans to Tianli Holding.

Financing Activities

Our cash flows from and used in financing activities were primarily related to proceeds from, repayment of, and interests paid on bank loans and capital contribution from shareholders.

For the year ended December 31, 2017, our net cash from financing activities was RMB81.3 million, primarily attributable to (i) RMB281.0 million of proceeds from bank loans to fund our expansion and our working capital, and (ii) RMB142.3 million of capital contribution in connection with the Restricted Share Award Scheme, partially offset by (i) repayment of RMB301.7 million of bank loans, and (ii) RMB41.5 million of interest paid, primarily in connection with our bank loans.

Our net cash from financing activities was RMB208.2 million for year ended December 31, 2016, primarily attributable to RMB320.0 million of proceeds from bank loans to fund our expansion and our working capital, partially offset by (i) repayment of RMB83.5 million of bank loans, and (ii) RMB29.8 million of interest paid, primarily in connection with our bank loans.

Our net cash from financing activities was RMB258.9 million for year ended December 31, 2015, primarily attributable to (i) RMB190.0 million of proceeds from bank loans to fund our expansion and our working capital, and (ii) RMB99.3 million of capital contribution from the then shareholders of Tianli Education, partially offset by (i) repayment of RMB18.0 million of bank loans, and (ii) RMB12.2 million of interest paid, primarily in connection with our bank loans.

Working Capital

As of December 31, 2015, 2016 and 2017, we had cash and cash equivalents of RMB32.0 million, RMB325.7 million and RMB313.5 million, respectively, which primarily consisted of cash from advanced payment of tuition fees and boarding fees. Our cash and cash equivalents increased significantly in 2016 primarily due to (i) substantial amounts of repayment we received from Tianli Holding and Guangyuan Tianjiao to settle their amounts due to us, (ii) proceeds from additional bank loans that we borrowed, and (iii) an increase in advanced payment of tuition fees and boarding fees as a result of increased student enrollment. In the future, we expect to finance our working capital with a combination of cash flows generated from our operating activities, bank loans, net proceeds from the Global Offering and other funds raised from the capital markets from time to time.

We recorded net current liabilities of RMB191.8 million, RMB196.1 million, RMB265.3 million and RMB255.1 million as of December 31, 2015, 2016 and 2017 and March 31, 2018, respectively. To improve our working capital and liquidity position, we have in place internal policy under which we prepare annual projections in relation to cash inflows and outflows on the group level. In particular, we monitor the cash inflows and outflows of each of our PRC Operating Schools on a monthly basis. Despite such net current liabilities, our Directors, after due and careful inquiry, are satisfied that we have sufficient working capital to meet our present and future cash requirements for at least the next twelve months from the date of this prospectus after taking into account (i) the estimated net proceeds of the Global Offering (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range); (ii) cash flow generated from our operations; (iii) existing bank facilities and the fact that we have been able to obtain financing facilities during the Track Record Period; (iv) internal control measures adopted by us as aforementioned; and (v) we have been accumulating net profits since the beginning of the Track Record Period. Based on the above financial resources available to us, the Sponsor concurs with the view of our Directors. However, we cannot assure you that we will not experience liquidity problems in future, please see the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — We recorded net current liabilities as of December 31, 2015, 2016 and 2017, and we may record net current liabilities in the future" in this prospectus.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily related to the construction of new self-owned schools, the maintenance and upgrade of our existing self-owned schools, and the purchase of additional educational facilities and equipment for our self-owned schools. Our capital expenditures for the years ended December 31, 2015, 2016 and 2017 were RMB395.5 million, RMB365.6 million, and RMB347.7 million, respectively.

The following table sets forth a breakdown of our historical capital expenditures for the periods indicated.

	Year ended December 31,		
	2015	2016	2017
	(RMB'000)		
Property, plant and equipment	395,476	248,861	323,665
Prepaid land lease payments	—	116,765	23,989
Total	395,476	365,626	347,654

We expect to incur approximately RMB314.3 million in capital expenditures in 2018 primarily for the construction of schools, which we expect to fund primarily through cash generated from operations, bank facilities, and net proceeds to be received from the Global Offering. Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, results of operations and financial condition, our business plans, the market conditions and various other factors we believe to be appropriate.

CONTRACTUAL COMMITMENTS

Operating Leases

As lessor

We leased out certain properties under operating lease arrangement, with leases negotiated for terms ranging from one to five years. The terms of the leases generally require us to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As of the dates indicated below, we had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As of December 31,		
	2015	2016	2017
	(RMB'000)		
Within one year	382	304	767
After one year but within five years	430	184	1,430
Total	812	488	2,197

As lessee

We leased certain office properties and office equipment from third parties under operating lease arrangements, with leases negotiated for terms ranging from 6 months to 19 years. As of the dates indicated below, we had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As of December 31,		
	2015	2016	2017
	(RMB'000)		
Within one year	505	1,492	2,911
After one year but within five years	237	5,083	8,062
After five years	—	8,189	7,852
Total	742	14,764	18,825

Capital Commitments

Our capital commitments primarily relate to the construction of new schools and the improvement of our existing schools. The following table sets forth a summary of our capital commitments as of the dates indicated.

	As of December 31,		
	2015	2016	2017
	(RMB'000)		
Contracted but not provided for:			
Property, plant and equipment	120,110	162,996	111,094

INDEBTEDNESS

Our indebtedness exclusively consists of bank loans and other borrowings, including short-term working capital loans and long-term borrowings primarily used to fund our business expansions. Our bank loans as of December 31, 2015, 2016 and 2017 and May 31, 2018, being the latest practicable date for the purpose of the indebtedness statement, were RMB246.5 million, RMB483.0 million, RMB462.3 million and RMB543.0 million, respectively.

The following table sets out our bank loans as of the dates indicated.

	As of December 31,			As of May 31,
	2015	2016	2017	2018
	(RMB'000)			
				(unaudited)
Bank loans repayable:				
Within one year	83,500	101,900	137,300	155,906
In the second year	72,000	126,100	96,000	103,201
In the third to fifth year, inclusive	91,000	255,000	229,000	283,860
Total	246,500	483,000	462,300	542,967

As of December 31, 2017, we had one interest-bearing short-term bank loan and four interest-bearing long-term bank loans, all of which were secured and/or guaranteed. The effective interest rate of our bank loans as of December 31, 2017 ranged from 5.22% to 9.00%. As of May 31, 2018, we had one interest-bearing short-term bank loans and five interest-bearing long-term loans, all of which were secured and/or guaranteed. The effective interest rate of our bank loans as of May 31, 2018 ranged from 4.75% to 9.00%. For more information on the effective interest rates and maturity of our bank loans during the Track Record Period, see note 25 to the Accountants' Report in Appendix I to this prospectus. Some of our outstanding bank loans as of December 31, 2017 and May 31, 2018 are secured by our bank deposits, land and building owned by our related parties, equity interests in some of our subsidiaries, and rights over tuition or boarding fees of some of our self-owned schools. In addition, some of our outstanding bank loans as of December 31, 2017 and May 31, 2018 are guaranteed by our related parties, including Tianli Holding, Tianli Real Estate and Mr. Luo. See note 25 to the Accountants' Report in Appendix I to this prospectus for details of guarantees and/or securities provided to our Group in connection with certain of our bank loans during the Track Record Period. Guarantees and/or securities provided by our related parties and Mr. Luo will be replaced by guarantee by Tibet Yongsi and Tianli Education upon Listing.

We entered into an entrusted loan agreement with Far East Horizon Ltd (遠東宏信(天津)融資租賃有限公司) and Shanghai Huarui Bank (上海華瑞銀行) in March 2018. Under the loan agreement, Far East Horizon Ltd has agreed to, through Shanghai Huarui Bank, grant us a bank facility up to RMB29.6 million at an interest rate of 4.75% per annum to supplement our working capital. The loan is secured by a deposit and guaranteed by Tianli Education, and has a term of three years after the first drawdown. As of the Latest Practicable Date, the aforementioned banking facility had been fully utilized. As such, we did not have any unutilized bank facilities as of the Latest Practicable Date.

Our Directors confirm that as of the Latest Practicable Date, our loan agreements did not contain any covenant that would have a material adverse effect on our ability to incur additional borrowings or issue debt or equity securities in the future. Our Directors confirm that as of the Latest Practicable Date, the covenants contained in our loan agreements generally require us to seek prior written consent by or send prior written notice to the banks before any material increase in our indebtedness or any merger/division/equity transfer. Our Directors confirm that as of the Latest Practicable Date, there were no financial ratio or profitability requirements that we are required to meet pursuant to the loan agreements. Our Directors further confirm that there were no material defaults in our bank loans, nor did we breach any covenants during the Track Record Period and up to the Latest Practicable Date. In addition, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulty in obtaining credit facilities, any withdrawal of credit facilities or any request for early repayment under our loan agreements.

Save as otherwise disclosed under the sections headed "Financial Information — Indebtedness" and "Financial Information — Contractual Commitments", we did not have any outstanding loan, capital issued or agreed to be issued, debt securities, mortgages, charges, debentures, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase commitments or other contingent liabilities as of the Latest Practicable Date. As of the same date, our Directors confirm that we had not guaranteed the indebtedness of any Independent Third Party.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Save as disclosed in the sections headed "Business — Legal Proceedings and Compliance", "Financial Information — Indebtedness" and "Financial Information — Contractual Commitments" in this prospectus, we did not have any material contingent liabilities, guarantees or any litigation or claims of material importance, pending or threatened against any member of our Group. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. We do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging with us.

RELATED PARTY TRANSACTIONS

Outstanding Balances with Related Parties

The following tables set forth our outstanding balances with related parties as of the dates indicated.

(1) *Amounts due from related parties*

	As of December 31,		
	2015	2016	2017
		(RMB'000)	
Trade			
Affiliated Kindergarten of Luzhou Tianli School[2]	186	402	580
Non-trade			
Tianli Holding[1]	127,567	—	—
Guangyuan Tianjiao	62,283	707	—
Nanyuan Construction	—	3,531	—
Luzhou Xingnanyang	6,906	6,906	—
Luzhou Tianli Property Management Co., Ltd. ("**Luzhou Tianli Property**")	20	20	20
Affiliated Kindergarten of Luzhou Tianli School[2]	13,040	4,670	4,665
Sichuan Kangning	6,409	6,409	—
Sichuan Shengzhong Energy Saving Technology Co., Ltd. ("**Sichuan Shengzhong**")	—	175	—
Tianli Real Estate	11	11	—
Sichuan Tianyu Zhiyuan Technology Co., Ltd. ("**Sichuan Tianyu Zhiyuan**")	—	453	—
Sichuan Jinchen Construction Engineering Co., Ltd. ("**Sichuan Jinchen**")	—	—	584
Sichuan Shenzhou Tianyu Technology Co., Ltd. ("**Shenzhou Tianyu**")	—	—	426
Yibin Tianrui	23,149	—	—
	239,385	22,882	5,695
Total	239,571	23,284	6,275

Notes:

(1) The amount due from Tianli Holding was unsecured, bore interest at a rate of 15% per annum and was fully repaid in 2016.

(2) The amount due from Affiliated Kindergarten of Luzhou Tianli School included management fees receivable for the provision of kindergarten management services provided by us, which amounted to RMB186,000, RMB402,000 and RMB580,000 as of December 31, 2015, 2016 and 2017, respectively. The remaining balances were interest-free advances granted to Affiliated Kindergarten of Luzhou Tianli School, which were unsecured, interest-free and had no fixed term of repayment.

Except for the amounts due from Tianli Holding as disclosed in note (1) above, other amounts due from related parties were unsecured, interest-free and had no fixed terms of repayments.

(2) *Amounts due to related parties*

	As of December 31,		
	2015	2016	2017
	(RMB'000)		
Trade			
Tianli Real Estate	610	680	—
Gulin Tianli Shengzhong Industry Co., Ltd. ("**Gulin Shengzhong**")	—	241	—
	610	921	—
Non-trade			
Guangyuan Tianjiao	—	4,800	—
Nanyuan Construction	—	95,276	23,489
Neijiang Tianrui	41,029	—	—
Sichuan Jinchen	76,759	63,684	5,694
Shenzhou Tianyu	—	—	1,116
Sichuan Shengzhong	683	213	584
Sichuan Tianyu Zhiyuan	871	1,117	840
Yibin Tianrui	3,358	3,747	—
	122,700	168,837	31,723
Total	123,310	169,758	31,723

All of the above amounts due to related parties were unsecured, interest-free and had no fixed terms of repayments. The non-trade amounts due from and due to related parties will be settled before the Listing.

Transaction with Related Parties

The following tables set forth our material related party transactions during the Track Record Period.

(1) ***Construction of property, plant and equipment***

	Year ended December 31,		
	2015	2016	2017
		(RMB'000)	
Nanyuan Construction	37,500	181,293	137,851
Sichuan Jinchen	138,809	17,350	41,715
Shenzhou Tianyu	—	—	6,155
Sichuan Shengzhong	1,784	415	—
Sichuan Tianyu Zhiyuan	5,771	1,693	—
Total	183,864	200,751	185,721

(2) ***Rental of properties***

	Year ended December 31,		
	2015	2016	2017
		(RMB'000)	
Gulin Shengzhong	—	241	289
Tianli Real Estate	256	327	566
Total	256	568	855

(3) ***Provision of management services/sales of goods***

	Year ended December 31,		
	2015	2016	2017
		(RMB'000)	
Affiliated Kindergarten of Luzhou Tianli School	617	216	178

(4) ***Details of loans provide to/(repayment of loan from) Tianli Holding:***

	Year ended December 31,		
	2015	2016	2017
		(RMB'000)	
Provision of loans	255,012	548,073	—
Repayment of loans	(320,546)	(657,924)	—
Total	(65,534)	(109,851)	—

(5) *Interest income from*

	Year ended December 31,		
	2015	**2016**	**2017**
		(RMB'000)	
Tianli Holding	11,256	34,833	—

(6) *Disposal of subsidiaries*

	Year ended December 31,		
	2015	**2016**	**2017**
		(RMB'000)	
Yibin Tianrui	100,000	—	1,000

During the Track Record Period, some of our bank loans were secured by the buildings and land owned by certain related parties and/or guaranteed by certain related parties. See the section headed "Financial Information — Indebtedness" and note 25 to the Accountants' Report in Appendix I to this prospectus for more details.

Our Directors believe that each of the related party transactions set out above and in note 34 to the Accountant's Report in Appendix I to this prospectus was conducted in the ordinary course of business on an arm's length basis. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

LISTING EXPENSES

We expect to incur a total of approximately RMB42.4 million of listing expenses (assuming an Offer Price of HK$2.46, being the mid-point of the indicative Offer Price range between HK$2.26 and HK$2.66, and assuming that the Over-allotment Option is not exercised at all) in relation to the Global Offering, of which approximately RMB7.9 million were charged to profit and loss and approximately RMB2.3 million was capitalized during the Track Record Period. With respect to the remaining listing expenses, we expect to charge approximately RMB25.2 million to our profit or loss and to capitalize approximately RMB6.9 million. Listing expenses represent professional fees and other fees incurred in connection with the Global Offering, excluding underwriting commissions and trading levy. The listing expenses above were the best estimate as of the Latest Practicable Date and were for reference only and the actual amount may differ from this estimate.

KEY FINANCIAL RATIOS

The following table sets forth certain financial ratios as of the respective dates:

	Year ended December 31,		
	2015	2016	2017
Gross profit margin[(1)]	26.7%	29.0%	42.3%
Net profit margin[(2)]	8.4%	22.9%	29.1%
Return on assets[(3)]	1.5%	4.6%	7.1%
Return on equity[(4)]	3.8%	13.4%	16.3%
Interest coverage ratio[(5)]	1.9x	4.2x	10.7x

	As of December 31,		
	2015	2016	2017
Current ratio[(6)]	0.6	0.7	0.6
Net debt to equity ratio[(7)]	44.6%	28.3%	17.8%
Gearing ratio[(8)]	51.3%	86.7%	55.3%

Notes:

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

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

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

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

(5) Interest coverage ratio equals profit before interest and tax (less interest income) for the year/period divided by interest expenses for the year/period.

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

(7) Net debt to equity ratio equals total interest-bearing bank loans net of cash and cash equivalents at the end of the year/period divided by total equity at the end of the year/period.

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

Our return on assets increased from 1.5% for the year ended December 31, 2015 to 4.6% for the year ended December 31, 2016, primarily attributable to a significant increase in our net profit from RMB18.2 million for the year ended December 31, 2015 to RMB74.7 million for the year ended December 31, 2016, partially offset by a 32.4% increase in total assets from RMB1,220.8 million as of December 31, 2015 to RMB1,616.8 million as of December 31, 2016, mainly due to the growth of our business. Our return on assets increased from 4.6% for the year ended December 31, 2016 to 7.1% for the year ended December 31, 2017, primarily attributable to a 82.3% increase in net profit from

RMB74.7 million for the year ended December 31, 2016 to RMB136.2 million for the year ended December 31, 2017, partially offset by a 17.9% increase in total assets from RMB1,616.8 million as of December 31, 2016 to RMB1,906.0 million as of December 31, 2017.

Our return on equity increased from 3.8% for the year ended December 31, 2015 to 13.4% for the year ended December 31, 2016, primarily attributable to a significant increase in our net profit from RMB18.2 million for the year ended December 31, 2015 to RMB74.7 million for the year ended December 31, 2016, partially offset by a 15.9% increase in total equity from RMB480.6 million as of December 31, 2015 to RMB556.9 million as of December 31, 2016, mainly because we did not distribute any of our net profit for the year ended December 31, 2016. Our return on equity increased from 13.4% for the year ended December 31, 2016 to 16.3% for the year ended December 31, 2017, primarily attributable to a 82.3% increase in net profit from RMB74.7 million for the year ended December 31, 2016 to RMB136.2 million for the year ended December 31, 2017, partially offset by a 50.2% increase in total equity from RMB556.9 million as of December 31, 2016 to RMB836.6 million as of December 31, 2017.

Our interest coverage ratio increased from 1.9x for the year ended December 31, 2015 to 4.2x for the year ended December 31, 2016, primarily attributable to a 192.6% increase in profit before interest and tax (less finance income) from RMB18.2 million for the year ended December 31, 2015 to RMB53.2 million for the year ended December 31, 2016, partially offset by a 32.9% increase in interest expenses from RMB9.5 million for the year ended December 31, 2015 to RMB12.6 million for the year ended December 31, 2016, mainly because we borrowed additional bank loans in 2016 to fund our working capital. Our interest coverage ratio increased from 4.2x for the year ended December 31, 2016 to 10.7x for the year ended December 31, 2017, primarily attributable to a 182.7% increase in profit before interest and tax (less finance income) from RMB53.2 million for the year ended December 31, 2016 to RMB150.4 million for the year ended December 31, 2017, partially offset by the increase in interest expenses from RMB12.6 million for the year ended December 31, 2016 to RMB14.0 million for the year ended December 31, 2017.

Our current ratio increased from 0.6 as of December 31, 2015 to 0.7 as of December 31, 2016, primarily attributable to a 27.7% increase in our current assets from RMB329.0 million as of December 31, 2015 to RMB420.1 million as of December 31, 2016, mainly due to an increase in cash and cash equivalents, partially offset by a 18.3% increase in our current liabilities from RMB520.8 million as of December 31, 2015 to RMB616.2 million as of December 31, 2016, mainly due to an increase in deferred revenue and an increase in amounts due to related parties. Our current ratio decreased from 0.7 as of December 31, 2016 to 0.6 as of December 31, 2017, primarily attributable to (i) a decrease in total current assets from RMB420.1 million as of December 31, 2016 to RMB388.6 million as of December 31, 2017 which is mainly due to a decrease in amount due from related parties from RMB23.2 million as of December 31, 2016 to RMB6.3 million as of December 31, 2017, and a decrease in available-for-sale investments from RMB50.0 million as of December 31, 2016 to RMB14.2 million as of December 31, 2017, and (ii) an increase in total current liabilities from RMB616.2 million as of December 31, 2016 to RMB654.0 million as of December 31, 2017 mainly due to an increase in deferred revenue, other payable and accruals and interest-bearing bank loans partially offset by a decrease in amount due to related parties.

Our net debt to equity ratio decreased from 44.6% as of December 31, 2015 to 28.3% as of December 31, 2016, primarily attributable to (i) a 26.6% decrease in interest-bearing bank loans net of cash and cash equivalents from RMB214.5 million as of December 31, 2015 to RMB157.3 million as of

December 31, 2016, and (ii) a 15.9% increase in total equity from RMB480.6 million as of December 31, 2015 to RMB556.9 million as of December 31, 2016. Our net debt to equity ratio decreased from 28.3% as of December 31, 2016 to 17.8% as of December 31, 2017, primarily attributable to (i) a 5.4% decrease in interest-bearing bank loans net of cash and cash equivalents from RMB157.3 million as of December 31, 2016 to RMB148.8 million as of December 31, 2017, and (ii) a 50.2% increase in total equity from RMB556.9 million as of December 31, 2016 to RMB836.6 million as of December 31, 2017.

Our gearing ratio increased from 51.3% as of December 31, 2015 to 86.7% as of December 31, 2016, primarily attributable to a 95.9% increase in interest-bearing bank loans from RMB246.5 million as of December 31, 2015 to RMB483.0 million as of December 31, 2016, partially offset by a 15.9% increase in total equity from RMB480.6 million as of December 31, 2015 to RMB556.9 million as of December 31, 2016. Our gearing ratio decreased from 86.7% as of December 31, 2016 to 55.3% as of December 31, 2017, primarily due to (i) a 4.3% decrease in interest-bearing bank loans from RMB483.0 million as of December 31, 2016 to RMB462.3 million as of December 31, 2017, and (ii) a 50.2% increase in total equity from RMB556.9 million as of December 31, 2016 to RMB836.6 million as of December 31, 2017.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation. Accordingly, our Company has no reserve available for distribution to the Shareholders as of December 31, 2017.

DIVIDENDS

As of the Latest Practicable Date, we did not have a formal dividend policy. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant (including all the applicable PRC laws and regulations which our schools are required to comply with). Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividends shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board. There is no assurance that dividends of any amount will be declared to be distributed in any year.

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and, particularly, our PRC Operating Entities. Our PRC Operating Entities must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and paying dividends to us. Pursuant to the laws applicable to foreign investment enterprises incorporated in the PRC, our Company's subsidiaries and our PRC Operating Entities in the PRC must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. These reserves include (i) a general reserve and (ii) a development fund. Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. PRC laws and regulations require a private school to make an annual appropriation of no less than 25% of its after-tax income or increase in its net current assets during the year to its development fund. Such appropriations are required to be used for the construction or maintenance of the school or for the procurement or upgrading of educational equipment. The total amount of development fund reserves our schools made during the years ended December 31, 2015, 2016 and 2017 was RMB7.5 million, RMB12.3 million and RMB25.3 million, respectively.

No dividends were declared or distributed during the Track Record Period.

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.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since December 31, 2017 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since December 31, 2017 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this prospectus.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of market risks, including interest rate risk, credit risk and liquidity risk, as set out below. We manage and monitor policies to mitigate each of these risks to ensure appropriate measures are implemented in a timely and effective manner. For further details, including the relevant sensitivity analysis, see note 37 to the Accountants' Report set out in Appendix I to this prospectus.

Interest Rate Risk

Our exposure to the risk of changes in market interest rates relates primarily to our bank loans with floating interest rates. We do not consider that we have any significant exposure to the risk of fluctuation in the interest rate as a reasonable possible change of five basis points in the interest rate would have no significant impact on our profits. As of the Latest Practicable Date, we did not used any interest swaps to hedge our exposure to interest rate risk.

Credit Risk

The credit risk of our financial assets, which comprise cash and cash equivalents, amounts due from related parties, trade receivables, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. Since we offer minimal credit term to third party customers, we do not require collateral. We believe that there are no significant concentrations of credit risk within our Group.

Liquidity Risk

As of December 31, 2015, 2016 and 2017, we recorded net current liabilities of RMB191.8 million, RMB196.1 million and RMB265.3 million, respectively. In view of our net current liabilities position, our Directors' have given careful consideration to our future liquidity and performance and our available sources of finance in assessing whether we will have sufficient financial resources to continue as a going concern. Having considered our cash flows from operations and our positive operating results, our Directors are of the opinion that we are able to meet in full our financial obligations as they fall due for the foreseeable future and accordingly, our financial statements have been prepared on a going concern basis.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted consolidated net tangible assets which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on December 31, 2017. This statement of unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of December 31, 2017 or at any future dates.

The following is an illustrative pro forma statement of our adjusted net tangible assets which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on December 31, 2017.

This pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our net tangible assets (liabilities) attributable to the owners of the Company as of December 31, 2017 or at any future dates following the Global Offering.

	Consolidated net tangible assets attributable to the equity owners of the Company as of December 31, 2017(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted Consolidated net tangible assets	Unaudited pro forma adjusted Consolidated net tangible assets per Share as of December 31, 2017(3)	
	(RMB'000)	(RMB'000)	(RMB'000)	RMB	HK$
Based on an Offer Price of HK$2.04 per Offer Share, after a Downward Offer Price Adjustment of 10% . . .	804,759	777,082	1,581,841	0.79	0.96
Based on an Offer Price of HK$2.26 per Offer share . . .	804,759	864,598	1,669,357	0.83	1.01
Based on an Offer Price of HK$2.66 per Offer share . . .	804,759	1,023,719	1,828,478	0.91	1.11

(1) The consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2017 is based on the audited Consolidated net assets of the Group attributable to owners of the Company of RMB812,340,000 after deducting intangible assets of RMB9,000 and goodwill of RMB7,572,000 as of December 31, 2017 as shown in the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 500,000,000 Offer Shares of an indicative Offer Prices of HK$2.66 and HK$2.26 per Offer Share, and also based on an Offer Price of HK$2.04 per Offer Share after making a Downward Offer Price Adjustment of 10%, respectively (after deducting the underwriting fees and other related expenses), and takes no account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates. The estimated net proceeds are converted into Renminbi at the rate of HK$1=RMB0.82282. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at the rate or at any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets as of December 31, 2017 per Share is arrived at after the adjustments referred to in note 2 in the preceding paragraph and on the basis that 2,000,000,000 Shares were in issue assuming the Global Offering and the Capitalization Issue had been completed on December 31, 2017. It takes no account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates.

(4) No adjustment has been made to the pro forma adjusted net tangible assets of the Group attributable to owners of the Company as of December 31, 2017 to reflect any trading result or other transaction of the Group entered into subsequent to December 31, 2017.

PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, valued our property interest as of March 31, 2018. The text of the valuation report, valuation summary and valuation certificates are set out in Appendix III to this prospectus.

The table below sets forth the reconciliation of the aggregate amount of the net book value of our selective property interests from the consolidated financial information as of December 31, 2017 to the valuation of selective property interests as of March 31, 2018:

	(RMB'000)
Net book value of the following properties as of December 31, 2017:	
— Building and construction in progress included in property, plant and equipment	1,183,940
— Prepaid lease payments	210,923
Additions: additions (unaudited)	—
Less: Buildings and lease payment located on collective owned land without commercial value	(1,010,640)
Less: Depreciation for the three months ended March 31, 2018 (unaudited)	(6,310)
	377,913
Valuation surplus	131,347
Valuation as of March 31, 2018 as set out in Appendix III to this prospectus	509,260

The following table sets out information concerning our Directors and senior management:

DIRECTORS

Name	Age	Current Position	Date of appointment/ designation	Date of joining our Group	Roles and Responsibilities
Mr. LUO Shi (羅實)	45	Chairman of the Board, executive Director and chief executive officer	January 31, 2018	April 1994	Strategic development, overall operational management and major decision making
Ms. YANG Zhaotao (楊昭濤)	46	Executive Director, deputy general principal of the Group and principal of Chengdu District	January 31, 2018	January 2014	Overall administrative management and external affairs
Mr. WANG Rui (王銳)	36	Executive Director, chief financial officer and joint company secretary	January 31, 2018	March 2015	Overseeing financial operations and compliance matters of the Group
Mr. TIAN Mu (田畝)	57	Non-executive Director	January 31, 2018	September 2013	Strategic development of the Group and providing advice on the operation and management of teaching activities
Mr. LIU Kai Yu Kenneth (廖啟宇)	48	Independent non-executive Director	June 24, 2018	June 24, 2018	Supervising and providing independent judgement to the Board
Mr. YANG Dong (楊東)	55	Independent non-executive Director	June 24, 2018	June 24, 2018	Supervising and providing independent judgement to the Board
Mr. CHENG Yiqun (程益群)	48	Independent non-executive Director	June 24, 2018	June 24, 2018	Supervising and providing independent judgement to the Board

SENIOR MANAGEMENT

Name	Age	Current Position	Date of appointment	Date of joining our Group	Roles and Responsibilities
Mr. GUO Gang (郭剛)	60	deputy general principal of the Group and director of teaching management centre	January 31, 2018	August 2014	Supervising centralized management of teaching activities and operation of our schools in our school network

BOARD OF DIRECTORS

The Board consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The functions and duties of the Board include convening shareholders' meetings, reporting on the Board's work at these meetings, implementing the resolutions passed in these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of share capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association.

Executive Directors

Mr. LUO Shi (羅實), aged 45, is the founder of our Group. He was appointed as a director of our Company on January 24, 2017 and designated and appointed as the chairman of the Board and an executive Director of our Company on January 31, 2018. Mr. Luo has been the chief executive officer and chairman of Tianli Education since September 2013. Mr. Luo has over 15 years of experience in the education industry. He has been the chairman of the board and president of Tianli Holding since March 2004, responsible for strategic development, overall operational management and major decision making. Prior to that, he was the founder, chairman of the board and president of Sichuan Tianli Properties Development Co., Ltd. (四川天立房地產開發有限公司) from April 1994 and March 2004, responsible for strategic development, overall operational management and major decision making. Mr. Luo has been the vice-chairman of Chinese Young Entrepreneurs Association since November 2014 and was a representative of the twelfth People's Congress of Sichuan Province. Mr. Luo did not hold any directorship in any listed companies during the last three years.

Mr. Luo obtained a master's degree in business administration from University of Electronic Science and Technology of China (電子科技大學) in June 2005. Mr. Luo completed the CEO Program of Cheung Kong Graduate School of Business in November 2015 and is a doctoral candidate of the doctoral program in management jointly offered by University of Electronic Science and Technology of China and ISCTE — University Institute of Lisbon. Mr. Luo has been a special research fellow of China Academy of Management Science (中國管理科學研究院) since March 2017. He also obtained a professional title of Economist granted by Luzhou Municipal Professional Titles Reform Leading Group (瀘州市職稱改革工作領導小組) in September 2000.

Ms. Yang Zhaotao (楊昭濤), aged 46, has been an executive Director since January 31, 2018, and deputy general principal of the Group and principal of Chengdu District since January 1, 2014. Prior to joining our Group, Ms. Yang was the general manager of Chengdu Golden Apple Education Investment Co., Ltd. (成都金蘋果教育投資有限責任公司) from September 2012 to December 2013, responsible for the overall management of internal and external affairs. Prior to that, she served as the principal and secretary of Party Committee of Chengdu Paotongshu Elementary School (成都市泡桐樹小學) from June 2002 to February 2011, in charge of the overall management of the school. From March 2009 to August 2012, Ms. Yang also served as a committee member and deputy director of Chengdu Qingyang Bureau of Education (青羊區教育局), responsible for the management of China Teaching Laboratory Zone Office and Education Culture Research and Pursuance Office and Education Supervision Office. Ms. Yang did not hold any directorship in any listed companies during the last three years.

Ms. Yang obtained a bachelor's degree in education management from Sichuan College of Education (四川教育學院) in June 2001 and completed the professional postgraduate in curriculum and teaching at Sichuan Normal University (四川師範大學) in July 2003. In March 2008, Ms. Yang obtained the professional qualification of High/Middle School Senior Teacher (中學高級教師職稱) from Chengdu Municipal Professional Titles Reform Committee (成都市職稱改革委員會). She was awarded the title of Exceptional Principal of Chengdu (成都市特級校長) by Chengdu Bureau of Education (成都市教育局) in September 2010, Special Expert with Outstanding Contribution of Chengdu (成都市有突出貢獻的優秀專家) by the People's Government of Chengdu in February 2009 and Top Ten Female Principal of Sichuan Province (四川省十佳女校長) by Sichuan Bureau of Education (四川省教育廳) in August 2006.

Mr. WANG Rui (王銳), aged 36, has been our chief financial officer since March 1, 2015 and an executive Director and a joint company secretary since January 31, 2018. Prior to joining our Group, Mr. Wang worked for Xi'an Titan Holdings Co., Ltd. (西安天朗控股有限公司) as the general manager of the finance department from June 2014 to February 2015 responsible for financial operation, and Longfor Properties Co., Ltd. (龍湖地產有限公司) as project financial manager of Chongqing branch company and Beijing branch company, risk and audit manager of the group and chief financial officer of Dalian branch company from June 2008 to April 2014, responsible for financial, risk control and audit work. From June 2007 to June 2008, he served as a senior financial manager of New Hope Properties Development Co., Ltd. (新希望房地產開發有限公司) to oversee matters relating to the financial accounting of the company. He acted as an accountant of China Vanke Co., Ltd. (萬科企業股份有限公司) from July 2004 to April 2007. Mr. Wang did not hold any directorship in any listed companies during the last three years.

Mr. Wang obtained his bachelor's degree in accounting from Southwest University of Finance and Economics (西南財經大學) in July 2004.

Non-executive Director

Mr. TIAN Mu (田畝), aged 57, was appointed as a non-executive Director of the Company on January 31, 2018. Mr. Tian has more than 20 years of experience in the education industry. Mr. Tian was the chief principal of Tianli Education from September 2013 to December 2015, responsible for planning the establishment of new schools and school operations. Prior to that, Mr. Tian served as the principal of Luzhou Tianli School (瀘州天立學校), from March 2002 to December 2012. Prior to joining our Group, he served as the principal of LuXian No.2 High School (四川省瀘縣第二中學) from April 1998 to March 2002. Mr. Tian did not hold any directorship in any listed companies during the last three years.

Mr. Tian obtained a bachelor's degree in chemistry from China West Normal University (西華師範大學) (previously known as Nanchong Normal Institute (南充師範學院)) in July 1983. Mr. Tian holds the professional qualification of senior teacher of high school from Luzhou Municipal Professional Titles Reform Group (瀘州市職改領導小組).

Independent non-executive Directors

Mr. LIU Kai Yu Kenneth (廖啟宇), aged 48, was appointed as an independent non-executive Director of the Company on June 24, 2018. Mr. Liu has been an independent non-executive director of Sisram Medical Ltd. (stock code: 1696.HK) since August 30, 2017. He worked at Hong Kong Exchanges and Clearing Limited (stock code: 388.HK) from June 2004 to October 2016, with his last position as assistant vice president in IPO Transactions, Listing & Regulatory Affairs Division. Prior to that, he worked at VC CEF Capital Limited (now known as VC Capital Limited) from September 2000 to May 2003, with his last position as an assistant manager in the corporate finance department. He also worked as an audit officer in the internal audit department of Kowloon-Canton Railway Corporation from

January 2000 to September 2000, an assistant manager of the audit and control division of the Hong Kong branch of Banque Nationale de Paris from August 1996 to September 1997, an accountant at Ernst & Young from August 1994 to May 1996, and a junior accountant in the audit department of Kwan Wong Tan & Fong (merged with Deloitte Touche Tohmatsu in 1997) from May 1994 to August 1994.

Mr. Liu obtained a bachelor's degree in mechanical engineering from the Imperial College of Science, Technology and Medicine of the University of London in August 1991 and a master of business administration degree in international banking and finance from the University of Birmingham in December 1998. Mr. Liu has been a member of the Hong Kong Institute of Certified Public Accountants since July 1999 and a fellow of the Association of Chartered Certified Accountants since April 2004.

Mr. YANG Dong (楊東), aged 55, was appointed as an independent non-executive Director of the Company on June 24, 2018. Mr. Yang has over 30 years' experience in the education industry in Sichuan. He has been a teacher in Chengdu Normal University since May 2012. Prior to that, he was a teacher at the Elementary Teachers Tutoring Center of Sichuan Province from June 1997 to May 2012, and a chief editor of a magazine for vocational school students from June 1994 to May 1996. He also worked with Educational Science and Research Institute of Leshan from January 1992 to May 1997 and with Education Committee of Dazhu Country, Dazhou of Sichuan Province from August 1984 to December 1991, and was a middle school teacher in Dazhu County, Dazhou of Sichuan Province from August 1983 to July 1984. Mr. Yang did not hold any directorship in any listed companies during the last three years. Mr. Yang graduated from Normal Academy of Da County (達縣師範專科學校) (currently Sichuan University of Arts and Science (四川文理學院)) with an undergraduate degree majoring in Chinese language and literature in July 1983. He was qualified as a higher education teacher in June 2012.

Mr. CHENG Yiqun (程益群), aged 48, was appointed as an independent non-executive Director of the Company on June 24, 2018. Mr. Cheng has been an independent non-executive director of Golden Throat Holdings Group Co., Ltd. (stock code: 6896.HK) since February 10, 2015. Mr. Cheng has over 14 years' experience in providing legal services. He joined Commerce & Finance Law Offices in 2001 and has been a partner since 2009.

Mr. Cheng obtained a bachelor's degree in laws from Wuhan University in Wuhan, Hubei Province, China in July 1997. Mr. Cheng is a PRC practicing lawyer recognized by the Ministry of Justice of the PRC in August 2009.

DIRECTORS' INTERESTS

Each of our Directors has confirmed that (i) there is no other matter concerning their respective appointments that needs to be brought to the attention of the Shareholders and the Stock Exchange; (ii) he/she has no interests in the Shares within the meaning of Part XV of the SFO; (iii) he/she is independent from, and is not related to, any other Directors, members of the senior management, substantial shareholders or Controlling Shareholders; (iv) he/she does not hold any other position in our Company or any of its subsidiaries; (v) he/she does not have any interest in any business which competes or may compete, directly or indirectly, with us; and (vi) there is no other matter which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules. Save as disclosed above, none of our Directors has held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

SENIOR MANAGEMENT

Mr. LUO Shi (羅實), aged 45, was appointed as a director on January 24, 2017, and designated and appointed chairman of the Board, an executive Director and the chief executive officer of our Company on January 31, 2018. Please refer to "Directors and Senior Management — Board of Directors" for details of his biography.

Ms. Yang Zhaotao (楊昭濤), aged 46, has been an executive Director since January 31, 2018, and deputy general principal of the Group and principal of Chengdu District since January 1, 2014. Please refer to "Directors and Senior Management — Board of Directors" for details of her biography.

Mr. WANG Rui (王銳), aged 37, has been the chief financial officer since March 1, 2015 and an executive Director and a joint company secretary since January 31, 2018. Please refer to "Directors and Senior Management — Board of Directors" for details of his biography.

Mr. GUO Gang (郭剛), aged 60, has been deputy general principal of the Group and the director of the teaching management centre since May 1, 2013. Mr. Guo has over 20 years of experience in the education industry. He served as a vice principal of Luzhou Tianli School form April 2004 to April 2013 and a vice principal of LuXian No. 2 High School (四川省瀘縣第二中學) from December 2001 to March 2004. Prior to that, he was the Director of Fundamental Education Division of Luzhou Municipal Education Committee, Sichuan Province from September 1996 to December 2001, responsible for the management of fundamental education in Luzhou.

Mr. Guo obtained a bachelor's of science in mathematics from Southwest Normal University (西南師範大學) (merged with Southwest Agriculture University (西南農業大學) in 2007 as Southwest University (西南大學)) in June 1998, and a bachelor's degree of Science in Economics and Management from Sichuan Normal University (四川師範大學) in June 1996. He also completed a postgraduate course in fundamental psychology at Southwest Normal University in October 2004. He holds a professional qualification as a senior teacher of high school recognised by Luzhou Municipal Professional Titles Reform Group (瀘州市職改領導小組).

JOINT COMPANY SECRETARIES

Mr. Wang Rui and Mr. Wong Yu Kit are our joint company secretaries. Information on the waiver in relation to the appointment of joint company secretaries is set out in the section headed "Waivers from Compliance with the Listing Rules and Exemption from the Companies (Winding Up and Miscellaneous Provisions) Ordinance" in this prospectus. Mr. Wang, aged 37, is the chief financial officer and an executive Director of our Company. Please refer to "Directors and Senior Management — Board of Directors" for details of his biography.

Mr. WONG Yu Kit (黃儒傑) was appointed as a joint company secretary with effect from June 24, 2018. Mr. Wong Yu Kit is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited (formerly known as SW Corporate Services Group Limited) and has about 10 years of experience in the corporate services field. Mr. Wong obtained a bachelor's degree in business administration and management from the University of Huddersfield and a master's degree in corporate governance from the Open University of Hong Kong. Mr. Wong is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

BOARD COMMITTEE

Audit Committee

We established an audit committee on June 24, 2018 with effect from the Listing Date, with written terms of reference in compliance with Rule 3.21 of the Listing Rules and 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 include, among others, (i) assisting the Board in providing an independent review and supervision of financial reporting; (ii) overseeing our Group's financial reporting, risk management and internal control systems; (iii) monitoring the external audit process; and (iv) performing other duties and responsibilities as the Board determines from time to time.

The audit committee currently comprises Mr. Liu Kai Yu Kenneth, Mr. Cheng Yiqun and Mr. Yang Dong, our independent non-executive Directors. Mr. Liu Kai Yu Kenneth is the chairman of the audit committee.

Remuneration Committee

We established a remuneration committee on June 24, 2018 with effect from the Listing Date, with written terms of reference in compliance with Rule 3.25 of the Listing Rules and 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 include, among others, (i) making recommendations to the Board on our Group's policy and structure for remuneration of all Directors and senior management, and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iii) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

The remuneration committee is also responsible for determining the vesting of the options granted under the Share Option Scheme. See the section headed "Statutory and General Information — E. Share Option Scheme" in Appendix V to this prospectus.

The remuneration committee currently comprises Mr. Cheng Yiqun and Mr. Yang Dong, our independent non-executive Directors, and Mr. Luo, our chairman, executive Director and chief executive officer. Mr. Cheng Yiqun is the chairman of the remuneration committee.

Nomination Committee

We established a nomination committee on June 24, 2018 with effect from the Listing Date, with written terms of reference in compliance with Code Provision A.5.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary responsibilities of the nomination committee include, among others, (i) reviewing the structure, size, composition and diversity of the Board at least annually and making recommendations on any proposed changes to the Board to complement the corporate strategy of our Group; (ii) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and (iii) assessing the independence of independent non-executive Directors.

The nomination committee currently comprises Mr. Cheng Yiqun and Mr. Liu Kai Yu Kenneth, our independent non-executive Directors and Mr. Wang Rui, an executive Director and our chief financial officer. Mr. Cheng Yiqun is the chairman of the nomination committee.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors receive, in their capacity as our employees, compensation in the form of salaries, bonuses, other allowances and benefits-in-kind, including our contributions to the pension scheme for our executive Directors, in their capacity as employees, according to the laws of the relevant jurisdiction.

The aggregate amount of salaries, allowances, discretionary bonuses and retirement benefits scheme contributions paid and benefits in kind granted to our Directors for the years ended December 31, 2015, 2016 and 2017 were approximately RMB695,000, RMB630,000 and RMB1,078,000, respectively.

The five highest paid employees for the years ended December, 31 2015, 2016 and 2017, included one, one and two directors, respectively, whose remunerations are included in the aggregate salaries, allowances, discretionary bonuses and retirement benefits scheme contributions paid and benefits in kind granted to our Directors set out above. The aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid by our Group to our five highest paid individuals who are neither a director nor chief executive of the Company for the years ended December 31, 2015, 2016 and 2017 were approximately RMB924,000, RMB1,092,000 and RMB869,000, respectively.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the years ended December 31, 2015, 2016 and 2017. No Director has waived or has agreed to waive any emoluments during the years ended December 31, 2015, 2016 and 2017.

Under the arrangements presently in force, the aggregate remuneration paid or payable to the Directors for the year ended December 31, 2018, excluding discretionary bonus, is approximately RMB2,060,000.

For information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, see note 8 to the Accountant's Report set out in Appendix I to this prospectus and "Statutory and General Information" set out in Appendix V to this prospectus.

COMPLIANCE ADVISER

We have appointed Red Solar Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we must consult with and, if necessary, seek advice from our compliance adviser on a timely basis in the following circumstances:

(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 Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

(iv) where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date, and such appointment may be extended by mutual agreement.

COMPLIANCE WITH THE CODE PROVISIONS OF APPENDIX 14 TO THE LISTING RULES

The Code provision A.2.1 of the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Luo is the chairman of the Board and the chief executive officer of the Company. As Mr. Luo is the founder of our Group and has been managing our Group's business and overall strategic planning since its establishment, our Directors consider that the vesting of the roles of chairman and chief executive officer in Mr. Luo is beneficial to the business prospects and management of our Group by ensuring consistent leadership within our Group, aligning the directions and approaches on the board level and execution level and enabling more effective and efficient overall strategic planning for our Group. Taking into account all the corporate governance measures that we are going to implement upon Listing, our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Accordingly, our Company had not segregated the roles of its chairman and chief executive officer. Our Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at an appropriate time if necessary, taking into account the circumstances of our Group as a whole.

Save as disclosed above, as of the Latest Practicable Date and to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, the Directors are not aware of any deviation from provisions in the Corporate Governance Code under Appendix 14 to the Hong Kong Listing Rules.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of our authorized and issued share capital in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Capitalization Issue and the Global Offering:

	Number of Shares	Nominal value per Share HK$	HK$
Authorized share capital:			
Shares	10,000,000,000	0.1	1,000,000,000
Issued and to be issued, fully paid or credited as fully paid:			
Shares in issue as of the date of this prospectus	3,800,000	0.1	380,000
Shares to be issued pursuant to the Capitalization Issue	1,496,200,000	0.1	149,620,000
Shares to be issued pursuant to the Global Offering	500,000,000	0.1	50,000,000
Total	2,000,000,000	0.1	200,000,000

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above does not take into account any shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in our share capital and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Cayman Companies Law and the terms of the Company's Memorandum and Articles of Association, the Company may from time to time by ordinary shareholders' resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, the Company may reduce or redeem its share capital by shareholders' special resolution. For details, see "Appendix IV — Summary of the Constitution of our Company and Cayman Islands Company Law — Summary of the constitution of the Company — 2.5. Alteration of capital."

Pursuant to the Cayman Companies Law and the terms of the Company's Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may 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. For details, please refer to "Appendix IV — Summary of the Constitution of Our Company and Cayman Islands Company Law — Summary of the constitution of the Company — 2.4 Variation of rights of existing shares or classes of shares."

SHARE OPTION SCHEME

We have adopted a Share Option Scheme which will be effective upon Listing. The principal terms of the Share Option Scheme are summarized in the section headed "Statutory and General Information — E. Share Option Scheme" in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to:

(a) a rights issue;

(b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association;

(c) a specific authority granted by the Shareholders in general meeting,

shall not exceed the aggregate of:

(i) 20% of the total nominal value of our share capital in issue immediately following the completion of the Capitalization Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and

(ii) the total nominal value of our share capital repurchased by us (if any) under the general mandate to repurchase Shares referred to in the sub-section headed "General Mandate to Repurchase Shares" below.

This general mandate to issue Shares will expire:

(1) at the conclusion of our next annual general meeting; or

(2) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(3) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed "Statutory and General Information — A. Further Information about Our Group — 4. Resolutions in writing of our Shareholders passed on June 24, 2018" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus, our Directors have been granted a general unconditional mandate to exercise all of our powers to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following the completion of the Capitalization Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

This general mandate relates only to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — A. Further Information about Our Group — 5. Repurchases of our own securities" in Appendix V to this prospectus.

This general mandate to repurchase Shares will expire:

(i) at the conclusion of our next annual general meeting; or

(ii) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed "Statutory and General Information — A. Further Information about Our Group — 4. Resolutions in writing of our Shareholders passed on June 24, 2018" in Appendix V to this prospectus.

As far as our Directors are aware, immediately following the completion of the Capitalization Issue and the Global Offering (assuming no exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and are therefore regarded as substantial shareholders under the Listing Rules:

Name of Shareholder	Nature of interest	Number of Shares held/interested in immediately following the completion of the Capitalization Issue and the Global Offering	Percentage of shareholding held/ interested in our company immediately prior to the Capitalization Issue and the Global Offering	Percentage of shareholding held/ interested in our company immediately following the completion of the Capitalization Issue and the Global Offering
Sky Elite Limited	Beneficial Interest	862,641,316	57.51%	43.13%
Mr. Luo	Interest in a controlled corporation[1]	862,641,316	57.51%	43.13%

Note:

(1) Mr. Luo holds 100% of the issued share capital of Sky Elite Limited and therefore Mr. Luo is deemed or taken to be interested in the Shares held by Sky Elite Limited under Part XV of the SFO.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and Global Offering (assuming no exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account the Shares that may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme):

- Sky Elite Limited, a company held as to 100% by Mr. Luo, will be interested in approximately 43.13% of our issued share capital;
- Mr. Luo, who is our founder, will in turn be interested in approximately 43.13% of our issued share capital through his combined direct interests in Sky Elite Limited.

Accordingly, Mr. Luo and Sky Elite Limited are the Controlling Shareholders of our Company within the meaning of the Listing Rules. Mr. Luo is our executive Director, the chief executive officer and chairman of our Board. Sky Elite Limited is a private investment holding company with limited liability incorporated in the BVI. Apart from its interests in our Group, it does not operate any business or hold any interests in any other entities.

As confirmed by each of our Controlling Shareholders, as of the Latest Practicable Date, none of our Controlling Shareholders or their respective close associates has any interests in a business, other than our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective associates after the Global Offering based on the following factors:

Management Independence

Our Board consists of seven Directors, comprising three executive Directors, a non-executive Director and three independent non-executive Directors. Each of our Directors is aware of his or her fiduciary duties as a director which require, among others, that he or she must act for the benefit of and in the best interests of our Company and not allow any conflict between his or her duties as a Director and his or her personal interests. The Directors shall not vote on any Board resolution approving any contract or arrangement or any other proposal in which he or she or any of his or her associates has a material interest.

Although Mr. Luo, a Controlling Shareholder and an executive Director, also holds directorships in Sky Elite Limited and Tianli Holding, our Board functions independently of Tianli Holding, Sky Elite Limited and other private companies which Mr. Luo may have interests in apart from his interests in our Company. Since Sky Elite Limited is an investment holding company with no operative business, and Mr. Luo and his associates are not involved in any other business that is in competition with our business, our Directors believe that the independence of management of our Group will not be affected or compromised by the dual functions of Mr. Luo as a member of our Board and as having interests in Sky Elite Limited and his private investments.

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) will abstain from voting at the relevant meetings of our Board and will not be counted in the quorum. We have three independent non-executive Directors representing more than one-third of the members of our Board. Such composition of the Board is in line with or better than the current corporate governance best practices according to the Listing Rules.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to function independently from our Controlling Shareholders.

Operational Independence

Our Group is not operationally dependent on our Controlling Shareholders. We do not rely on our Controlling Shareholders for our business development, staffing, or marketing and sales activities.

Our Directors and senior management are responsible for the conduct of our business. We have independent access to our customers and an independent management team to handle our day-to-day operations. We do not rely on our Controlling Shareholders for any relevant material licenses necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

During the Track Record Period, we conducted certain related party transactions with our Controlling Shareholders and their associates in relation to the purchase in goods and hospitality expenses. Please see the section headed "Financial Information — Related Party Transactions" in this prospectus for details. We expect to discontinue such related party transactions prior to Listing. During the Track Record Period, we also incurred certain construction expenses which we owe to related parties. We engaged Nanyuan Construction in the construction of schools and may continue doing so after the Listing. Please see the section headed "Connected Transaction — Non-exempt Continuing Connected Transactions" in this prospectus for further details.

Our Directors are of the view that considering that alternative construction contractors are generally available in the market, there is no operational dependence by us on our Controlling Shareholders in relation to the construction services provided by Nanyuan Construction.

Financial Independence

We have an independent financial system and finance team responsible for our own treasury functions and we have made, and will continue to make, financial decisions based on our own business needs. We are therefore financially independent of our Controlling Shareholders and their respective associates.

During the Track Record Period, our Controlling Shareholders and their respective associates provided certain guarantees and pledges for the loans of our PRC Operating Entities. Please refer to notes 25 and 34 to the Accountants' Report in Appendix I in this prospectus for details. All pledges or guarantees provided by our Controlling Shareholders and their respective associates for our Group's borrowings will either be released or be replaced by corporate guarantees to be provided by Tibet Yongsi upon Listing.

Other than the above, our source of funding has been independent from our Controlling Shareholders. Our Directors confirm that our Group does not intend to obtain any further borrowings, guarantees, pledges or mortgages from any of our Controlling Shareholders or their respective associates following the Listing.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders.

DEED OF NON-COMPETITION

None of our Controlling Shareholders is interested in any business which is, whether directly or indirectly, in competition with our business. To ensure that competition will not exist in the future in relation to our Controlling Shareholders, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favour of our Company to the effect that each of them will not, and will procure each of their respective close associates (other than members of our Group) to not directly or indirectly, carry on, engage, invest, participate, or otherwise be interested in any business which competes or is likely to compete with any of the existing and/or future businesses carried on by any member of our Group in relation to the provision of private education services including K-12 education services and tutoring services (the "**Restricted Business**").

Notwithstanding the foregoing, each Controlling Shareholder and his/her/its close associates may conduct any of the following:

- carry on, engage, invest, participate or otherwise be interested in such Restricted Business where the opportunity to carry on, engage, invest, participate or otherwise be interested in such Restricted Business has first been offered or made available to our Company, and our Company, after decision by our independent non-executive Directors and approval by our Board and, where required, Shareholders pursuant to the relevant laws and regulations (including but not limited to the Listing Rules), has declined such opportunity, provided that the principal terms by which any of our Controlling Shareholders or any of their respective close associates subsequently engages, invests, participates or otherwise is interested in such Restricted Business are not more favorable in any material aspect than those offered or made available to our Company;

- in aggregate, have interests in the shares or other securities representing not more than 10% of a company (other than our Company) conducting any Restricted Business whose shares are listed on the Stock Exchange or any other stock exchange provided that none of the relevant Controlling Shareholders and his/her/its close associates is/are (together or alone) in a position to control the board of directors of such company and that none of the relevant Controlling Shareholder and his/its close associates is/are (together or alone) the single largest shareholder of such company; and

- in aggregate, have interests in the shares or other securities of a company (other than our Company) which is listed on the Stock Exchange or any other stock exchange provided that any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 5% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts.

Pursuant to the Deed of Non-competition, the deed shall take effect from the date on which the Shares are listed and from which dealings therein are permitted to take place on the Main Board of the Stock Exchange; and shall be terminated upon the earlier of the day on which (a) our Controlling Shareholders and/or their respective close associates in aggregate cease to hold 30% or more of our Company's entire issued share capital or otherwise cease to be our Controlling Shareholders; or (b) our Shares cease to be listed and traded on the Stock Exchange.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to manage any potential or actual conflicts of interests between us and our Controlling Shareholders and to safeguard the interests of our Shareholders:

- our independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;

- our Controlling Shareholders have undertaken to us that they will, and will procure their respective associates to, use their best endeavours to provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-competition;

- we will disclose the review by the independent non-executive Directors on compliance with, and enforcement of, the Deed of Non-competition, including any decision and underlying basis to accept or decline any business opportunity in the Restricted Business first offered to our Company under the Deed of Non-competition, in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules;

- our Controlling Shareholders will make an annual declaration in our annual report on compliance with the Deed of Non-competition in accordance with the principle of voluntary disclosure in the corporate governance report;

- in the event that connected transactions, if any, between our Group and other businesses in which any of our Directors or their respective associates has any interest are submitted to the Board for consideration, the relevant interested Director will not be counted in the quorum and will abstain from voting on such matters, and such connected transactions may be approved by a majority of votes of non-conflicted Directors;

- our Directors operate in accordance with the Articles which require the interested Director not to 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 she or any of his or her associates is materially interested; and

- pursuant to the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 of the Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's expense.

Our Directors are therefore satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interests between us and our Controlling Shareholders, and to protect minority Shareholders' rights after the Listing.

Our Company is expected to comply with the CG Code which sets out principles of good corporate governance in relation to, among others, Directors, the chairman, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the CG Code, and will provide details of, and reasons for, any deviation from it in our corporate governance report which will be included in our annual report.

OVERVIEW

We have entered into a number of agreements with Tianli Holding, Gulin Shengzhong, Tianli Real Estate and Nanyuan Construction, our connected persons (as defined under Chapter 14A of the Listing Rules), including office lease agreement, trademark license agreement, Gulin kindergarten lease agreement, Longmatan lease agreement, school construction framework agreement and the Structured Contracts. Upon Listing, the transactions disclosed in this section will constitute continuing connected transactions within the meaning of the Listing Rules.

Name of Transactions	Applicable Listing Rules	Waiver Sought	Proposed annual cap (in RMB) for the year ending December 31, 2018	2019	2020
Exempt continuing connected transactions					
1. Office Lease Agreement	14A.34, 14A.52, 14A.76	N/A	0	0	0
2. Trademark License Agreement	14A.34, 14A.52, 14A.76	N/A	0	0	0
3. Gulin Kindergarten Lease Agreement	14A.35	N/A	385,000	385,000	385,000
4. Longmatan Lease Agreement	14A.34	N/A	320,040	352,044	385,128
Non-exempt continuing connected transaction					
5. School Construction Framework Agreement	14A.34, 14A.35, 14A.36, 14A.46, 14A.49, 14A.71	Requirements as to announcement, circular and independent shareholders' approval	600,000,000	700,000,000	800,000,000
6. Structured Contracts	14A.34, 14A.35, 14A.36, 14A.49, 14A.53 to 59 and 14A.71	Requirements as to announcement, circular, independent shareholders' approval, annual cap, and terms not more than three years	N/A	N/A	N/A

EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Office Lease Agreement

On June 19, 2018, Tianli Education entered into a lease agreement with Tianli Holding (the "**Office Lease Agreement**"), pursuant to which Tianli Education agreed to lease from Tianli Holding certain office space with a GFA of approximately 1,664 sq.m. located in Qingyang Industrial Zone, Chengdu, Sichuan Province as the head office of our Group at nil consideration. The term of the lease is three years commencing on January 1, 2018. The Directors are of the view that the transactions contemplated under the Office Lease Agreement are on normal commercial terms or better. Our PRC Legal Adviser also confirmed that the terms of the Office Lease Agreement are valid, binding and enforceable against the parties thereto.

Listing Rules implication

Mr. Luo controls an aggregate of 72.84% of voting rights in Tianli Holding. Pursuant to Rule 14A.07(1) of the Listing Rules, as Mr. Luo, a Director and a Controlling Shareholder, is a connected person of our Company, Tianli Holding is a 30%-controlled company (as defined in Rule 14A.12(1)(c) of the Listing Rules) indirectly held by a connected person as described in Rule 14A.07(1) of the Listing Rules, and hence an associate of Mr. Luo and a connected person of our Company.

As no rent is payable under the Office Lease Agreement, each of the applicable percentage ratios for the Office Lease Agreement will be less than 0.1% on an annual basis, and therefore the connected transaction contemplated under the Office Lease Agreement constitutes a *de minimis* connected transaction under Rule 14A.76 of the Listing Rules and is exempt from reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) Trademark License Agreement

On September 4, 2017, Tibet Yongsi entered into a trademark license agreement with Tianli Holding (the "**Trademark License Agreement**"), pursuant to which Tianli Holding agreed to grant a license to Tibet Yongsi, our PRC Operating Entities and any other parties designated by Tibet Yongsi to use the following four registered trademarks (the "**Licensed Trademarks**") on an exclusive, sole and royalty-free basis at no consideration for such term from the date of signing of the Trademark License Agreement until all the Licensed Trademarks are transferred to Tibet Yongsi or our PRC Operating Entities.

Registration Number	Trademark	Class	Date of Registration	Date of expiration
5246346		41	November 7, 2009	November 6, 2019
13070646	神州天立	41	March 28, 2016	March 27, 2026
17687826	神州天立 SHENZHOUTIANLI	36	October 7, 2016	October 6, 2026
17688029		41	October 7, 2016	October 6, 2026

Our Directors are of the view that (i) the duration of the Trademark License Agreement is beneficial to our business operations and secures long-term rights for us to use the Licensed Trademarks; and (ii) the transactions contemplated under the Trademark License Agreement are on normal commercial terms or better. Our PRC Legal Adviser confirmed that the terms of the Trademark License Agreement are valid, binding and enforceable against the parties thereto.

Listing Rules implication

Mr. Luo controls an aggregate of 72.84% of voting rights in Tianli Holding. Pursuant to Rule 14A.07(1) of the Listing Rules, as Mr. Luo, a Director and a Controlling Shareholder, is a connected person of our Company, Tianli Holding is a 30%-controlled company (as defined in Rule 14A.12(1)(c) of the Listing Rules) indirectly held by a connected person as described in Rule 14A.07(1) of the Listing Rules, and hence an associate of Mr. Luo and a connected person of our Company.

As no license fee is payable under the Trademark License Agreement, each of the applicable percentage ratios for the Trademark License Agreement will be less than 0.1% on an annual basis, therefore the connected transaction contemplated under the Trademark License Agreement constitutes a *de minimis* connected transaction under Rule 14A.76 of the Listing Rules and is exempt from reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(3) Gulin Kindergarten Lease Agreement

Background and reasons for the transaction

On June 19, 2018, Tianli Kindergarten of Gulin County as lessee entered into a lease agreement (the "**Gulin Kindergarten Lease Agreement**") with Gulin Tianli Shengzhong Industrial Co., Ltd. ("**Gulin Shengzhong**") as lessor to certain commercial properties with GFA of approximately 3,969 sq.m. located in Gulin New Town, Gulin City, Sichuan Province for a period of three years ending on December 31, 2020. The property is used as the campus for Tianli Kindergarten of Gulin County.

Rental amount and pricing policy

The annual rental amount for 2018, 2019 and 2020 is RMB385,000. The terms of the Gulin Kindergarten Lease Agreement were arrived at after arm's length negotiations between the Group and Gulin Shengzhong with reference to the market terms of similar properties of similar usage in Gulin District, Luzhou, Sichuan Province, PRC. Our PRC Legal Adviser also confirmed that the terms of the Gulin Kindergarten Lease Agreement are valid, binding and enforceable against the parties thereto.

Historical transaction amounts

We leased the campus from Gulin Shengzhong during the Track Record Period. The rental amount paid by our Group to Gulin Shengzhong for the three years ended December 31, 2015, 2016 and 2017 are set out below:

Historical Amount for Year Ended December 31,		
2015	2016	2017
RMB'000	RMB'000	RMB'000
—	241	289

Listing Rules implications

Gulin Shengzhong is held as to 68% by Tianli Real Estate which in turn is wholly-owned by Tianli Holding. Pursuant to Rule 14A.07(1) of the Listing Rules, as Tianli Holding, a Controlling Shareholder, is a connected person of our Company, Gulin Shengzhong is a 30%-controlled company (as defined in

Rule 14A.13(3) of the Listing Rules) indirectly held by a connected person as described in Rule 14A.07(1) of the Listing Rules, and hence an associate of Tianli Holding and a connected person of our Company.

As the maximum applicable percentage ratio for the Gulin Kindergarten Lease Agreement is less than 5% on an annual basis and the total consideration is less than HK$3 million, the connected transaction contemplated under the Gulin Kindergarten Lease Agreement constitutes a *de minimis* connected transaction under Rule 14A.76 of the Listing Rules and is exempt from reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(4) Longmatan Lease Agreement

Background and reasons for the transaction

On January 1, 2018, Luzhou Longmatan District Culture and Arts Tutoring School as lessee entered into lease agreements (the"**Longmatan Lease Agreement**") with Sichuan Tianli Real Estate Development Co., Ltd. ("**Tianli Real Estate**") as lessor to rent certain commercial properties with GFA of approximately 589 sq.m. located at Longmatan District, Luzhou, Sichuan Province for a period of three years ending on December 31, 2020. The property is used as the campus for Luzhou Longmatan District Culture and Arts Tutoring School.

Rental amount and pricing policy

The annual rental amount for 2018, 2019 and 2020 is RMB320,040, RMB352,044 and RMB385,128, respectively. The terms of the Longmatan Lease Agreement were arrived at after arm's length negotiations between the Group and Tianli Real Estate with reference to the market terms of similar properties of similar usage in Longmatan District, Luzhou, Sichuan Province, PRC. Our PRC Legal Adviser also confirmed that the terms of the Longmatan Lease Agreement are valid, binding and enforceable against the parties thereto.

Historical transaction amounts

We leased the campus from Tianli Real Estate during the Track Record Period. The rental amount paid by our Group to Tianli Real Estate for the three years ended December 31, 2015, 2016 and 2017 are set out below:

Historical Amount for Year Ended December 31,		
2015	**2016**	**2017**
RMB'000	**RMB'000**	**RMB'000**
256	327	566

Listing Rules implications

Tianli Real Estate is wholly-owned by Tianli Holding, and Mr. Luo, a Controlling Shareholder, controls an aggregate 72.84% of Tianli Holding's voting rights. Pursuant to Rule 14A.07(1), as Tianli Holding is a connected person of our Company, Tianli Real Estate is a 30%-controlled company (as defined in Rule 14A.13(3)) indirectly held by a connected person as described in Rule 14A.07(1), and hence an associate of Mr. Luo and a connected person of our Company.

As the maximum applicable percentage ratio for the Longmatan Lease Agreement is less than 5% on an annual basis and the total consideration is less than HK$3 million, the connected transaction contemplated under the Longmatan Lease Agreement constitutes a *de minimis* connected transaction under Rule 14A.76 of the Listing Rules and is exempt from reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(5) School Construction Framework Agreement

Reasons for the transaction and pricing policy

On June 19, 2018, Tianli Education entered into a school construction cooperation framework agreement with Nanyuan Construction (the "**School Construction Framework Agreement**"), pursuant to which Nanyuan Construction will, if engaged by our PRC Operating Entities, provide construction services, including construction, rectification and maintenance, for schools sponsored/owned by our PRC Operating Entities. The term of the School Construction Framework Agreement is three years commencing on January 1, 2018. Our PRC Operating Entities and PRC Operating Schools may, at their option and in compliance with the relevant PRC laws and regulations on tendering and bidding procedures, select and engage Nanyuan Construction to provide school construction services.

Under the School Construction Framework Agreement, service fees charged by Nanyuan Construction will be the actual construction costs plus a premium in the range of 9% to 11% of the actual construction costs, depending on the prevailing market circumstances. The actual construction costs include all costs incurred in relation to the construction of the project (such as labor, materials, equipment, and project management and planning) and all taxes payable by Nanyuan Construction.

In this connection, the Directors have considered the market range of premium based on, among other things, applicable regulations and guidance on transfer pricing, as well as selected market comparables, with the assistance of an independent business consulting firm, and are of the view that the premium percentage range under the School Construction Framework Agreement is within such range.

Pursuant to the School Construction Framework Agreement, if Our PRC Operating Entities and schools sponsored by them, at their option, select and engage Nanyuan Construction to provide school construction services, a separate agreement will be entered into in respect of each school construction project between the relevant entities of both parties which will set out the scope of services for such project and the specific terms and conditions pursuant to the principles stipulated in the School Construction Framework Agreement.

Reason for the transactions

In view of our plan to develop schools as set out in the section headed "Business — Our K-12 Schools under Development and Planning" in this prospectus, our Group needs to engage contractors for the construction of new schools and the expansion or modification of existing schools from time to time. In the past, Nanyuan Construction has provided us with certain construction services, such as the construction of Guangyuan Tianli International School, Xichang Tianli (International) School and Ya'an Tianli School. Taking into account (i) Nanyuan Construction's experience and reputation in property development and construction; (ii) Nanyuan Construction's track record in providing construction services to our schools, particularly its reliability in delivering completed properties in a timely manner and its ability to select appropriate sub-contractors and manage them effectively; and (iii) Nanyuan

Construction's in depth understanding of school construction, which our Directors consider to be relatively more customised than the construction of typical residential or commercial properties; and (iv) our Group's needs as a school operator, our Directors are of the view that it will be in the best interests of our Group and our Shareholders to enter into the School Construction Framework Agreement. The price and quality of deliverables of Nanyuan Construction will be under constant review, and in the event that our Company is able to source a supplier who is able to deliver better quality construction at a lower price, we will consider replacing Nanyuan Construction with such supplier.

Historical transaction amounts

The service fees paid or payable by our Group in relation to school construction services provided by Nanyuan Construction for the years ended December 31, 2015, 2016 and 2017 are set out below:

Historical Amount for Year Ended December 31,		
2015	2016	2017
RMB'000	RMB'000	RMB'000
37,500	181,293	137,851

Proposed annual caps and basis of annual caps

The maximum aggregate annual service fees to be payable to Nanyuan Construction as contemplated under the School Construction Framework Agreement for the three years ending December 31, 2018, 2019 and 2020 shall not exceed the caps as set out below:

Proposed Annual Cap for the Year Ending December 31,		
2018	2019	2020
RMB'000	RMB'000	RMB'000
600,000	700,000	800,000

In determining the above annual caps, our Directors have considered, among other factors, (i) the historical service fees incurred for the school construction services provided by Nanyuan Construction to our Group; (ii) the number of new schools of our Group which are under development; (iii) the expected service fees for construction work to be provided by Nanyuan Construction for the new schools of our Group under development; and (iv) the expected service fees for improvement and expansion work to be provided by Nanyuan Construction for the existing schools of our Group. In particular, details of the expected service fees for Nanyuan Construction are set out below:

for the year ending December 31, 2018:

— approximately RMB13 million for the improvement and expansion work for one school in Xichang

— approximately RMB66 million for the improvement and expansion work for one school in Ya'an

— approximately RMB207 million for the construction work for one school in Deyang

— approximately RMB180 million for the construction work for two schools in Chengdu

— approximately RMB45 million for the construction work for one school in Dongying

— approximately RMB89 million for other construction work/improvement and expansion work under planning

for the year ending December 31, 2019:

— approximately RMB36 million for the improvement and expansion work for one school in Xichang

— approximately RMB135 million for the construction work for one school in Deyang

— approximately RMB180 million for the construction work for three schools in Chengdu

— approximately RMB90 million for the construction work for one school in Dazhou

— approximately RMB144 million for the construction work for one school in Xiangtan

— approximately RMB45 million for the construction work for one school in Dongying

— approximately RMB70 million for other construction work/improvement and expansion work under planning

for the year ending December 31, 2020:

— approximately RMB270 million for the construction work for one school in Chengdu;

— approximately RMB77 million for the construction work for one school in Dazhou

— approximately RMB108 million for the construction work for one school in Xiangtan

— approximately RMB72 million for the construction work for one school in Dongying

— approximately RMB273 million for other construction work/improvement and expansion work under planning

Costs of constructing a school include costs for (i) constructing the campus and buildings on the campus; (ii) decoration work; (iii) landscaping work and (iv) purchasing equipment required for teaching. The expected construction costs as disclosed above are estimates from us based on available information and circumstances when they were computed, which may be subject to change in response to the circumstances. Please refer to the section headed "Business — Our K-12 Schools under Development and Planning" in this prospectus for further information.

Listing Rules implication

Nanyuan Construction is wholly-owned by Tianli Holding, and Mr. Luo, a Controlling Shareholder, controls an aggregate 72.84% of Tianli Holding's voting rights. Pursuant to Rule 14A.07(1), as Mr. Luo, a Controlling Shareholder, is a connected person of our Company, Nanyang Construction is therefore a 30%-controlled company (as defined in Rule 14A.13(3)) indirectly held by a connected person as described in Rule 14A.07(1), and hence an associate of Mr. Luo and a connected person of our Company.

Application for Waiver

Based on the proposed annual caps, as the applicable percentage ratios for the School Construction Framework Agreement will be more than 5% on an annual basis, the connected transaction contemplated under the School Construction Framework Agreement constitutes a connected transaction which is subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement, circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the School Construction Framework Agreement pursuant to Rule 14A.105 of the Listing Rules.

(6) Structured Contracts

As disclosed in the section headed "Structured Contracts — Operation of the Structured Contracts — Background of the Structured Contracts" in this prospectus, PRC laws and regulations currently prohibit foreign ownership of primary and middle school in the PRC and restrict the operation of preschools, high schools and tutorial centers to Sino-foreign ownership, in addition to imposing a qualification requirement on foreign owners. Further, government approval in respect of Sino-foreign ownership has been withheld. As a result, our Group, through our wholly-owned subsidiary, Tibet Yongsi, has entered into the Structured Contracts so that we can conduct our business operations indirectly in the PRC through our PRC Operating Entities while complying with applicable PRC laws and regulations. The Structured Contracts are designed to provide our Group with effective control over the financial and operational policies of our PRC Operating Entities and, to the extent permitted by PRC law and regulations, the right to acquire the equity interest in and/or the assets of our PRC Operating Entities after the Listing through Tibet Yongsi. As we operate our K-12 and tutorial center education business through our PRC Operating Entities, which are controlled by Tianli Education, and we do not hold any direct equity interest in our PRC Operating Entities, the Structured Contracts were entered into pursuant to which all material business activities of our PRC Operating Entities are instructed and supervised by our Group, through Tibet Yongsi, and economic benefits arising from such business activities of our PRC Operating Entities are transferred to our Group.

Our wholly-owned subsidiary, Tibet Yongsi, entered into a series of agreements including but not limited to the Exclusive Business Cooperation Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreement and the School Sponsors' and Directors' Rights Entrustment Agreement and the Loan Agreement, which form part of the Structured Contracts. Please refer to the section headed "Structured Contracts" in this prospectus for details of these agreements.

Listing Rules Implication

Mr. Luo is and will continue to be a Director and a Controlling Shareholder of our Company upon Listing, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.

Tianli Education is owned as to 99% by Mr. Luo, and hence an associate of Mr. Luo.

Considering the above, Tianli Education is therefore a connected person of our Company under Rule 14A.12(1)(c) of the Listing Rules. Accordingly, the transactions contemplated under the Structured Contracts constitute continuing connected transactions of our Company under the Listing Rules.

Our Directors (including the independent non-executive Directors) are of the view that the Structured Contracts and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, and 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, are fair and reasonable and are in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Structured Contracts and any new transactions, contracts and agreements or renewals of existing agreements to be entered into between any of our PRC Operating Entities and any member of our Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Structured Contracts, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders' approval requirements.

Application for Waiver

In view of the Structured Contracts, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Structured Contracts pursuant to Rule 14A.105 of the Listing Rules, and (ii) the requirement of setting an annual cap for the transactions under the Structured Contracts under Rule 14A.53 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange, subject however to the following conditions:

(a) *No change without independent non-executive Directors' approval*

No change to the Structured Contracts will be made without the approval of the independent non-executive Directors.

(b) *No change without independent Shareholders' approval*

Save as described in paragraph (d) below, no change to the agreements governing the Structured Contracts will be made without the approval of our Company's independent Shareholders.

Once independent shareholders' approval of any change has been obtained, no further announcement or approval of the independent shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Structured Contracts in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) *Economic benefits flexibility*

The Structured Contracts shall continue to enable our Group to receive the economic benefits derived by our PRC Operating Entities through (i) our Group's option, to the extent permitted under PRC laws and regulations, to acquire, all or part of the school sponsors' interests/equity interests in our PRC Operating Entities at the lowest possible amount permissible under the applicable PRC laws and regulations, (ii) the business structure under which the net profit generated by our PRC Operating Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Tibet Yongsi by our PRC Operating Entities under the Exclusive Business Cooperation Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights in our PRC Operating Entities.

(d) *Renewal and reproduction*

On the basis that the Structured Contracts provide an acceptable framework for the relationship between our Company and its subsidiaries, on one hand, and our PRC Operating Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including any branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Structured Contracts. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including any branch company), and engaging in the same business as that of our Group (which our Group may establish) will, upon renewal and, or reproduction of the Structured Contracts, however be treated as connected persons of our Company, and transactions between these connected persons and our Company other than those under similar Structured Contracts shall comply with Chapter 14A of the Listing Rules. This condition is subject to the relevant PRC laws, regulations and approvals.

(e) *Ongoing reporting and approvals*

Our Group will disclose details relating to the Structured Contracts on an ongoing basis as follows:

- The Structured Contracts in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the Structured Contracts annually and confirm in our Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structured Contracts and, have been conducted so that the profit generated by our PRC Operating Entities has been substantially retained by our Group, (ii) no dividends or other distributions have been made by our PRC Operating Entities to the holders of the school sponsor's interest/equity interest which are not otherwise subsequently assigned or transferred to our Group, and (iii) the Structured Contracts and, any new contracts entered into, renewed or reproduced between our Group and our PRC Operating Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.

- Our Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Structured Contracts and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have received the approval of our Directors and have been entered into in accordance with the relevant Structured Contracts, and that no dividends or other distributions have been made by our PRC Operating Entities to the holders of the school sponsor's interest/equity interest which are not otherwise subsequently assigned or transferred to our Group.

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of our PRC Operating Entities will be treated as our Company's wholly-owned subsidiary, and at the same time, the directors, chief executives or substantial shareholders of each of our PRC Operating Entities and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Structured Contracts, will be subject to the requirements under Chapter 14A of the Listing Rules.

- Each of our PRC Operating Entities will undertake that, for so long as our Shares are listed on the Stock Exchange, each of our PRC Operating Entities will provide our Group's management and our Company's auditors full access to its relevant records for the purpose of our Company's auditors' review of the continuing connected transactions.

New Transactions Among Our PRC Operating Entities and Our Company

Given that the financial results of our PRC Operating Entities will be combined into our financial results and the relationship between our PRC Operating Entities and our Company under the Structured Contracts, all agreements other than the Structured Contracts that may be entered into between each of our PRC Operating Entities and our Company in the future will also be exempted from the "continuing connected transactions" provisions of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

We have adopted the following internal control and corporate governance measures to ensure that our transactions with Tianli Holding will be conducted on normal commercial terms going forward:

(i) where applicable and commercially sensible, we will continue to request Tianli Holding, Gulin Shengzhong, Tianli Real Estate and Nanyuan Construction to provide the relevant services to us on arm's length basis and on the best available terms, with reference to the prevailing market prices;

(ii) as part of our internal control measures, the implementation of the School Construction Framework Agreement and the actual number and amount of materials, products and services will be monitored and reviewed by our Board (including the independent non-executive Directors) and senior management on a regular basis, with reference to terms of similar transactions with Independent Third Parties;

(iii) the relevant operational divisions of our Group will report regularly to senior management with respect to the actual performance of our transactions with Tianli Holding, Gulin Shengzhong, Tianli Real Estate and Nanyuan Construction;

(iv) the Director(s) and/or the Shareholder(s) with an interest in the relevant transaction(s) shall abstain from voting in respect of resolution(s) concerning Tianli Holding, Gulin Shengzhong, Tianli Real Estate and Nanyuan Construction;

(v) we will comply with the conditions prescribed under the waiver granted by the Stock Exchange in connection with the continuing connected transactions;

(vi) pursuant to the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice in respect of the relevant transactions from external parties in appropriate circumstances;

(vii) we will use our best endeavours to comply with the relevant reporting, annual review announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the continuing connected transactions;

(viii) we will engage our auditors to review the connected transactions between us, Tianli Holding, Gulin Shengzhong, Tianli Real Estate and Nanyuan Construction to ensure that the transactions contemplated under school construction framework agreement and the Structured Contracts have been conducted in accordance with the requirements of the Listing Rules and have fulfilled the relevant disclosure requirements; and

(ix) we will duly disclose in our annual reports and accounts the transactions with Tianli Holding, Gulin Shengzhong, Tianli Real Estate and Nanyuan Construction during each financial period, together with the conclusions (with reasons) drawn by our independent non-executive Directors as to whether the transactions are conducted on normal commercial terms, are fair and reasonable, and are in the interests of the Shareholders as a whole.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including the independent non-executive Directors) are of the view that the non-exempt continuing connected transactions contemplated under the Structured Contracts, School Construction Framework Agreement and the proposed annual caps under the School Construction Framework Agreement for the three years ending December 31, 2018, 2019 and 2020 as described above, and for which waivers have been sought, have been entered into in the ordinary and usual course of business of our Group and on normal commercial terms, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. With respect to the agreements underlying the Structured Contracts which are of a duration longer than three years, our Directors are of the view that it is a justifiable and normal business practice to ensure that (i) the financials and operation of our PRC Operating Entities can be effectively controlled by Tibet Yongsi, (ii) Tibet Yongsi is able to obtain the economic benefits derived from our PRC Operating Entities, and (iii) any possible leakages of assets and values of our PRC Operating Entities can be prevented, on an uninterrupted basis.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that the transactions contemplated under the Structured Contracts are fundamental to our Group's legal structure and business operations. With respect to the agreements underlying the Structured Contracts which are of a duration longer than three years, the Sole Sponsor is also of the view that it is a justifiable and normal business practice to ensure that (i) the financials and operation of our PRC Operating Entities can be effectively controlled by Tibet Yongsi, (ii) Tibet Yongsi is able to obtain the economic benefits derived from our PRC Operating Entities, and (iii) any possible leakages of assets and values of our PRC Operating Entities can be prevented, on an uninterrupted basis.

Further, the Sole Sponsor is of the view that (i) the non-exempt continuing connected transactions as described above are entered into in the Company's ordinary course of business on normal commercial terms or better, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (ii) the proposed annual caps for the relevant transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

FUTURE PLANS

See the section headed "Business — Our Strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$1,137.84 million if the Over-allotment Option is not exercised (or HK$1,316.24 million if the Over-allotment Option is exercised in full), after deducting underwriting commission and other estimated expenses paid and payable by us in the Global Offering, assuming an Offer Price of HK$2.46 per Share, being the mid-point of the indicative Offer Price range of HK$2.26 to HK$2.66 per Share. We intend to use the net proceeds we will receive from this offering for the following purposes:

- approximately 60% (approximately HK$682.70 million) to be applied towards the expansion of our school network within Sichuan Province and into other attractive markets in China, in particular, through the development of eight new self-owned K-12 schools in Sichuan, Shandong and Hunan Provinces as set out in the section headed "Business — Our K-12 Schools under Development and Planning" of this prospectus. We expect such net proceeds to be fully utilized by the end of 2020;

- approximately 30% (approximately HK$341.35 million), which is expected to be fully utilized by the year ended December 31, 2019, to repay our bank loans as follow:

Bank	Outstanding amount as of December 31, 2017 (RMB)	Interest rate	Maturity date	Usage
Guiyang Bank Limited Chengdu Branch . . .	94.3 million	7.5%	September 22, 2021	Payment for construction projects of Neijiang Tianli (International) School
Baoshang Bank Co., Ltd. Chengdu Branch	100 million	9%	August 18, 2021	Payment for construction and purchase of teaching-related devices of Xichang Tianli International School
China CITIC Bank Co., Ltd. Chengdu Branch	100 million	5.2%	August 24, 2018	Working capital of our Group. We manage our working capital at the Group level and have allocated it for the development of our existing K-12 schools including Guangyuan Tianli International School and Ya'an Tianli School

Please refer to the section headed "Business — Our K-12 Schools under Development and Planning" of this prospectus for details of the construction projects of the four existing schools, i.e. Guangyuan Tianli International School, Neijiang Tianli (International) School, Xichang Tianli International School and Ya'an Tianli School.

- approximately 10% (approximately HK$113.78 million) for our working capital and other general corporate purposes. We expect such net proceeds to be fully utilized by the end of 2018.

In the event that the Offer Price is set at HK$2.26 per Offer Share (being the bottom end of the indicative Offer Price range), the estimated net proceeds we will receive will be reduced by approximately HK$96.69 million. In the event that the Offer Price is set at HK$2.66 per Offer Share (being the top end of the indicative Offer Price range), the estimated net proceeds we will receive will be increased by approximately HK$96.69 million. If we make a Downward Offer Price Adjustment to set the final Offer Price at HK$2.04 per Offer Share, the estimated net proceeds we will receive from the Global Offering will be further reduced by an additional amount of approximately HK$106.36 million. In such event, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis and we will consider internal resources or external financing for the relevant purposes in the case of decrease of net proceeds allocated.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our development plan as intended, we may hold such funds in short term deposits so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

Since we are an offshore holding company, we will need to make capital contributions and loans to our PRC subsidiaries or loans to our PRC Operating Entities such that the net proceeds of this offering can be used in the manner described above. Such capital contributions and loans are subject to a number of limitations and approval processes under PRC laws and regulations. There are no costs associated with registering loans or capital contributions with relevant PRC authorities, other than nominal processing charges.

Under PRC laws and regulations, PRC governmental authorities are required to process such approvals or registrations or deny our application within a prescribed period, which is usually less than 90 days. The actual time taken, however, may be longer due to administrative delay. We cannot assure you that we can obtain the approvals from the relevant governmental authorities, or complete the registration and filing procedures required to use our net proceeds as described above, in each case on a timely basis, or at all. This is because PRC regulation of loans and direct investment by offshore holding companies into PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC Operating Entities, which could materially and adversely affect our liquidity and our ability to fund and expand our business. See the section headed "Risk Factors — Risks Relating to Our Structured Contracts" in this prospectus.

THE CORNERSTONE PLACING

As part of the International Offering, we have entered into cornerstone investment agreements with three cornerstone investors, details of which are set out below (together, the "**Cornerstone Investors**"). The Cornerstone Investors have agreed to (subject to certain conditions) subscribe at the Offer Price for a certain number of our Offer Shares (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$2.26 per Offer Share (being the bottom end of the indicative Offer Price range), the Cornerstone Investors have agreed to subscribe for an aggregate amount of approximately 204,191,000 Offer Shares, representing (a) approximately 10.2% of the total Shares in issue and approximately 40.8% of the total number of Offer Shares, in each case immediately following the completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is not exercised, or (ii) approximately 9.8% of the total Shares in issue and approximately 35.5% of the total number of Offer Shares, in each case immediately following the completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$2.46 per Offer Share (being the mid-point of the indicative Offer Price range), the Cornerstone Investors have agreed to subscribe for an aggregate amount of approximately 195,721,000 Offer Shares, representing (a) approximately 9.8% of the total Shares in issue and approximately 39.1% of the total number of Offer Shares, in each case immediately following the completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is not exercised, or (ii) approximately 9.4% of the total Shares in issue and approximately 34.0% of the total number of Offer Shares, in each case immediately following the completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$2.66 per Offer Share (being the top end of the indicative Offer Price range), the Cornerstone Investors have agreed to subscribe for an aggregate amount of approximately 188,524,000 Offer Shares, representing (a) approximately 9.4% of the total Shares in issue and approximately 37.7% of the total number of Offer Shares, in each case immediately following the completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is not exercised, or (ii) approximately 9.1% of the total Shares in issue and approximately 32.8% of the total number of Offer Shares, in each case immediately following the completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$2.04 per Offer Share (being the 10% below the bottom end of the indicative Offer Price Range after making a Downward Price Adjustment), the Cornerstone Investors have agreed to subscribe for an aggregate amount of approximately 215,428,000 Offer Shares, representing (a) approximately 10.8% of the total Shares in issue and approximately 43.1% of the total number of Offer Shares, in each case immediately following the completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is not exercised, or (ii) approximately 10.4% of the total Shares in issue and approximately 37.5% of the total number of Offer Shares, in each case immediately following the completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is exercised in full.

The Cornerstone Placing will form part of the International Offering and the Cornerstone Investors will not purchase and subscribe for any Offer Share under the Global Offering other than pursuant to the relevant cornerstone agreement.

The Offer Shares to be purchased and subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue and will be counted towards the public float of our Company. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any board representation in the Company and will not become a substantial shareholder of our Company.

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 sections headed "Structure and Conditions of the Global Offering — The Hong Kong Public Offering" in this prospectus.

To the best knowledge of our Company, each Cornerstone Investor is an Independent Third Party and is not a connected person or an existing Shareholder of our Group or our respective close associate (as defined under the Listing Rules). Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial shareholder of our Company.

The Cornerstone Investors (a) will not have any representation on the Board immediately following the completion of the Global Offering, (b) will not subscribe for any Offer Shares pursuant to the Global Offering, other than pursuant to the relevant cornerstone investment agreements and (c) do not have any preferential rights compared with other public Shareholders in their respective cornerstone investment agreements.

Details of the allocation to the Cornerstone Investors will be disclosed in our announcement of results of allocations in the Hong Kong Public Offering to be published on or around Wednesday, July 11, 2018.

DETAILS OF CORNERSTONE INVESTORS

Cornerstone Investor	Investment amount (USD)	Number of offer Shares (rounded down to nearest whole board lot of 1,000 Shares)	Based on the Offer Price of HK$2.66 (being the Maximum Offer Price) — Approximate % of total number of Offer Shares — Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Approximate % of total Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering — Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Greenwoods Asset Management Limited . . .	20,000,000	59,016,000	11.8%	10.3%	3.0%	2.8%
City Legend International Limited	33,888,804	100,000,000	20.0%	17.4%	5.0%	4.8%
Value Partners Hong Kong Limited	10,000,000	29,508,000	5.9%	5.1%	1.5%	1.4%
Total	63,888,804	188,524,000	37.7%	32.8%	9.4%	9.1%

Cornerstone Investor	Investment amount (USD)	Number of offer Shares (rounded down to nearest whole board lot of 1,000 Shares)	Based on the Offer Price of HK$2.46 (being the mid-point of the Offer Price range) — Approximate % of total number of Offer Shares — Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Approximate % of total Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering — Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Greenwoods Asset Management Limited . . .	20,000,000	63,814,000	12.8%	11.1%	3.2%	3.1%
City Legend International Limited	31,340,774	100,000,000	20.0%	17.4%	5.0%	4.8%
Value Partners Hong Kong Limited	10,000,000	31,907,000	6.4%	5.5%	1.6%	1.5%
Total	61,340,774	195,721,000	39.1%	34.0%	9.8%	9.4%

Cornerstone Investor	Investment amount	Number of offer Shares (rounded down to nearest whole board lot of 1,000 Shares)	Based on the Offer Price of HK$2.26 (being the Minimum Offer Price) — Approximate % of total number of Offer Shares — Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Approximate % of total Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering — Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
	(USD)					
Greenwoods Asset Management Limited	20,000,000	69,461,000	13.9%	12.1%	3.5%	3.3%
City Legend International Limited	28,792,743	100,000,000	20.0%	17.4%	5.0%	4.8%
Value Partners Hong Kong Limited	10,000,000	34,730,000	6.9%	6.0%	1.7%	1.7%
Total	58,792,743	204,191,000	40.8%	35.5%	10.2%	9.8%

The following information on the Cornerstone Investors was provided to our Company by the Cornerstone Investors.

Information about Greenwoods Asset Management Limited

Greenwoods Asset Management Limited ("**Greenwoods**") has agreed to subscribe for (or to procure its other wholly-owned subsidiary pursuant to the terms and conditions of the underlying cornerstone agreement to subscribe for) such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of USD20,000,000 at the Offer Price.

Greenwoods, an exempted company incorporated in the Cayman Islands with limited liability, is an investment management company specialized in fund management. Greenwoods is wholly owned by Greenwoods Asset Management Holdings Limited, an exempted company incorporated in the British Virgin Islands with limited liability. Based on publicly available information, Greenwoods Asset Management Holdings Limited is ultimately owned as to 81% by Unique Element Corp. which is wholly owned by Mr. Jiang Jinzhi, an Independent Third Party. Mr. Jiang is a value investor focusing on corporate research. He is the founder and chief investment officer of Greenwoods.

Information about City Legend International Limited

City Legend International Limited (華昌國際有限公司) ("**City Legend**") has agreed to subscribe for 100,000,000 Shares in the International Placing at the Offer Price, representing approximately 5% of the Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised).

City Legend is a company incorporated in Hong Kong with limited liability and is wholly owned by Overseas Chinese Town (Asia) Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3366). Overseas Chinese Town (Asia) Holdings Limited is principally engaged in the comprehensive development business and the manufacture and sale of cartons and paper products.

Information about Value Partners Hong Kong Limited

Value Partners Hong Kong Limited ("**Value Partners**") has agreed to procure investment funds or managed accounts that it or its subsidiary manages or advises ("**Value Partners Investments Funds**") to subscribe for, such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of USD10,000,000 at the Offer Price.

Value Partners is a wholly-owned subsidiary of Value Partners Group Limited, a company listed on the Stock Exchange of Hong Kong Limited (stock code: 806). Value Partners is one of Asia's largest independent asset management firms headquartered in Hong Kong. Value Partners manages absolute return long-bias funds, long-short hedge funds, exchange-traded funds, quantitative funds, as well as fixed income products for institutional and individual clients in Asia Pacific, Europe and the United States.

CONDITIONS PRECEDENT

The subscription of each Cornerstone Investor and the obligation of the Company to issue and deliver are subject to, among other things, the satisfaction that:

(a) the Underwriting Agreements having been entered into by the relevant parties thereto and having become unconditional and all of the conditions precedent to completion set forth therein having been satisfied (or waived by relevant parties) by no later than the time and date as specified in those underwriting agreements or as subsequently waived or varied by agreement of the parties thereto;

(b) neither of the Underwriting Agreements having been terminated on or prior to the Listing Date;

(c) the Offer Price having been agreed upon between the Company and the Sole Global Coordinator (acting for itself and on behalf of the other Underwriters);

(d) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares (including the Offer Shares) and that such approval or permission having not been revoked prior to the commencement of dealings in the Shares on the Hong Kong Stock Exchange;

(e) the respective representations, warranties, undertakings and acknowledgements of the relevant Cornerstone Investor under the relevant cornerstone investment agreement are (as of the date of the relevant cornerstone investment agreement) and will be (as of the closing of the relevant cornerstone investment agreement (as defined therein)) accurate, true and not misleading and there being no material breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor; and

(f) no laws shall have been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or in the relevant cornerstone investment agreement and there shall have been no orders or injunctions from a governmental authority in effect precluding or prohibiting consummation of such transactions.

RESTRICTIONS ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTORS

Each Cornerstone Investor has irrevocably covenanted with and undertaken to the Company and the Sole Global Coordinator, among others, that, without the prior written consent of each of the Company and the Sole Global Coordinator (which may be withheld in their absolute discretion), each Cornerstone Investor will not, and will procure its affiliates not to, at any time during the period of six months from and inclusive of the Listing Date, whether directly or indirectly dispose of (as defined in the relevant cornerstone investment agreement) any of the Shares subscribed for by it pursuant to the relevant cornerstone investment agreement and any other securities of the Company which are derived therefrom (the "**Relevant Shares**") or any interest in any company or entity holding any of the Relevant Shares including any securities convertible into or exchangeable or exercisable for or that represent the right to receive any of the forgoing securities.

Each Cornerstone Investor may transfer the Shares so subscribed in certain limited circumstances as set out in the relevant cornerstone investment agreement, such as transfer to a wholly-owned subsidiary of such Cornerstone Investor, provided that prior to such transfer, among other things, such wholly-owned subsidiary undertakes in writing that such wholly-owned subsidiary be bound by such Cornerstone Investor's obligation under the relevant cornerstone investment agreement and subject to the restrictions on disposal of the Relevant Shares imposed on such Cornerstone Investor.

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
Macquarie Capital Limited
Haitong International Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 50,000,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and 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 offered as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have each agreed to procure applications to purchase or as principal apply to purchase its applicable proportion of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon, among other things, the International Underwriting Agreement having been executed and delivered and becoming unconditional and not having been terminated in accordance with its terms.

One of the conditions is that the Offer Price must be agreed between us and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters). For applicants applying under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Offering will be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed.

Grounds for Termination

The obligations of the Hong Kong Underwriters to procure applications purchase or as principal apply to purchase for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if at any time prior to 8:00 a.m. on the Listing Date:

(i) there develops, occurs, exists or comes into force:

- (a) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak or escalations of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the Cayman Islands, the European Union (or any member thereof), Japan, Singapore or any other jurisdiction relevant to the Group (collectively, the "**Relevant Jurisdiction**"); or

(b) any new law or regulation or any change or development involving a prospective change in existing laws or regulations, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or

(c) any change or development involving a prospective change, or any event or series of events resulting or likely to result in or representing any change or development, or any prospective change or development, in local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions or exchange control or any monetary or trading settlement system (including, without limitation, a change 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 Dollar is linked to the United States Dollar or revaluation of Hong Kong dollar or Renminbi against any foreign currencies or a change in any other currency exchange rates, in any of the Relevant Jurisdictions; or

(d) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, Singapore, the PRC, the European Union (or any member thereof), Japan or any other jurisdiction relevant to any member of the Group, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or

(e) the imposition of any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Singapore Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(f) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(g) a change or development or event involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies) in any of the Relevant Jurisdictions adversely affecting an investment in the Shares; or

(h) any adverse change or development or event involving any prospective adverse change or development in the assets, liabilities, profit, losses, earnings, results of operations, business, performance, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Company or any member of the Group; or

(i) the outbreak or escalation of hostilities (whether or not war is or has been declared) involving or affecting any of the Relevant Jurisdictions or the declaration by any of the Relevant Jurisdictions of a national emergency or war or any other national or international calamity or crisis; or

(j) any event, or series of events, in the nature of force majeure in or affecting directly or indirectly any of the Relevant Jurisdictions (including, without limitation, any act of God, act of government, declaration of a national or international emergency or war, calamity, crisis, riot, public disorder, civil commotion, fire, flood, explosion, epidemic (including SARS, swine or avian flu, H5N1, H1N1, H7N9 or such related/mutated forms), pandemic, outbreak of infectious disease, economic sanctions, earthquake, terrorism, strike, labour dispute or lock-out); or

(k) any 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 the commencement by any government, political, regulatory body of any action against any Director in his capacity as such or an announcement by any governmental, political regulatory body that it intends to take any such action; or

(l) the chairman, chief executive officer or any Director of our Company vacating his office; or

(m) any governmental authority or a political or regulatory body or organisation in any Relevant Jurisdiction commencing any investigation or take other action, or announcing an intention to investigate or take other action, against any member of the Group or any Director; or

(n) any imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions on the People's Republic of China or any other jurisdiction relevant to any member of the Group; or

(o) any litigation or claim being threatened or instigated against the any member of the Group; or

(p) any contravention by any member of the Group or any Director of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Cayman Companies Law, the PRC Company Law, the Listing Rules or other applicable laws; or

(q) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling the Offer Shares (including Shares allotted or sold under the Over-allotment Option) pursuant to the terms of the Global Offering; or

(r) non-compliance of this prospectus or the Application Forms (or any other documents used in connection with the contemplated offer and sale of Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws; or

(s) except with the prior written consent of the Sole Global Coordinator, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus, Application Forms, or other documents in connection with the offer and sale of Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC; or

(t) an order or a petition is presented for the winding up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(u) a valid demand by any creditor for repayment or payment of any of the indebtedness of any member of the Group or in respect of which that member of the Group is liable prior to its stated maturity, or any loss or damage sustained by that member of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person),

which in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) (1) is or will or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or (2) has or will have or is likely to have a material adverse effect on the success of the Hong Kong Public Offering or the International Offering or the level of applications under the Hong Kong Public Offering; or (3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable or incapable for any part of the Hong Kong Underwriting Agreement, or for any part of the Hong Kong Public Offering or the Global Offering or the delivery of the Offered Shares to be performed or implemented or proceed as envisaged or to market the Global Offering in the manner contemplated by this prospectus; or (4) has or will or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting the Hong Kong Public Offering and/or the Global Offering) 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 hereof; or

(ii) there has come to the notice of the Sole Global Coordinator, the Sole Sponsor or any of the Hong Kong Underwriters:

(a) any statement contained in any of this prospectus, the Application Forms and the Formal Notice and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or inaccurate in any material respect or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation expressed or contained in any of this prospectus, the Application Forms and the Formal Notice and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

(b) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or

(c) any matter or event arising or has been discovered rendering or there coming to the notice of any of the Sole Global Coordinator or the Hong Kong Underwriters any matter or event showing any of the representations, warranties and undertakings given by our Company or the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect or incomplete in any material respect, or misleading or having been breached; or

(d) any matter or event, act or omission which gives or is likely to give rise to any material liability of our Company or the Controlling Shareholders pursuant to the indemnities given by our Company, the Controlling Shareholders or any of them under the Hong Kong Underwriting Agreement; or

(e) any breach on the part of our Company and/or the Controlling Shareholders of any provisions of or obligations under the Hong Kong Underwriting Agreement or the International Underwriting Agreement in any material respect; or

(f) any material adverse change or development involving a prospective material adverse change or development in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, properties, results of operations, position or condition (financial or otherwise) of the Group, including any litigation or claim of any third party being threatened or instigated against any member of the Group; or

(g) any of the experts (other than the Sole Sponsor) specified in this prospectus has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters 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

(h) our Company has withdrawn this prospectus, the Application Forms (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(i) approval by the Listing Committee of the listing of, and permission to deal in, the Offer Shares, subject only to allotment and the dispatch of share certificates in respect thereof, is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(j) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the prospectus, not having been disclosed in this prospectus, constitute a material omission from any of this prospectus, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents (including any supplement or amendment thereto) issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering; or

(k) the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors having been withdrawn, terminated or cancelled or a material portion of the orders in the bookbuilding process at the time the International Underwriting Agreement is entered into having been withdrawn, terminated or cancelled and such withdrawn, terminated or cancelled orders not having been fully covered by other orders at or before 4:00 p.m. on 4 July 2018 (the "**replacement orders**") or any replacement order having been subsequently withdrawn, terminated or cancelled, and the Sole Global Coordinator, in its sole discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for Shares issued pursuant to the Global Offering (including any exercise of the Over-allotment Option) or any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has undertaken to our Company and the Stock Exchange that, except pursuant to the Global Offering (including any exercise of the Over-allotment Option), it shall not and shall procure that the relevant registered Shareholder(s) shall not:

- in the period commencing from the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company in respect of which it is shown by this prospectus to be the beneficial owner; and

- during the period of six months commencing on the date on which the period referred to in the immediate preceding paragraph above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in the immediately preceding paragraph above to such an extent that immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a Controlling Shareholder.

Note 2 to Rule 10.07(2) of the Listing Rules provides that such rule does not prevent a Controlling Shareholder from using the Shares beneficially owned by it as security (including a charge or a pledge) in favor 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 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has further undertaken to our Company and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will immediately inform us and the Stock Exchange of:

- any pledges or charges of any Shares or securities of our Company beneficially owned by it in favour of any authorized institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, and the number of such Shares or securities of our Company so pledged or charged; and
- any indication received by it, either verbal or written, from the pledgee or chargee that any Shares or other securities of our Company pledged or charged will be disposed of.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders (or its respective shareholders) and disclose such matters by way of an announcement which is published on the website of the Stock Exchange as soon as possible after being so informed by any of the Controlling Shareholders (or its respective shareholders).

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Our Company further undertakes to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except for the issue, offer or sale of the Offer Shares by our Company pursuant to the Global Offering (including pursuant to the exercise of the Over-Allotment Option) and the issue of the Shares by our Company pursuant to the Capitalization Issue, not to and to procure each other members of the Group not to, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and the Sole Sponsor and unless in compliance with the Listing Rules, at any time during the period commencing from the date of the Hong Kong Underwriting Agreement and ending on the expiry of the six months after the Listing Date (the "**First Six-Month Period**"):

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other securities of our Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represents the right to receive, or any warrants or other rights to purchase any share capital or other securities of our Company, as applicable), or deposit any share capital or other securities of our Company, as applicable, 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 (legal or beneficial) of Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable); or

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

(iv) offer or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions specified is to be settled by delivery of Shares or such other securities, in cash or otherwise (whether or not the issue of such share capital or other securities will be completed within the First Six Month Period). Our Company further agrees that, in the event our Company enters into any of the transactions described in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on the date on which the First Six Month Period expires (the "**Second Six Month Period**"), it will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of our Company will, create a disorderly or false market for any Shares or other securities of our Company.

Undertakings by the Controlling Shareholders

Under the Hong Kong Underwriting Agreement, each of the Controlling Shareholders jointly and severally undertakes with our Company, each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering (including the exercise of the Over-Allotment Option), he or it will not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), and unless in compliance with the requirements of the Listing Rules:

(a) during the First Six-Month Period, it will not:

(i) sell, offer to sell, contract or agree to sell, assign, 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 contract or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly (through a chain of companies or not), conditionally or unconditionally, any Shares or any other securities of our Company 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 other securities of our Company) held by it as of the date of the Hong Kong Underwriting Agreement; or

(ii) (in the case of Mr. Luo) 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, its direct or indirect interests in PRC Operating Entities, or

(iii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(iv) enter into any transaction with the same economic effect as any transaction specified in (i), (ii) or (iii) above; or

(v) offer to or agree to, or announce any intention to enter into any transaction specified in (i), (ii), (iii) or (iv) above,

in each case, whether any such transaction described in (i), (ii), (iii) or (iv) above is to be settled by delivery of such capital or securities, in cash or otherwise (whether or not such transaction will be completed within the First Six-Month Period); and

(a) it will not, during the Second Six-Month Period, enter into any of the transactions specified in (i), (ii), (iii) or (iv) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of our Company;

(b) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in (i), (ii), (iii) or (iv) above or offers to or agrees to or announce any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company; and

(c) at any time after the date hereof up to and including the date falling 12 months after the Listing Date, it shall:

    (A) if and when it pledges or charges any Shares or other securities of our Company (or any interests therein) beneficially owned by it, immediately inform our Company and the Sole Global Coordinator in writing of such pledge or charge together with the number of Shares or securities (or interests therein) so pledged or charged; and

    (B) if and when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities (or interests therein) of our Company will be disposed of, immediately inform our Company and the Sole Global Coordinator in writing of such indications.

Our Company agrees and undertakes that upon receiving such information in writing from any of the Controlling Shareholders, it shall, as soon as practicable and if required pursuant to the Listing Rules, notify the Stock Exchange and make a public disclosure in relation to such information by way of press announcement.

Indemnity

Each of our Company, the executive Directors and the Controlling Shareholders has agreed to indemnify the Hong Kong Underwriters and International Underwriters for certain losses which they may suffer, including losses incurred arising from such indemnifying parties performance of the Underwriting Agreements and any breach by such indemnifying parties of the Underwriting Agreements.

The International Offering

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, each of the International Underwriters will, subject to certain terms and conditions set out therein, severally and not jointly, agree to purchase itself or through its affiliates from our Company, or to procure purchasers for their respective proportions of the International Offer Shares at the Offer Price.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 75,000,000 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 (if any) in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Total Commission and Expenses

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 3.3% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the International Underwriters.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK$2.46 per Share (being the mid-point of the indicative offer price range of HK$2.26 to HK$2.66 per Share), the aggregate commissions and fees, together with listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering (collectively the "**Commissions and Fees**") are estimated to be approximately HK$40.59 million in total.

Activities by Syndicate Members

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering, together referred to as "Syndicate Members", and their affiliates may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- the Syndicate Members (except for China International Capital Corporation Hong Kong Securities Limited, as the Stabilizing Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

- all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described in the sections headed "Structure of the Global Offering — The International Offering — Over-allotment Option" and "Structure of the Global Offering — The International Offering — Stabilization." These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

Hong Kong Underwriters' Interests in our Company

Save as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement, the Hong Kong Underwriters do not have any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Other Services to our Company

The Sole Global Coordinator, the Hong Kong Underwriters or its respective affiliates have, from time to time, provided and expect to provide in the future investment banking and other services to our Company and our respective affiliates, for which such Sole Global Coordinator, Hong Kong Underwriters or their respective affiliates have received or will receive customary fees and commissions.

Over-Allotment and Stabilization

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in the sections headed "Structure of the Global Offering — The International Offering — Stabilization", and "Structure of the Global Offering — The International Offering — Over-allotment Option" in this prospectus.

Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsor 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 50,000,000 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described in the paragraph headed "The Hong Kong Public Offering" below; and

(ii) the International Offering of an aggregate of initially 450,000,000 Offer Shares (subject to reallocation and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in accordance with Regulation S as described in "The International Offering" below.

Investors may apply for 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.

The Offer Shares will represent approximately 25% of the enlarged issued share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital immediately after the completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed "The International Offering — Over-allotment Option" below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed "The Hong Kong Public Offering — Reallocation and clawback" below.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 50,000,000 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. The Hong Kong Offer Shares will represent approximately 2.5% of the Company's enlarged share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "Conditions of the Global Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: 25,000,000 Offer Shares for pool A and 25,000,000 Offer Shares for pool B. The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined).

Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 25,000,000 Offer Shares, being the maximum number of Offer Shares initially comprised in pool B in the Hong Kong Public Offering, are liable to be rejected.

Reallocation and clawback

The allocation of the Offers Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. These require a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares under the Global Offering if certain prescribed total demand levels are reached.

In the event of over-applications, the Sole Global Coordinator, after consultation with us, shall apply a clawback mechanism following the closing of the application lists on the following basis:

(i) If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 150,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);

(ii) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 200,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option); and

(iii) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 250,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

If the Hong Kong Public Offering is not fully subscribed for, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may in its sole discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In particular, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed; or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, the Sole Global Coordinator has the authority to reallocate International Offer Shares originally included in the International Offering to the Hong Kong Public Offering in such number as it deems appropriate, provided that in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, (i) the number of International Offer Shares reallocated to the Hong Kong Public Offering should not exceed 50,000,000 Shares, representing 10% of the Offer Shares initially available under the Global Offering, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 100,000,000 Shares; and (ii) the final Offer Price should be fixed at the bottom end of the indicative Offer Price range (i.e. HK$2.26 per Offer Share) stated in this prospectus (subject to a Downward Offer Price Adjustment). Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement, which is expected to be made on Wednesday, July 11, 2018.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

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 the applicant or any person for whose benefit he is making the application) has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$2.66 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$2,686.80 for one board lot of 1,000 shares. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing of the Global Offering" below, is less than the maximum price of HK$2.66 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 450,000,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering and approximately 22.5% of the Company's enlarged share capital immediately after 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 of the Global Offering" 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 Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer 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 Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in "The Hong Kong Public Offering — Reallocation and clawback" above, the exercise of the Over-allotment Option in whole or in part described in the paragraph headed "The International Offering — Over-allotment Option" in this section, and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Sole Global Coordinator has the right, exercisable at any time from the Listing Date until 30 days after the last date for lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 75,000,000 additional Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price under the Intentional Offering to cover over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our Company's enlarged share capital immediately following the completion of the Capitalization Issue and 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 stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the initial 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 and certain other jurisdictions, 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 any person acting for them, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of the Shares may be effected on any stock exchange, including the Hong Kong Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements.

However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity. Such stabilizing action, if taken; (i) will be done at the absolute discretion of the Stabilizing Manager or any person acting for it and in what the Stabilizing Manager reasonably regards as the best interest of us; (ii) may be discontinued at any time and; (iii) is required to be brought to an end within 30 days of the last day for lodging of applications under the Hong Kong Public Offering.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Ordinance include:

(a) over-allocation for the purpose of preventing or minimising any reduction in the market price;

(b) 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;

(c) subscribing, or agreeing to subscribe, for the Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares;

(e) selling or agreeing to sell any of the Shares to liquidate a long position held as a result of those purchases; and

(f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

- as a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the Shares.

- the size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain.

- in the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

- stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Hong Kong Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Friday, August 3, 2018. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period.

- these activities by the Stabilizing Manager may stabilise, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market.

- any stabilizing action taken by the Stabilizing Manager, 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 stabilizing period.

- bids for or market purchases of the Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Ordinance will be made within seven days of the expiration of the stabilizing period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by exercising the Over-allotment Option in full or in part, using Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price, a combination of these means or other legally permitted means.

PRICING OF THE GLOBAL OFFERING

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 of the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Wednesday, July 4, 2018 and in any event on or before Friday, July 6, 2018, by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company, and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$2.66 per Share and is expected to be not less than HK$2.26 per Share (subject to a Downward Offer Price Adjustment) 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. Applicants under the Hong Kong Public Offering must pay, on application, the

Maximum Offer Price of HK$2.66 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$2,686.80 for one board lot of 1,000 Shares. 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 (subject to a Downward Offer Price Adjustment).

The Sole Global Coordinator (for itself and on behalf of the Underwriters), may, where they deem appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process in respect of the International Offering, 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, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.sztljyjt.com**) notices of the reduction. Upon issue of such a notice, the revised 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 Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Before submitting applications for the Hong Kong Offer Shares, 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 last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out 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 Sole Global Coordinator (for itself and 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 Sole Global Coordinator 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 Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. 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 Sole Global Coordinator.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting commissions and other expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$1,041.15 million, assuming an Offer Price per Offer Share of HK$2.26, or approximately HK$1,234.53 million, assuming an Offer Price per Offer Share of HK$2.66 (or if the Over-allotment Option is exercised in full, approximately HK$1,205.04 million, assuming an Offer Price per Share of HK$2.26, or approximately HK$1,427.43 million, assuming an Offer Price per Share of HK$2.66).

Irrespective of whether a Downward Offer Price Adjustment is made, the final Offer Price, the indications of interest in the Global Offering, the level of applications in the Hong Kong Public Offering, the results of allocations in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares, are expected to be announced on Wednesday, July 11, 2018 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.sztljyjt.com**).

ANNOUNCEMENT OF OFFER PRICE REDUCTION

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the consent of the Company, determine the final Offer Price to be no more than 10% below the bottom end of the indicative Offer Price range, at any time on or prior to the Price Determination Date.

In such situation, the Company will, as soon as practicable following the decision to set the final Offer Price below the bottom end of the indicative Offer Price range, publish on the website of the Stock Exchange (**www.hkexnews.hk**) and the Company's website (**www.sztljyjt.com**) an announcement of the final Offer Price after making a Downward Offer Price Adjustment. Such announcement will be issued before and separate from the announcement of the results of allocations expected to be announced on Wednesday, July 11, 2018. The Offer Price announced following making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed.

In the absence of an announcement that a Downward Offer Price Adjustment has been made, the final Offer Price will not be outside the indicative Offer Price range as disclosed in this prospectus unless the Withdrawal Mechanism is utilized.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is conditional upon us and the Sole Global Coordinators (for itself and on behalf of the Underwriters) agreeing on the Offer Price and upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment) and such approval not having been withdrawn;

(ii) the Offer Price having been agreed between us and the Sole Global Coordinators (for itself and on behalf of the Underwriters) 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 Underwriters under each of the respective Underwriting Agreements 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 respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

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 its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.sztljyjt.com** on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other licensed 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 are expected to be issued on Wednesday, July 11, 2018 but will only become valid certificates of title at 8:00 a.m. on Thursday, July 12, 2018 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" has not been exercised.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

If the 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 Thursday, July 12, 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, July 12, 2018. The Shares will be traded in board lots of 1,000 Shares each and the stock code of the Shares will be 1773.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest in 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 Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application 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 Company and the Sole Global Coordinator 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;

- are a Director or chief executive officer of the Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above;
- are 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 prospectus during normal business hours between 9:00 a.m. from Thursday, June 28, 2018, until 12:00 noon on Wednesday, July 4, 2018 from:

(i) ***the following office of the Hong Kong Underwriters:***

China International Capital Corporation
Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Macquarie Capital Limited
Level 18, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Chambers
Hong Kong

(ii) ***any of the following branches of the receiving bank:***

Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Lee Chung Street Branch	29–31 Lee Chung Street, Chai Wan
Kowloon	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei
New Territories	Shatin Branch	Shop 20, Level 1, Lucky Plaza, 1–15 Wang Pok Street, Shatin

Standard Chartered Bank (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Central Branch	G/F, 1/F, 2/F and 27/F, Two Chinachem Central, 26 Des Voeux Road Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
Kowloon	68 Nathan Road Branch	Basement, Shop B1, G/F and M/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui
New Territories	Maritime Square Branch	Shop 308E, Level 3, Maritime Square, Tsing Yi
	Fotan Branch	Shop No. 3, 1/F, Shatin Galleria, 18-24 Shan Mei Street, Fo Tan, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. from Thursday, June 28, 2018 until 12:00 noon on Wednesday, July 4, 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 — TIANLI EDUCATION PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the designated branches of the receiving banks listed above, at the following times:

Thursday, June 28, 2018 — 9:00 a.m. to 5:00 p.m.
Friday, June 29, 2018 — 9:00 a.m. to 5:00 p.m.
Saturday, June 30, 2018 — 9:00 a.m. to 1:00 p.m.
Tuesday, July 3, 2018 — 9:00 a.m. to 5:00 p.m.
Wednesday, July 4, 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 Wednesday, July 4, 2018, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) **undertake** to execute all relevant documents and instruct and authorise the Company and/or the Sole Global Coordinator (or its 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 Ordinance, the Companies (Winding up and Miscellaneous Provisions) 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 Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, our or 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, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, 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 Sole Global Coordinator, 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 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 fulfill the criteria mentioned in "14. Dispatch/collection of Share Certificates and Refund Monies — Personal collection" in this section 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 Sole Global Coordinator 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 Terms and Conditions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply" in this section may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** service 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 service

You may submit your application to the **White Form eIPO** service provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, June 28, 2018 until 11:30 a.m. on Wednesday, July 4, 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, July 4, 2018 or such later time under "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of the **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **White Form eIPO** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding up and Miscellaneous Provisions) 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 (Winding up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding up and Miscellaneous Provisions) 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 for each "Tianli Education International Holdings Limited" **White Form eIPO** application submitted via the website **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 (852) 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 Centre
1/F, One & Two Exchange Square
8 Connaught Place Central,
Hong Kong

and complete an input request form.

You can also collect a 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 Sole Global Coordinator 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 Offer Shares under the International Offering;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- **confirm** that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- **authorise** the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- **agree** that none of the Company, the Sole Global Coordinator, 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 Sole Global Coordinator, the Underwriters and/or its respective advisors 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 (Winding up and Miscellaneous Provisions) 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 the giving of **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 Ordinance, the Companies (Winding up and Miscellaneous Provisions) 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:

Thursday, June 28, 2018 — 9:00 a.m. to 8:30 p.m.[(1)]
Friday, June 29, 2018 — 8:00 a.m. to 8:30 p.m.[(1)]
Saturday, June 30, 2018 — 8:00 a.m. to 1:00 p.m.[(1)]
Tuesday, July 3, 2018 — 8:00 a.m. to 8:30 p.m.[(1)]
Wednesday, July 4, 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 Thursday, June 28, 2018 until 12:00 noon on Wednesday, July 4, 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 Wednesday, July 4, 2018, the last application day or such later time as described in "10. 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 (Winding up and Miscellaneous Provisions) 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 (Winding up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding up and Miscellaneous Provisions) 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 bank(s), the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of our or their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** service 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 Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, July 4, 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 **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

(i) the principal business of that company is dealing in securities; and

(ii) 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 Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, 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, see the section headed "Structure of the Global Offering — Pricing of the Global Offering" of this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, July 4, 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 Wednesday, July 4, 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 "Expected Timetable" in this prospectus, 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 Wednesday, July 11, 2018 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at **www.sztljyjt.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.sztljyjt.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, July 11, 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 Wednesday, July 11, 2018 to 12:00 midnight on Tuesday, July 17, 2018;

- by telephone enquiry line by calling (852) 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, July 11, 2018 to Saturday, July 14, 2018;

- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, July 11, 2018 to Friday, July 13, 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 "Structure of the Global Offering" of this prospectus.

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 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 through the **White Form eIPO** service, 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 (Winding up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding up and Miscellaneous Provisions) 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 Sole Global Coordinator, 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 are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;
- 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 Sole Global Coordinator believes that by accepting your application, it/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$2.66 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, July 11, 2018.

14. DISPATCH/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 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 favor 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 Wednesday, July 11, 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 Thursday, July 12, 2018 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" 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 Pubic 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, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, July 11, 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 authorise 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 dispatched 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 Wednesday, July 11, 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 Wednesday, July 11, 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 Wednesday, July 11, 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 Public Offering Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering 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 "11. 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 Wednesday, July 11, 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***

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 Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, July 11, 2018, or such other date as notified by the Company in the newspapers as the date of dispatch/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 Wednesday, July 11, 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 dispatched 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 dispatched 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 Wednesday, July 11, 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 "11. Publication of Results" above on Wednesday, July 11, 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, July 11, 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 Wednesday, July 11, 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 Wednesday, July 11, 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 advisors for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Reporting Accountants, Ernst & Young, Certified Public Accountants.

22/F CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

The Directors
Tianli Education International Holdings Limited
China International Capital Corporation Hong Kong Securities Limited

Dear Sirs,

We report on the historical financial information of Tianli Education International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-56, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended December 31, 2015, 2016 and 2017 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as of December 31, 2015, 2016 and 2017 and the statement of financial position of the Company as of December 31, 2017 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-56 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated June 28, 2018 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors 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 the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, 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 purposes of the accountants' report, a true and fair view of the financial position of the Group as of December 31, 2015, 2016 and 2017 and of the financial position of the Company as of December 31, 2017 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE 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 11 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

As of the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully
Ernst & Young
Certified Public Accountants
Hong Kong
June 28, 2018

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,		
		2015	2016	2017
	Notes	RMB'000	RMB'000	RMB'000
REVENUE	*5*	218,044	326,355	468,017
Cost of sales		(159,888)	(231,863)	(270,072)
Gross profit		58,156	94,492	197,945
Other income and gains	*5*	21,907	44,492	14,835
Selling and distribution expenses		(8,660)	(8,038)	(10,135)
Administrative expenses		(41,252)	(42,709)	(50,306)
Other expenses		(1,343)	(556)	(1,317)
Interest expenses	*6*	(9,478)	(12,601)	(14,009)
Share of profit of an associate		1,076	789	256
PROFIT BEFORE TAX	*7*	20,406	75,869	137,269
Income tax expense	*10*	(2,158)	(1,121)	(1,024)
PROFIT FOR THE YEAR		18,248	74,748	136,245
OTHER COMPREHENSIVE INCOME		—	—	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		18,248	74,748	136,245
Profit and total comprehensive income attributable to:				
Owners of the Company		16,571	71,115	131,218
Non-controlling interests		1,677	3,633	5,027
		18,248	74,748	136,245
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY				
Basic and diluted	*12*	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31,		
		2015	2016	2017
	Notes	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	778,376	1,003,590	1,296,309
Prepaid land lease payments	*14*	75,894	187,441	206,283
Goodwill	*28*	—	—	7,572
Intangible assets		12	46	9
Investment in an associate	*15*	2,841	3,630	3,886
Prepayments, deposits and other receivables	*18*	34,685	1,961	3,265
Total non-current assets		891,808	1,196,668	1,517,324
CURRENT ASSETS				
Inventories	*16*	1,031	1,750	3,613
Trade receivables	*17*	764	89	903
Prepayments, deposits and other receivables	*18*	49,397	19,330	22,216
Amounts due from related parties	*34*	239,571	23,284	6,275
Available-for-sale investments	*20*	6,191	50,000	14,240
Pledged deposits	*19*	—	—	27,855
Cash and cash equivalents	*19*	32,047	325,651	313,539
Total current assets		329,001	420,104	388,641
CURRENT LIABILITIES				
Trade and bills payables	*21*	4,785	7,311	16,191
Other payables and accruals	*22*	166,039	114,631	166,524
Deferred revenue	*23*	116,741	185,686	242,092
Interest-bearing bank loans	*25*	83,500	101,900	137,300
Amounts due to related parties	*34*	123,310	169,758	31,723
Tax payable		2,400	2,961	2,899
Deferred income	*24*	24,000	34,000	57,241
Total current liabilities		520,775	616,247	653,970
NET CURRENT LIABILITIES	*2.2*	(191,774)	(196,143)	(265,329)
TOTAL ASSETS LESS CURRENT LIABILITIES		700,034	1,000,525	1,251,995

		December 31,		
		2015	2016	2017
	Notes	RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES				
Deferred revenue	*23*	—	13,478	54,474
Deferred income	*24*	56,440	49,047	35,903
Interest-bearing bank loans	*25*	163,000	381,100	325,000
Total non-current liabilities		219,440	443,625	415,377
Net assets		480,594	556,900	836,618
EQUITY				
Equity attributable to owners of the Company				
Issued capital	*26*	—	—	—
Reserves	*27*	467,738	538,853	812,340
		467,738	538,853	812,340
Non-controlling interests		12,856	18,047	24,278
Total equity		480,594	556,900	836,618

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Issued capital	Capital reserve*	Difference arising from acquisition of non-controlling interests*	Statutory surplus reserves*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	note 26	*note 27(a)*		*note 27(b)*				
As of January 1, 2015	—	150,838	(824)	6,942	23,760	180,716	11,330	192,046
Profit and total comprehensive income for the year	—	—	—	—	16,571	16,571	1,677	18,248
Transfer from retained profits	—	—	—	7,463	(7,463)	—	—	—
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	(151)	(151)
Increase in paid-up capital of a subsidiary *(note 27(a)(i))*	—	99,291	—	—	—	99,291	—	99,291
Conversion of debts to equity by equity holders *(note 27(a)(ii))*	—	221,998	—	—	—	221,998	—	221,998
Distribution to equity holders *(note 27(a)(iii))*	—	(50,838)	—	—	—	(50,838)	—	(50,838)
As of December 31, 2015	—	421,289	(824)	14,405	32,868	467,738	12,856	480,594
As of January 1, 2016	—	421,289	(824)	14,405	32,868	467,738	12,856	480,594
Profit and total comprehensive income for the year	—	—	—	—	71,115	71,115	3,633	74,748
Transfer from retained profits	—	—	—	12,259	(12,259)	—	—	—
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	(570)	(570)
Capital contribution from non-controlling shareholders of a subsidiary	—	—	—	—	—	—	2,128	2,128
As of December 31, 2016	—	421,289	(824)	26,664	91,724	538,853	18,047	556,900
As of January 1, 2017	—	421,289	(824)	26,664	91,724	538,853	18,047	556,900
Profit and total comprehensive income for the year	—	—	—	—	131,218	131,218	5,027	136,245
Transfer from retained profits	—	—	—	25,325	(25,325)	—	—	—
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	(750)	(750)
Increase in paid-up capital of a subsidiary	—	142,269	—	—	—	142,269	—	142,269
Capital contribution from non-controlling shareholders of a subsidiary	—	—	—	—	—	—	1,954	1,954
As of December 31, 2017	—	563,558	(824)	51,989	197,617	812,340	24,278	836,618

* These reserve accounts comprise the reserves of RMB467,738,000, RMB538,853,000 and RMB812,340,000 in the consolidated statements of financial position as of December 31, 2015, 2016 and 2017, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	2015 RMB'000	2016 RMB'000	2017 RMB'000
		Year ended December 31,		
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		20,406	75,869	137,269
Adjustments for:				
Depreciation	7	10,963	23,569	32,872
Recognition of prepaid land lease payments	7	1,826	3,105	4,447
Amortisation of intangible assets		23	58	37
Share of profit of an associate		(1,076)	(789)	(256)
Gain on disposal of available-for-sale investments	7	(507)	(357)	(2,996)
Loss/(gain) on disposal of subsidiaries	7	(2,664)	—	40
Interest income	7	(11,713)	(35,294)	(846)
Deferred income released to profit or loss	24	(18,698)	(27,393)	(70,310)
Interest expenses	6	9,478	12,601	14,009
Losses/(gains) on disposal of items of property, plant and equipment	7	840	14	(536)
		8,878	51,383	113,730
Increase in inventories		(9,558)	(719)	(1,519)
Decrease/(increase) in trade receivables		(5)	675	(814)
Decrease/(increase) in prepayments, deposits and other receivables		21,636	(4,852)	(3,722)
Decrease/(increase) in amounts due from related parties		(119,642)	57,352	4,394
Increase in trade and bills payables		3,176	2,526	8,880
Increase in deferred revenue		47,347	82,423	92,035
Receipt of government grants	24	40,471	30,000	80,407
Increase/(decrease) in other payables and accruals		9,856	(20,024)	34,569
Cash generated from operations		2,159	198,764	327,960
Income tax paid		(605)	(560)	(1,086)
Net cash flows from operating activities		1,554	198,204	326,874

	Notes	Year ended December 31, 2015 RMB'000	2016 RMB'000	2017 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(287,404)	(184,414)	(404,453)
Prepaid land lease payments		(23,862)	(82,903)	(23,989)
Refund of deposit/(deposit paid) for the purchase of land use rights		(35,000)	35,000	—
Proceeds from disposal of items of property, plant and equipment		309	65	844
Purchase of available-for-sale investments		(1,348,591)	(518,819)	(6,512,680)
Proceeds from disposal of available-for-sale investments		1,350,328	475,010	6,548,440
Acquisition of a subsidiary	*28*	—	—	(3,957)
Disposal of subsidiaries	*29*	(475)	—	(449)
Increase in pledged deposits		—	—	(27,855)
Advances and loans to related parties, net		89,446	109,851	—
Interest received		964	53,367	3,842
Net cash flows used in investing activities		(254,285)	(112,843)	(420,257)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from increase in paid-up capital of a subsidiary		99,291	—	142,269
Capital contribution from the non-controlling shareholders		—	2,128	1,954
Proceeds from bank loans		190,000	320,000	281,000
Repayment of bank loans		(18,000)	(83,500)	(301,700)
Dividends paid to non-controlling shareholders		(151)	(570)	(750)
Interest paid		(12,230)	(29,815)	(41,502)
Net cash flows from financing activities		258,910	208,243	81,271
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		6,179	293,604	(12,112)
Cash and cash equivalents at beginning of year		25,868	32,047	325,651
CASH AND CASH EQUIVALENTS AT END OF YEAR	*19*	32,047	325,651	313,539

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As of December 31, 2017
	RMB'000
CURRENT ASSETS	
Cash and cash equivalents	—
NET CURRENT ASSETS	—
TOTAL ASSETS LESS CURRENT LIABILITIES	—
Net assets	—
EQUITY	
Issued capital *(note 26)*	—
Reserves	—
Total equity	—

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on January 24, 2017 as an exempted company with limited liability under the laws of the Cayman Islands. The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1–1104, Cayman Islands. The principal place of business of the Company is located at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

The Company is an investment holding company. During the years ended December 31, 2015, 2016 and 2017 (the "Relevant Periods"), the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the provision of education and related management services (collectively the "Listing Business") in the People's Republic of China (the "PRC").

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History and Reorganisation" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As of December 31, 2017, the Company had direct and indirect interests in the following entities:

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianli Education International Holdings Limited [d] 天立教育国际控股有限公司	British Virgin Islands ("BVI") February 20, 2017	—	100	—	Investment holding
Tianli Education (HK) Limited 天立教育(香港)有限公司	Hong Kong March 6, 2017	US$1	—	100	Investment holding
Tibet Yongsi Technology Co., Ltd. ("Tibet Yongsi") 西藏永思科技有限公司	PRC/Mainland China September 4, 2017	US$500,000	—	100	Provision of management service
Shenzhou Tianli Education Investment Company Limited ("Tianli Education") [c] 神州天立教育投資有限責任公司	PRC/Mainland China April 19, 2013	RMB158,776,000	—	100	Investment holding and provision of management service
Luzhou Tianli School [a][c] 瀘州天立學校	PRC/Mainland China January 15, 2002	RMB50,000,000	—	83.34	Provision of middle school education service
Luzhou Longmatan Tianli Elementary School ("Luzhou Longmatan Tianli School") [a][c] 瀘州市龍馬潭區天立小學	PRC/Mainland China October 25, 2009	RMB6,000,000	—	83.34	Provision of elementary school education service
Yibin Cuiping District Tianli School ("Yibin Tianli School") [a][c] 宜賓市翠屏區天立學校	PRC/Mainland China September 26, 2012	RMB50,000,000	—	100	Provision of education service
Guangyuan Tianli International School ("Guangyuan Tianli School") [a][c] 廣元天立國際學校	PRC/Mainland China October 16, 2014	RMB50,000,000	—	100	Provision of education service

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Neijiang Tianli (International) School ("Neijiang Tianli School") [(a)(c)] 內江天立(國際)學校	PRC/Mainland China October 24, 2014	RMB50,000,000	—	100	Provision of education service
Xichang Tianli International School ("Xichang Tianli School") [(a)(b)] 西昌天立(國際)學校	PRC/Mainland China March 11, 2016	RMB50,000,000	—	100	Provision of education service
Ya'an Tianli School [(a)(b)] 雅安天立學校	PRC/Mainland China April 19, 2017	RMB50,000,000	—	100	Provision of education service
Cangxi Tianli School [(a)(b)] 蒼溪天立學校	PRC/Mainland China December 29, 2017	RMB5,000,000	—	100	Provision of education service
Tianli Kindergarten of Gulin County [(a)(c)] 古藺縣天立幼兒園	PRC/Mainland China August 29, 2016	RMB6,000,000	—	66.5	Provision of kindergarten service
Luzhou Lixin Investment Company Limited 瀘州立信投資有限公司 [(c)]	PRC/Mainland China December 27, 2010	RMB5,000,000	—	83.34	Investment holding
Luzhou Tianli Daren Education Technology Limited [(b)] 瀘州天立達人教育科技有限公司	PRC/Mainland China February 15, 2016	RMB800,000	—	51	Investment holding
Chengdu Tianli Jiaozi Education Technology Company Limited [(b)] 成都天立驕子教育科技有限公司	PRC/Mainland China September 22, 2016	RMB5,000,000	—	95	Investment holding
Luzhou Shenzhou Tianli Early Education Consulting Centre (GP) [(c)] 瀘州神州天立早教諮詢服務中心(普通合夥)	PRC/Mainland China December 30, 2013	RMB500,000	—	51	Provision of early childhood development service
Luzhou Longmatan Tianli Culture and Arts Tutoring School ("Luzhou Longmatan Arts School") [(a)(c)] 瀘州市龍馬潭區天立文化藝術培訓學校	PRC/Mainland China June 13, 2012	RMB200,000	—	90	Provision of tutoring service
Luzhou Jiangyang Tianli Culture and Arts Tutoring School [(a)(b)] 瀘州市江陽區天立文化藝術培訓學校	PRC/Mainland China July 14, 2017	RMB1,800,000	—	100	Provision of tutoring service
Renjie Education Tutoring School of Gong Country [(a)(b)] 珙縣人傑教育培訓學校	PRC/Mainland China November 23, 2016	RMB30,000	—	90	Provision of tutoring service
Neijiang Dongxing Tianli Jiaozi Tutoring School [(a)(b)] 內江市東興區天立驕子培訓學校	PRC/Mainland China December 7, 2016	RMB300,000	—	100	Provision of tutoring service

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Gulin Tianli Jiaozi District & Art Tutoring School Limited [(a)(b)] 古藺天立驕子文化藝術培訓學校有限責任公司	PRC/Mainland China December 27 2016	RMB1,000,000	—	57	Provision of tutoring service
Yibin Cuiping Tianzhan Tutoring School ("Tianzhan Tutoring School") [(a)(c)] 宜賓市翠屏區天展培訓學校	PRC/Mainland China March 31, 2015	RMB300,000	—	100	Provision of tutoring service
Yibin Cuiping Tianjiao Tutoring School [(a)(b)] 宜賓市翠屏區天驕培訓學校	PRC/Mainland China July 4, 2017	RMB500,000	—	100	Provision of tutoring service
Guangyuan Tianli Jiaozi Education and Tutoring School ("Guanyuan Jiaozhi School") [(a)(b)] 廣元天立驕子教育培訓學校	PRC/Mainland China September 18, 2017	RMB300,000	—	100	Provision of tutoring service
Xichang Tianli Jiaozi Culture and Art Tutoring School [(a)(b)] 西昌天立驕子文化藝術培訓學校	PRC/Mainland China December 13, 2017	RMB300,000	—	100	Provision of tutoring service
Guangyuan Tianli Kaixing Education Consulting Company Limited ("Tianli Kaixing") [(a)(b)] 成都天立凱星教育諮詢有限公司	PRC/Mainland China September 19, 2017	RMB10,000,000	—	80	Provision of tutoring service
Chengdu Likai Education Consulting Company Limited ("Likai Education Consulting") [(a)(b)] 成都立凱教育諮詢有限公司	PRC/Mainland China October 10, 2017	RMB5,000,000	—	50.4	Provision of tutoring service
Chengdu Wuhou District Kinderworld Kindergarten ("Kinderworld Kindergarten") [(a)(b)] 成都市武侯區凱星幼兒園	PRC/Mainland China January, 2014	RMB100,000	—	100	Provision of tutoring service

The above table lists the entities of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes:

(a) During the Relevant Periods, the Listing Business was carried out by Tianli Education and its directly and indirectly sponsored schools in the PRC as listed in the above table (collectively the "PRC Operating Entities").

(b) No audited financial statements have been prepared for these entities for the years ended December 31, 2015, 2016 and 2017, as the entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

(c) The statutory financial statements for the years ended December 31, 2015, 2016 and [2017] prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") and PRC Not-for-profit Organization Accounting Principles, were audited by 信永中和會計師事務所 ("ShineWing Certified Public Accountants"), certified public accountants registered in the PRC.

The English names of the companies or schools established in the PRC represent the best effort made by the management of the Company to directly translate the Chinese names of these companies or schools as they do not register any official English names.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History and Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group on December 15, 2017. As the Reorganisation only involved inserting new holding companies and entering into structured contracts ("Structured Contracts") that has not resulted in a change of respective voting and beneficial interests, the Historical Financial Information for the Relevant Periods has been presented as a continuation of the existing company using the merger accounting method as if the Reorganisation had been completed at the beginning of the Relevant Periods.

Due to regulatory restrictions on foreign ownership in the schools in the PRC, the Listing Business was carried out by PRC Operating Entities during the Relevant Periods. The wholly-owned subsidiary of the Company, Tibet Yongsi has entered into the Structured Contracts with, among others, the PRC Operating Entities and their respective equity holders (hereafter the equity holders of the PRC Operating Entities referred to "Registered Shareholders"). The Structured Contracts enable Tibet Yongsi to exercise effective control over the PRC Operating Entities and obtain substantially all economic benefits of the PRC Operating Entities. Accordingly, the Company regards the PRC Operating Entities as indirect subsidiaries for the purpose of the Historical Financial Information and PRC Operating Entities are consolidated in the Historical Financial Information continuously. Details of the Structured Contracts are disclosed in the section headed "Structured Contracts" in the Prospectus. The Group does not have any equity interest in the PRC Operating Entities.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholder, where this is a shorter period. The consolidated statements of financial position of the Group as of December 31, 2015 and 2016 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than the controlling shareholders, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from January 1, 2017, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value.

Going concern

The Group recorded net current liabilities of RMB191,774,000, RMB196,143,000 and RMB265,329,000 as of December 31, 2015, 2016 and 2017, respectively. The Group's net current liabilities excluding the current portion of deferred revenue and deferred income in total amounted to RMB51,033,000 as of December 31, 2015. In addition, after excluding the current portion of deferred revenue and deferred income, the Group's net current assets in total amounted to RMB23,543,000 and RMB34,004,000 as of December 31, 2016 and 2017, respectively.

In view of the net current liabilities position, the directors of the Company (the "Directors") have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Having considered the cash flows from operations and the positive operating results, the Directors are of the opinion the Group is able to meet in full its financial obligations as they fall due for the foreseeable future and it is appropriate to prepare the Historical Financial Information on a going concern basis.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the Historical Financial Information.

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
Amendments to IAS 40	*Transfers of Investment Property*[1]
Annual Improvements 2014–2016 Cycle	Amendments to IFRS 1 and IAS 28[1]
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[2]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]

1 Effective for annual periods beginning on or after January 1, 2018
2 Effective for annual periods beginning on or after January 1, 2019
3 Effective for annual periods beginning on or after January 1, 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt IFRS 9 from January 1, 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. The Group has performed an assessment of the impact of the adoption of IFRS 9. This expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) *Classification and measurement*

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to measure all its equity investments currently held as available for sale at fair value. All equity investments held as available for sale are currently measured at fair value with unrealized gains or losses recognized through other comprehensive income. The Group expects to apply the option to present fair value changes in profit or loss upon the adoption of IFRS 9.

(b) *Impairment*

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group has determined that no material further impairment will be provided upon the initial adoption of the standard.

IFRS 15 and Amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers*

IFRS 15 issued in May 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. Either a full retrospective application or modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard.

The Group plans to adopt the transitional provisions in IFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of IFRS 15 will not be material. Also, the expected changes in accounting policies will not have a material impact on the Group's financial statements from 2018 onwards. However, there will be additional disclosures upon the adoption of IFRS 15.

IFRS 16 *Leases*

IFRS 16, issued in January 2016, replaces IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. For lease accounting, the standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying assets is of low value. A lessee is required to recognise a right-of-use ("ROU") asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. For lessor accounting, the standard substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. Furthermore, extensive disclosures are required by IFRS 16.

As of December 31, 2017, the Group has non-cancellable operating lease commitments of approximately RMB18,825,000 as disclosed in note 32(b). The Group believes the most significant changes relate to the recognition of ROU assets and lease liabilities in the consolidated statements of financial position for operating leases of the premises. This new standard will result in an increase in assets and financial liabilities in the consolidated statements of financial position. As for the financial performance impact in the profit or loss, the operating lease expenses will decrease, while the depreciation and amortization of interest expenses will increase. Based on the preliminary assessment by the Directors, assuming all non-cancellation operating lease commitments as disclosed in note 32(b) meet the IFRS 16 criteria, the adoption of IFRS 16 will result in a recognition of ROU assets and financial liabilities of approximately RMB12,739,000. The financial liabilities will be measured on an amortized cost basis and the interest expense of RMB6,086,000 will be allocated over the lease term using the effective interest rate method. Given that the Group had total assets of RMB1,905,965,000 and total liabilities of RMB1,069,347,000 as of December 31, 2017, the Directors are of the view that the initial adoption of IFRS 16 would not have significant impact on the financial performance and position of the Group. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for own use while other operating lease payments are presented as operating cash flows. Under IFRS 16, lease payments in relation to lease liabilities will be allocated into a principal and an interest portion which will be presented as financing cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statements of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Business combinations and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as of December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Merger accounting for business combination under common control

As explained in note 27(a)(iii) below, the acquisition of subsidiaries under common control has been accounted for using merger accounting principles. The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

Fair value measurement

The Group measures its available-for-sale investments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings and structures	1.9–2.4%
Leasehold improvements	20%
Furniture and fixtures	19%
Devices and equipment	19%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Purchased computer software is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of 2 years.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables, and available-for-sale investments. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments
Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primary derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group assesses at the end of each of the Relevant Periods whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes

the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Available-for-sale investments
For available-for-sale financial investments, the Group assesses at the end of each of the Relevant Periods whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss — is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, amounts due to related parties and interest-bearing bank loans.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings
After initial recognition, interest-bearing bank loans are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents
For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statements of financial position of the Group and the statement of financial position of the Company, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax
Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised on a systematic basis over the periods as deduction from the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

Tuition and boarding fees received from students are generally paid in advance prior to the beginning of each academic year, and are initially recorded as deferred revenue. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable program. The portion of tuition and boarding payments received from students but not earned is recorded as deferred revenue and amount which will be earned within one year is presented as current deferred revenue, and amount which will be earned beyond one year is presented as non-current deferred revenue. The academic year of the Group's schools is generally from September to June of the following year.

Tuition fees from kindergartens are generally received in advance at the beginning of every term and are recognised as revenue when the service is provided.

Tuition fees from tutorial centers are collected in advance on a lump-sum basis. Revenue is recognised after a service contract is signed and the tutoring services are rendered.

Management fees are received from the entrusted schools in connection with the Group's management services. Franchise fees are received from the franchisees in connection with the Group's educational consulting services. Management fees and franchise fees are recognised as revenue upon the delivery of the relevant services.

Revenue from the sale of goods from and services provided at the on-school canteens is recognised when the goods are delivered and titles have passed or the services have been rendered.

Income from ancillary services such as the provision of child-care, school bus services, is recognised in the period in which the services are rendered.

Rental income is recognised on a time proportion basis over the lease terms.

Interest income from a financial asset is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payments

The Company operates a share reward scheme for the benefit of the participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries and schools which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries and schools operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the note to the Historical Financial Information.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As of the end of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the Relevant Periods and their profit or loss are translated into RMB at the weighted average exchange rates for the year/period.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Structured Contracts

The PRC Operating Entities are engaged in the provision of education services. Under the scope of "Catalogue for Guidance of Foreign Investment Industries (2017 version)", foreign investors are prohibited or restricted to invest in such business.

As disclosed in note 2.1, as part of the Reorganisation, the Group exercises control over the PRC Operating Entities and enjoys substantially all economic benefits of the PRC Operating Entities through the Structured Contracts.

The Company does not have any equity interest in the PRC Operating Entities. However, as a result of the Structured Contracts, the Company has power over the PRC Operating Entitles, has rights to variable returns from its involvement with the PRC Operating Entitles and has the ability to affect those returns through its power over the PRC Operating Entities and is therefore considered to have control over the PRC Operating Entities. Consequently, the Company regards the PRC Operating Entities as indirect subsidiaries. The Group has consolidated the financial position and results of the PRC Operating Entities in the Historical Financial Information during the Relevant Periods.

Current and deferred tax

Significant judgement is required in interpreting the relevant tax rules and regulations so as to determine whether the Group is subject to corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact the tax expense in the period that such determination is made. Further details of current and deferred tax are set out in note 10 to the Historical Financial Information.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty as of the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the Relevant Periods. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each of the Relevant Periods based on changes in circumstances. Further details of the property, plant and equipment are set out in note 13 to the Historical Financial Information.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2017 was RMB7,572,000 (2015 and 2016: Nil). Further details are set out in note 28.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of education services in the PRC.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resource to segments and to assess their performance. The information reported to the Directors, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the Directors reviewed the financial results of the Group as a whole.

Geographical information

During the Relevant Periods, the Group operated within one geographical location because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented. On this basis, the Group has determined that it only has one operating segment which is engaged in the provision of education and related management services.

Information about major customers

No service provided to a single customer contributed to 10% or more of the total revenue of the Group during the Relevant Periods.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the values of services rendered after deducting scholarships and refunds during the Relevant Periods.

An analysis of revenue, other income and gains is as follows:

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Revenue			
Tuition fees	162,743	238,584	336,848
Boarding fees	15,910	25,679	37,412
School canteen operations	39,204	61,132	92,180
Management and franchise fees	187	960	1,577
Total revenue	218,044	326,355	468,017
Other income and gains			
Bank interest income	457	461	846
Interest income from a related party	11,256	34,833	—
Total interest income	11,713	35,294	846
Other service income	6,347	7,194	9,279
Gain on disposal of subsidiaries	2,664	—	—
Gain on disposal of available-for-sale investments	507	357	2,996
Rental income	376	579	723
Others	300	1,068	991
Total other income and gains	21,907	44,492	14,835

6. INTEREST EXPENSES

An analysis of the Group's interest expenses is as follows:

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Interest on bank loans	13,796	30,101	39,880
Less: Interest capitalised *(note 13(b))*	(4,318)	(17,500)	(25,871)
	9,478	12,601	14,009
Interest rate of borrowing costs capitalised	*	8.75%	7.86%

* During the year ended December 31, 2015, where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 8.84% has been applied to the expenditure on the individual assets.

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended December 31, 2015	2016	2017
		RMB'000	**RMB'000**	**RMB'000**
Cost of inventories sold		26,799	39,694	54,231
Cost of services provided		133,089	192,169	215,841
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8))*:				
Wages and salaries		117,196	154,489	198,683
Pension scheme contributions (defined contribution scheme)		10,140	16,894	24,831
Welfare		13,642	19,815	26,204
Housing fund (defined contribution scheme)		4,799	6,545	9,470
Less: Government grants released	*24*	(18,698)	(27,393)	(70,310)
Subsidies received		(442)	(3,206)	(8,684)
		126,637	167,144	180,194
Depreciation	*13*	10,963	23,569	32,872
Recognition of prepaid land lease payments*	*14*	1,826	3,105	4,447
Amortisation of intangible assets		23	58	37
Losses/(gains) on disposal of items of property, plant and equipment, net		840	14	(536)
Loss/(gain) on disposal of subsidiaries	*29*	(2,664)	—	40
Auditors' remuneration		—	421	128
Minimum lease payments under operating leases		437	431	2,859
Bank interest income		(457)	(461)	(846)
Interest income from related parties		(11,256)	(34,833)	—
Listing expenses		841	2,768	4,312
Gain on disposal of available-for-sale investments		(507)	(357)	(2,996)
Rental income		(376)	(579)	(723)

* The recognition of prepaid land lease payments during the Relevant Periods are recorded in "Cost of sales" in profit or loss.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

During the Relevant Periods, the Company appointed Mr. Luo Shi ("Mr. Luo") as the chief executive officer and an executive director of the Company on January 24, 2017.

Messrs. Yang Zhaotao and Wang Rui were appointed as executive directors of the Company on January 31, 2018. Mr. Tian Mu was appointed as the non-executive director of the Company on January 31, 2018. Messrs. Liu Kai Yu Kenneth, Yang Dong and Cheng Yiqun were proposed as independent non-executive directors of the Company on January 31, 2018.

Certain of the Directors received remunerations from the group entities now comprising the Group prior to their appointment as the Directors. Details of the remuneration received or receivables by the Directors from the group entities are as follows:

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	654	589	973
Pension scheme contributions	41	41	105
	695	630	1,078

	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000
Year ended December 31, 2015			
Executive directors:			
Mr. Luo Shi	159	—	159
Ms. Yang Zhaotao	341	23	364
Mr. Wang Rui	—	—	—
	500	23	523
Non-executive director:			
Mr. Tian Mu	154	18	172
Year ended December 31, 2016			
Executive directors:			
Mr. Luo Shi	180	—	180
Ms. Yang Zhaotao	262	23	285
Mr. Wang Rui	—	—	—
	442	23	465
Non-executive director:			
Mr. Tian Mu	147	19	166
Year ended December 31, 2017			
Executive directors:			
Mr. Luo Shi	337	33	370
Ms. Yang Zhaotao	298	31	329
Mr. Wang Rui	172	22	194
	807	86	893
Non-executive director:			
Mr. Tian Mu	166	19	185

The independent non-executive directors did not receive any directors' remuneration in the capacity of independent non-executive directors during the Relevant Periods.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended December 31, 2015, 2016 and 2017, included 1, 1 and 2 directors, details of whose remuneration are set out in note 8 above. The remaining highest paid employees are neither a director nor chief executive of the Company during the years ended December 31, 2015, 2016 and 2017.

Details of the remuneration of the five highest paid employees who are neither a director nor chief executive of the Company during the Relevant Periods, are as follows:

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	877	1,044	823
Pension scheme contributions	47	48	46
	924	1,092	869

The number of the non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees		
	Year ended December 31,		
	2015	2016	2017
Nil to HK$1,000,000	4	4	3

During the Relevant Periods, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax from business carried in Cayman Island.

The Company's directly held subsidiary was incorporated in the BVI as an exempted company with liability under the BVI Companies Act 2004 and accordingly is not subject to income tax from business carried in BVI.

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.

Pursuant to the PRC Income Tax Law and the respective regulations, all of the Group's non-school subsidiaries established in the PRC are subject to the PRC Corporate Income Tax ("CIT") of 25% during the Relevant Periods.

During the Relevant Periods, in accordance with the historical tax returns filed with the relevant tax authorities and the confirmations obtained therefrom, except for the tutorial centers and certain kindergartens, there was no corporate income tax imposed on the Group's schools in respect of the education services provided since their establishment.

Based on the confirmations from the in-charge local tax bureau and the local office of State Administration of Taxation of the PRC operating entities, there is no corporate income tax imposed on the income from provision of formal educational services. As a result, no income tax expense was recognised for the income from the provision of formal educational services during the Relevant Periods.

Tutorial centers of the Group which provide non-academic educational services are subject to corporate income tax at a rate of 25%.

Corporate income tax of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in Mainland China during the Relevant Periods:

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Current — Mainland China			
Charge for the year	2,158	1,121	1,024

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Profit before tax	20,406	75,869	137,269
Tax at the statutory rate	5,102	18,967	34,317
Profits arising from schools not subject to tax	(6,873)	(18,527)	(40,286)
Losses from schools not deductible for tax	3,248	1,388	272
Profits attributable to an associate	(253)	(164)	(64)
Tax loss utilised from previous years	—	(1,204)	(79)
Tax loss not recognised	916	652	5,481
Expenses not deductible for tax	18	9	1,383
Tax charge at the Group's effective rate	2,158	1,121	1,024

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from January 1, 2008 and applies to earnings after December 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from January 1, 2008.

As of December 31, 2017, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China as the Reorganisation only completed in December 2017. In addition, in the opinion of the Directors, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

As of December 31, 2015, 2016 and 2017, the aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB61,479,000.00, RMB99,826,000 and RMB226,359,000, respectively.

As of December 31, 2015 and 2016 and 2017, the Group has tax losses arising in Mainland China from PRC entities subject to income tax of RMB6,180,000, RMB2,852,000 and RMB24,458,000, respectively, which will expire in one to five year for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The share of tax attributable to an associate amounting to RMB364,000, RMB267,000 and RMB159,000 for the years ended December 31, 2015, 2016 and 2017, respectively, is included in "Share of profit of an associate" in profit or loss.

11. DIVIDENDS

No dividends have been paid or declared by the Company since its incorporation.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results of the Group for the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures	Furniture and fixtures	Leasehold improvements	Devices and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2015						
As of January 1, 2015:						
Cost	335,251	11,246	127	12,993	76,862	436,479
Accumulated depreciation	(22,790)	(7,487)	—	(10,264)	—	(40,541)
Net carrying amount	312,461	3,759	127	2,729	76,862	395,938
As of January 1, 2015, net of accumulated depreciation	312,461	3,759	127	2,729	76,862	395,938
Additions	10,997	26,072	413	2,316	355,678	395,476
Disposals	(810)	(529)	—	(34)	—	(1,373)
Disposal of subsidiaries *(note 29)*	—	(702)	—	—	—	(702)
Depreciation provided during the year *(note 7)*	(8,276)	(1,424)	(222)	(1,041)	—	(10,963)
Transfer from construction in progress	428,869	—	—	—	(428,869)	—
As of December 31, 2015, net of accumulated depreciation	743,241	27,176	318	3,970	3,671	778,376
As of December 31, 2015:						
Cost	773,953	35,977	540	14,677	3,671	828,818
Accumulated depreciation	(30,712)	(8,801)	(222)	(10,707)	—	(50,442)
Net carrying amount	743,241	27,176	318	3,970	3,671	778,376

	Buildings and structures	Furniture and fixtures	Leasehold improvements	Devices and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2016						
As of January 1, 2016:						
Cost	773,953	35,977	540	14,677	3,671	828,818
Accumulated depreciation	(30,712)	(8,801)	(222)	(10,707)	—	(50,442)
Net carrying amount	743,241	27,176	318	3,970	3,671	778,376
As of January 1, 2016, net of accumulated depreciation	743,241	27,176	318	3,970	3,671	778,376
Additions	1,566	14,276	2,031	2,324	228,664	248,861
Disposals	—	(78)	—	—	—	(78)
Depreciation provided during the year *(note 7)*	(15,715)	(6,064)	(587)	(1,203)	—	(23,569)
Transfer from construction in progress	207,866	7,180	—	—	(215,046)	—
As of December 31, 2016, net of accumulated depreciation	936,958	42,490	1,762	5,091	17,289	1,003,590
As of December 31, 2016:						
Cost	983,384	57,154	2,571	17,000	17,289	1,077,398
Accumulated depreciation	(46,426)	(14,664)	(809)	(11,909)	—	(73,808)
Net carrying amount	936,958	42,490	1,762	5,091	17,289	1,003,590
December 31, 2017						
As of January 1, 2017:						
Cost	983,384	57,154	2,571	17,000	17,289	1,077,398
Accumulated depreciation	(46,426)	(14,664)	(809)	(11,909)	—	(73,808)
Net carrying amount	936,958	42,490	1,762	5,091	17,289	1,003,590
As of January 1, 2017, net of accumulated depreciation	936,958	42,490	1,762	5,091	17,289	1,003,590
Additions	213	15,118	4,337	3,243	300,754	323,665
Addition from acquisition of a subsidiary *(note 28)*	—	1,034	188	1,013	—	2,235
Disposals	—	(164)	(110)	(34)	—	(308)
Disposal of a subsidiary *(note 29)*	—	(1)	—	—	—	(1)
Depreciation provided during the year *(note 7)*	(20,191)	(8,750)	(1,993)	(1,938)	—	(32,872)
Transfer from construction in progress	306,344	561	—	7,453	(314,358)	—
As of December 31, 2017, net of accumulated depreciation	1,223,324	50,288	4,184	14,828	3,685	1,296,309
As of December 31, 2017:						
Cost	1,289,941	73,375	6,969	28,512	3,685	1,402,482
Accumulated depreciation	(66,617)	(23,087)	(2,785)	(13,684)	—	(106,173)
Net carrying amount	1,223,324	50,288	4,184	14,828	3,685	1,296,309

Notes:

(a) As of December 31, 2015, 2016 and 2017, the Group was in the customary process of obtaining the relevant property ownership certificates for certain buildings with net carrying amounts of approximately RMB537,910,000, RMB753,774,000 and RMB931,516,000, respectively. The Group's buildings can only be sold, transferred or mortgaged when the relevant certificates have been obtained.

(b) Interest expenses capitalised as part of property, plant and equipment by the Group during the years ended December 31, 2015, 2016 and 2017 amounted to RMB4,318,000, RMB17,500,000 and RMB25,871,000, respectively (note 6).

14. PREPAID LAND LEASE PAYMENTS

	As of December 31,		
	2015	**2016**	**2017**
	RMB'000	**RMB'000**	**RMB'000**
Carrying amount at beginning of the year	79,547	77,721	191,381
Additions during the year	—	116,765	23,989
Amortisations during the year	(1,826)	(3,105)	(4,447)
Carrying amount at end of the year	77,721	191,381	210,923
Current portion included in prepayments, deposits and other receivables *(note 18)*	(1,827)	(3,940)	(4,640)
Non-current portion	75,894	187,441	206,283

15. INVESTMENT IN AN ASSOCIATE

	As of December 31,		
	2015	**2016**	**2017**
	RMB'000	**RMB'000**	**RMB'000**
Share of net assets	2,841	3,630	3,886

The Group's receivable balances with an associate are disclosed in note 34(b)(ii) to the Historical Financial Information.

The investment in an associate represents the cost of investment of 33.50% of school sponsor's interest in Affiliated Kindergarten of Luzhou Tianli School ("Luzhou Tianli Kindergarten"), a kindergarten established in the Mainland China and is principally engaged in the provision of kindergarten service.

The following table illustrates the financial information of Luzhou Tianli Kindergarten and is accounted for using the equity method:

	As of December 31,		
	2015	**2016**	**2017**
	RMB'000	**RMB'000**	**RMB'000**
Cash and cash equivalents	3,095	1,593	1,706
Other current assets	656	565	306
Non-current assets	49,839	53,840	52,703
Current liabilities	(45,109)	(28,162)	(30,115)
Non-current liabilities	—	(17,000)	(13,000)
Net assets	8,481	10,836	11,600
Reconciliation to the Group's interest in the associate:			
Proportion of the Group's ownership	33.5%	33.5%	33.5%
Carrying amount of the investment	2,841	3,630	3,886

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Revenue	13,884	15,064	12,698
Interest income	5	18	7
Interest expense	—	(1,182)	(1,358)
Income tax expense	(1,086)	(797)	(475)
Total comprehensive income for the year	3,212	2,356	764

16. INVENTORIES

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Raw materials	1,031	1,750	3,613

17. TRADE RECEIVABLES

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Tutoring fees receivable	764	89	903

Trade receivables represented amounts due from certain of the Group's schools students. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Trade receivables as of the end of the each of the Relevant Periods which are based on the transaction date were aged within 3 months and are not individually nor collectively considered to be impaired. None of the above trade receivables is either past due or impaired. The receivables have no recent history of default.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Current portion:			
Prepayments	3,550	4,360	2,495
Refundable deposit for the purchase of land use rights	35,000	—	—
Other deposits	888	1,005	6,041
Advance to third parties	1,833	1,833	2,021
Advances to staff	6,109	7,877	3,686
Deferred listing expenses	—	—	2,348
Prepaid land lease payments to be amortised within one year *(note 14)*	1,827	3,940	4,640
Other receivables	190	315	985
	49,397	19,330	22,216
Non-current portion:			
Prepayment for property, plant and equipment	823	1,961	3,265
Prepayment for land lease payments	33,862	—	—
	34,685	1,961	3,265
Total	84,082	21,291	25,481

The above amounts are interest-free and are not secured with collateral.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Cash and bank balances	32,047	325,651	326,394
Time deposits	—	—	15,000
	32,047	325,651	341,394
Less: Pledged deposits for:			
Bank loan *(note 25(a))*	—	—	15,000
Bills payable *(note 21)*	—	—	12,855
Cash and cash equivalents	32,047	325,651	313,539

At the end of each of the Relevant Periods, all the cash and bank balances of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

20. AVAILABLE-FOR-SALE INVESTMENTS

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Wealth management products issued by licensed banks, at fair value	6,191	50,000	14,240

The above wealth management products were designated as available-for-sale investments and have maturity within 34 days and coupon rates ranging from 1.6% to 4.3% per annum.

21. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as of the end of each reporting period, based on the invoice date, is as follows:

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Within 3 months	4,338	7,281	8,510
Over 3 months and within 6 months	—	30	7,667
Over 6 months	447	—	14
	4,785	7,311	16,191

The trade payables are non-interest-bearing and are normally settled on 30 day terms. As of December 31, 2017, the bills payable amounting to RMB7,400,000 have a maturity period of 230 days and were secured by the pledged bank deposits (As of December 31, 2015 and 2016: Nil) (note 19).

22. OTHER PAYABLES AND ACCRUALS

	As of December 31,		
	2015	**2016**	**2017**
	RMB'000	**RMB'000**	**RMB'000**
Payables for purchase of property, plant and equipment	67,112	35,440	54,500
Miscellaneous advances from students*	10,859	14,483	29,577
Accrued bonuses and other employee benefits	36,820	48,171	67,374
Collection of advances on behalf of a related party	30,916	—	—
Deposits	14,171	8,109	6,843
Interest payable	1,566	1,852	230
Other payables and accrued expenses	4,595	6,576	8,000
	166,039	114,631	166,524

* Balances mainly represented miscellaneous advances received from students for purchasing of uniforms and textbooks on their behalf.

The above balances are unsecured and non-interest-bearing.

23. DEFERRED REVENUE

	As of December 31,		
	2015	**2016**	**2017**
	RMB'000	**RMB'000**	**RMB'000**
Tuition fees	109,257	180,901	277,935
Boarding fees	2,814	8,887	7,245
Canteen operation fees	3,240	7,805	10,913
Management and franchise fees	—	466	—
Others	1,430	1,105	473
	116,741	199,164	296,566
Current portion	116,741	185,686	242,092
Non-current portion *(note)*	—	13,478	54,474
	116,741	199,164	296,566

Note: The amounts represent tuition fees received in advance from Xichang City Government as consideration to admit a certain number of students designated by Xichang City Government within 30 years since the operation of Xichang Tianli School.

24. DEFERRED INCOME

	As of December 31, 2015	2016	2017
	RMB'000	RMB'000	RMB'000
Government grants related to expense items			
At the beginning of year	58,667	80,440	83,047
Government grants received	40,471	30,000	80,407
Released to profit or loss *(note 7)*	(18,698)	(27,393)	(70,310)
At the end of year	80,440	83,047	93,144
Current	24,000	34,000	57,241
Non-current	56,440	49,047	35,903
Total	80,440	83,047	93,144

Various government grants have been received for the purpose of compensation of salaries and wages arising from the teaching activities at certain schools of the Group. Upon completion of the operating activities, the government grants related to the expense items would be released to profit or loss and deducted from the operating expenses to which they relate. Government grants received for which expenditure has not yet been undertaken are included in deferred income.

25. INTEREST-BEARING BANK LOANS

	As of December 31, 2015			2016			2017		
	Effective interest rate	Maturity		Effective interest rate	Maturity		Effective interest rate	Maturity	
	(%)		RMB'000	(%)		RMB'000	(%)		RMB'000
Current									
Bank loans — secured	—	—	—	—	—	—	5.22	2018	100,000
Current portion of long term bank loans — secured	10	2016	35,000	6.65–9	2017	74,900	6.65–9.00	2018	37,300
Current portion of long term bank loans — unsecured	7.78–10.34	2016	48,500	9.35–10.24	2017	27,000	—	—	—
			83,500			101,900			137,300
Non-current									
Bank loans — secured	10	2017–2018	95,000	6.65–9	2018–2021	340,100	6.65–9.00	2019–2021	325,000
Bank loans — unsecured	7.78–10.34	2017–2020	68,000	9.35	2018–2020	41,000	—	—	—
			163,000			381,100			325,000
			246,500			483,000			462,300

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Bank loans repayable:			
Within one year	83,500	101,900	137,300
In the second year	72,000	126,100	96,000
In the third to fifth years, inclusive	91,000	255,000	229,000
	246,500	483,000	462,300

Notes:

All of the Group's bank loans are denominated in RMB.

The Group's bank loans are secured by:

(a) Mortgages over the following assets:

The Group's assets:

(i) time deposits of Tianli Education amounting to RMB15,000,000 have been pledged for a bank loan of RMB100,000,000 as of December 31, 2017;

Related parties' assets (note 34(c)(7)):

(ii) the land and buildings owned by Gulin Tianli Shengzhong Industry Co., Ltd. ("Gulin Shengzhong") and Guangyuan Tianzhan Property Development Co., Ltd. ("Guangyuan Tianzhan") to secure the Group's bank loans of RMB130,000,000 and RMB95,000,000 as of December 31, 2015 and 2016, respectively; and

(iii) the land owned by Guangyuan Tianjiao Property Development Co., Ltd. ("Guangyuan Tianjiao") to secure the Group's bank loans of RMB120,000,000 and RMB94,300,000 as of December 31, 2016 and 2017, respectively.

(iv) the building owned by Yibin Tianrui Real Estate Development Co., Ltd. ("Yibin Tianrui") to secure the Group's bank loans of RMB100,000,000 as of December 31, 2017.

(b) Pledges of equity interests in the following subsidiaries of the Group:

(i) 54.625% equity interest of Tianli Education has been pledged for bank loans of RMB130,000,000, RMB195,000,000 and RMB100,000,000 as of December 31, 2015, 2016 and 2017, respectively;

(ii) 100% equity interest of Yibin Shenzhou Tianli Education Development Company Limited has been pledged for a bank loan of RMB100,000,000 as of December 31, 2017;

(iii) 100% equity interest of Neijiang Shenzhou Tianli Education Development Company Limited and 100% sponsor right of Neijiang Tianli School have been pledged for bank loans of RMB120,000,000 and RMB94,300,000 as of December 31, 2016 and 2017, respectively;

(iv) 100% equity interest of Xichang Shenzhou Tianli Education Development Company Limited has been pledged for bank loans of RMB100,000,000 as of December 31, 2016 and 2017; and

(v) 100% equity interest of Ya'an Shenzhou Tianli Education Development Company Limited has been pledged for a bank loan of RMB100,000,000 as of December 31, 2017.

(c) Rights over tuition or boarding fees of the following schools:

(i) Rights over tuition fees of Yibin Tianli School have been pledged for bank loans of RMB130,000,000 and RMB95,000,000 as of December 31, 2015 and 2016, respectively;

(ii) Rights over tuition fees of Guangyuan Tianli School have been pledged for bank loans of RMB100,000,000 and RMB85,000,000 as of December 31, 2016 and 2017, respectively;

(iii) Rights over boarding fees of Yibin Tianli School have been pledged for a bank loan of RMB100,000,000 as of December 31, 2017;

(iv) Rights over tuition and boarding fees of Neijiang Tianli School have been pledged for bank loans of RMB120,000,000 and RMB94,300,000 as of December 31, 2016 and 2017, respectively;

(v) Rights over tuition and boarding fees of Luzhou Tianli School have been pledged for aggregate bank loans of RMB63,000,000 and RMB44,000,000 as of December 31, 2015 and 2016, respectively;

(vi) Rights over tuition and boarding fees of Luzhou Longmatan Tianli School have been pledged for aggregate bank loans of RMB53,500,000 and RMB24,000,000 as of December 31, 2015 and 2016, respectively;

(vii) Rights over tuition fees of Luzhou Tianli School and Luzhou Longmatan Tianli School have been pledged for aggregate bank loans of RMB68,000,000 as of December 31, 2017;

(viii) Rights over tuition fees of Xichang Tianli School have been pledged for bank loans of RMB100,000,000 as of December 31, 2016 and 2017; and

(ix) Rights over tuition fees of Ya'an Tianli School have been pledged for bank loans of RMB100,000,000 as of December 31, 2017.

(d) In addition, the following related parties have guaranteed certain of the Group's bank loans, details of which are as follows (note 34(c)(7)):

(i) Shenzhou Tianli Investment Group Company Limited ("Tianli Holding") has guaranteed the Group's bank loans of RMB130,000,000, RMB415,000,000 and RMB394,300,000 as of December 31, 2015, 2016 and 2017, respectively;

(ii) Sichuan Tianli Real Estate Development Co., Ltd. ("Tianli Real Estate") has guaranteed the Group's bank loans of RMB100,000,000 as of December 31, 2015 and 2016;

(iii) Mr. Luo has guaranteed the Group's bank loans of RMB130,000,000, RMB415,000,000 and RMB294,300,000 as of December 31, 2015, 2016 and 2017, respectively; and

(iv) Messrs. Wang Futao, Liu Hongxi and Luo Yongsheng have jointly guaranteed the Group's bank loans of RMB130,000,000 and RMB95,000,000 as of December 31, 2015 and 2016, respectively. Mr. Wang Futao was the former shareholder of a subsidiary. Messrs. Liu Hongxi and Luo Yongsheng are related parties of the Group.

26. SHARE CAPITAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on January 24, 2017 with authorised share capital of HK$380,000 divided into 3,800,000 shares of HK$0.1 each. On the same date, one share was allotted to Mr. Luo, with a par value of HK$0.1 per share.

Save for the aforesaid and the Reorganisation, the Company has not conducted any business since the date of its incorporation. As Tibet Yongsi Technology Co., Ltd entered into certain Structured Contracts with the PRC Operating Entities on December 15, 2017 and the Company obtained control over the PRC Operating Entities thereafter.

	As of December 31,		
	2015	2016	2017
	RMB	RMB	RMB
Issued and fully paid:			
1 ordinary share of HK$0.1 each	—	—	0.1

27. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) Capital reserve

The capital reserve of the Group represents the capital contributions from the then investors or school sponsors of the PRC Operating Subsidiaries, after elimination of investment in subsidiaries. Movements during the Relevant Periods are further described below:

(i) Increase in capital reserve represents additional capital contribution from the shareholders of the PRC Operating Subsidiaries.

(ii) Pursuant to the shareholders' resolution dated November 20, 2015, the then shareholders of Tianli Education agreed to convert the total debts totaling amounted to RMB221,998,000 due to them by Tianli Education as additional capital contribution to Tianli Education. The conversion of debts to equity was accounted as capital contribution from the owners of the Company by credited to capital reserve during the year ended December 31, 2015.

(iii) Decrease in capital reserve during the year ended December 31, 2015 represents the consideration paid to a company controlled by Mr. Luo and other concerted shareholders amounting to RMB50,838,000 for the acquisitions of sponsor rights or equity interests in Luzhou Tianli School, Luzhou Longmatan Tianli School of Yibin Tianli School and Luzhou Lixin Investment Co., Ltd. These acquisitions were accounted for as business combinations under common control using the principal of merger accounting. The transfer was accounted for as a distribution to the owner of the Company and accounted as an equity transaction.

The consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year ended 31 December, 2015 include the results and cash flows of Luzhou Tianli School, Luzhou Longmatan Tianli School and Luzhou Lixin Investment Co., Ltd. now comprising the Group from the earliest date presented or since the date when the schools and/or businesses first came under the common control of Mr. Luo and other concerted shareholders, where this is a shorter period. The consolidated statement of financial position of the Group as of December 31, 2015 have been prepared to present the assets and liabilities of the subsidiaries businesses using the existing book values from Mr. Luo and other concerted shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the business combination under common control.

(b) Statutory surplus reserves

Pursuant to the relevant laws in the PRC, the Company's subsidiaries and schools in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant subsidiaries and schools in the PRC. These reserves include (i) general reserve of the limited liability companies and (ii) the development fund of schools.

(i) In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(ii) According to the relevant PRC laws and regulations, private schools are required to appropriate to the development fund not less than 25% of the net income of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

28. BUSINESS COMBINATION

To further expand the Group's market share in the area of kindergarten education service, on November 30, 2017, Chengdu Tianli Kaixing Education Consulting Co. Ltd., an indirectly 80%-owned subsidiary of the Company, acquired a 100% equity interest in Kinderworld Kindergarten, which is engaged in the provision of kindergarten education service. The purchase consideration of RMB15,036,000 for the acquisition was in the form of cash and was paid on the acquisition date.

The fair values of the identifiable assets and liabilities of Kinderworld Kindergarten as of the date of acquisition were as follows:

	Fair value recognised on acquisition
	RMB'000
Property, plant and equipment *(note 13)*	2,235
Cash and cash equivalents	11,079
Prepayments and other receivables	898
Inventories	344
Deferred revenue	(5,866)
Accruals and other payables	(1,226)
Total identifiable net assets at fair value	7,464
Goodwill on acquisition	7,572
Satisfied by cash	15,036

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	15,036
Cash and cash equivalents acquired	(11,079)
Net outflow of cash and cash equivalents included in cash flows from investing activities	3,957

Goodwill on acquisition recognised is raised from expected synergies from operations of the acquiree and the acquirer.

Goodwill recognised is not expected to be deductible for income tax purposes.

Since the acquisition, Kinderworld Kindergarten contributed RMB1,293,000 to the Group's revenue and RMB73,000 to the consolidated profit for the year ended December 31, 2017.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended December 31, 2017 would be increased by RMB11,241,000 and RMB2,606,000, respectively.

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the Kinderworld Kindergarten cash-generating unit.

The recoverable amount of Kinderworld Kindergarten cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue (% annual growth rate)	3%
EBIT (% of revenue)	32%
Long term growth rate	3%
Pre-tax discount rate	15%

Budgeted revenue — The budgeted sales amounts are based on the historical data and management's expectation on the future market.

Budgeted EBIT — The basis used to determine the value assigned to the budgeted EBIT is the average EBIT achieved in two years immediately before the budgeted year.

Long term growth rate — The long term growth rate is based on the historical data and management's expectation on the future market.

Pre-tax discount rate — The pre-tax discount rate reflects risks relating to the relevant unit, which is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain public listed companies conducting business in the PRC education industry.

The values assigned to the key assumptions on market development of the cash-generating unit and discount rate are consistent with external information sources.

The most key assumption on which management has based its determination of the goodwill's recoverable amount is the budgeted tuition and boarding fees, which are dependent on the number of students and student's unit tuition and boarding fees.

The senior management of the Company has estimated the reasonably possible changes in those factors and acknowledged that, even if the most unfavourable possible values were assigned to those factors, the recoverable amount then calculated, after incorporating any consequential effects of such assignments on the other variables used to measure the recoverable amount of the Kinderworld Kindergarten cash-generating unit, would still exceed its carrying amount.

29. DISPOSAL OF SUBSIDIARIES

(a) Pursuant to the board resolutions dated June 26, 2015 and July 1, 2015, the Group decided to dispose of its entire equity interest in Neijiang Tianrui Property Development Co., Ltd. ("Neijiang Tianrui") and Guangyuan Tianjiao Property Development Co., Ltd. ("Guangyuan Tianjiao") to Yibin Tianrui for consideration of RMB50,000,000 and RMB50,000,000, respectively. Yibin Tianrui is a related party of the Group. Both disposals were completed on June 30, 2015 and July 7, 2015.

(b) Pursuant to the board resolution dated September 5, 2017, the Group decided to dispose of its entire equity interest in Sichuan Tianyu Trading Company to Yibin Tianrui for a consideration of RMB1,000,000, a related party of the Group. The disposal was completed on September 5, 2017.

(c) The above disposal can be further analysed as follows:

	As of June 30, 2015	As of September 5, 2017
	RMB'000	RMB'000
Net assets disposed of:		
Property, plant and equipment	702	1
Other non-current assets	411	—
Cash and bank balances	475	449
Inventories	10,700	—
Prepayments and other receivables	86,021	2,430
Trade payables	(750)	—
Other payables and accruals	(223)	(1,840)
	97,336	1,040
Gain/(loss) on disposal of subsidiaries	2,664	(40)
	100,000	1,000
Satisfied by:		
Cash	—	—
Due from a related party *(note 34(c)(6))*	100,000	1,000
	100,000	1,000

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Year ended December 31, 2015	Year ended December 31, 2017
	RMB'000	RMB'000
Cash consideration	—	—
Cash and bank balances disposed of	(475)	(449)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(475)	(449)

30. SHARE-BASED PAYMENTS

The Company operates a restricted share award scheme (the "Scheme") to for the benefit of the eligible employees who contribute to the success of the Group's operations.

Share awards granted under the Scheme will vest in stages over a period of six years in the proportion of 10%, 10%, 20%, 20%, 20%, and 20% of the total number of the Restricted Shares (as defined in the Prospectus) granted from the day of appointment. Further, each share award is subject to a restricted period starting from the date of grant of the share awards and ending upon the later of (i) the Listing Date (as defined in the Prospectus), and (ii) the date upon which the relevant eligible employee completes the relevant approval and filing procedures in respect of his or her share awards/Shares in accordance with the Huifa [2012] No. 7 Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning the Domestic Individuals' Participation in the Exchange Administration of Equity Incentive Plans of Overseas Listed Companies (if applicable). The Company will issue an unlock notice to the relevant eligible employees in respect of the relevant share awards after the restriction criteria, conditions and time schedule have been reached, fulfilled or waived in accordance with the terms of the Scheme. Prior to the receipt of the unlock notice, an eligible employee may not exercise any voting rights nor have any rights in respect of the shares underlying the share awards, including but not limited to, any cash or non-cash income, dividends or distributions.

The Scheme also provides for certain circumstances where any unvested share award will automatically lapse, e.g. where the eligible employee's employment with the Group terminates for any reason except for retirement, early retirement due to health problem or redundancy. Once share awards have lapsed and after listing of the Shares on the Stock Exchange, the Company will instruct the trustee of the Scheme ("Trustee") to sell certain portion of the Shares underlying such share awards on the open market. If the sale proceeds are less than the sum of (i) the purchase price paid by the eligible employee to acquire his or her interest pursuant to the Onshore Equity Incentive Scheme (as defined in the Prospectus), and (ii) such additional amount so as to provide the eligible employee with a rate of return of 15% per annum (the "Expected Proceeds"), the Trustee will continue to sell the Shares which are assets of the trust to be used for the operation and maintenance of the trust until the Expected Proceeds are fully paid to the eligible employee. In the event all the assets of the trust to be used for the operation and maintenance of the trust are still not enough to pay the Expected Proceeds, such shortage will be paid by Mr. Luo to the eligible employee.

The purchase price paid by the eligible employees to acquire his or her interest under the Onshore Equity Incentive Scheme was determined based on the estimated enterprise value of Tianli Education, the then holding company of the PRC Operating Entities of approximately RMB948.5 million as of the grant date. The grant date fair value of the equity interests acquired by the eligible employees (the "Equity Interests") was assumed to be zero as management has assessed that the subscription price of the Equity Interests are approximate to its market value.

As part of the Reorganisation and for purpose of converting the Equity Interests of the eligible employees in Tianli Education into interests in the Company, on January 26, 2018, each of the eligible employees was granted share awards, representing such number of shares of the Company which corresponds to his or her Equity Interests in Tianli Education.

31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliation of liabilities arising from financing activities during the Relevant Periods is as follows:

	As of January 1, 2015	Cash flow	Interest expense charged to profit or loss	Interest capitalised	As of December 31, 2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest payables included in other payables and accruals	—	(12,230)	9,478	4,318	1,566
Interest-bearing bank loans	74,500	172,000	—	—	246,500
	74,500	159,770	9,478	4,318	248,066

	As of January 1, 2016	Cash flow	Interest expense charged to profit or loss	Interest capitalised	As of December 31, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest payables included in other payables and accruals	1,566	(29,815)	12,601	17,500	1,852
Interest-bearing bank loans	246,500	236,500	—	—	483,000
	248,066	206,685	12,601	17,500	484,852

	As of January 1, 2017	Cash flow	Interest expense charged to profit or loss	Interest capitalised	As of December 31, 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest payables included in other payables and accruals	1,852	(41,502)	14,009	25,871	230
Interest-bearing bank loans	483,000	(20,700)	—	—	462,300
	484,852	(62,202)	14,009	25,871	462,530

32. OPERATING LEASE COMMITMENTS

(a) As lessor

The Group leased its buildings under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As of the end of each of the Relevant Periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Within one year	382	304	767
After one year but within five years	430	184	1,430
	812	488	2,197

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties and office equipment are negotiated for terms ranging from 6 months to 19 years.

As of the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Within one year	505	1,492	2,911
After one year but within five years	237	5,083	8,062
After five years	—	8,189	7,852
	742	14,764	18,825

33. COMMITMENTS

In addition to the operating lease commitments detailed in note 32 above, the Group had the following capital commitments as of the end of each of the Relevant Periods:

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Contracted but not provided for:			
Property, plant and equipment	120,110	162,996	111,094

34. RELATED PARTY TRANSACTIONS AND BALANCES

The Directors are of the view that the following individuals/companies are related parties that had material transactions or balances with the Group during the Relevant Periods.

(a) Name and relationships of related parties:

Name	Relationships
Mr. Luo	Controlling shareholder of the Company
Ms. Tu Mengxuan	Spouse of Mr. Luo
Mr. Liu Hongxi	One of the shareholders of the Company
Mr. Luo Yongsheng	Cousin of Mr. Luo
Mr. Wang Jian	One of the shareholders of the Company
Mr. Liu Ning	One of the shareholders of the Company
Tianli Holding	A company controlled by Mr. Luo
Gulin Shengzhong	A company controlled by Mr. Luo
Luzhou Nanyuan Construction Engineering Co., Ltd. ("Nanyuan Construction")	A company controlled by Mr. Luo
Sichuan Jinchen Construction Engineering Co., Ltd. ("Sichuan Jinchen")	A company controlled by Mr. Luo
Sichuan Shenzhou Tianyu Technology Co., Ltd. ("Shenzhou Tianyu")	A company controlled by Mr. Luo
Sichuan Shengzhong Energy Saving Technology Co., Ltd. ("Sichuan Shengzhong")	A company controlled by Mr. Luo
Tianli Real Estate	A company controlled by Mr. Luo
Sichuan Tianyu Zhiyuan Technology Co., Ltd. ("Sichuan Tianyu Zhiyuan")	A company controlled by Mr. Luo
Yibin Tianrui	A company controlled by Mr. Luo
Guangyuan Tianjiao	A company controlled by Mr. Luo
Luzhou Xingnanyang	A company controlled by Mr. Wang Jian
Luzhou Tianli Property Management Co., Ltd. ("Luzhou Tianli Property")	A company controlled by Mr. Luo
Neijiang Tianrui	A company controlled by Mr. Luo
Sichuan Kangning	A company controlled by Mr. Liu Ning
Guangyuan Tianzhan	A company controlled by Mr. Luo
Guangyuan Tianjiao	A company controlled by Mr. Luo

In addition to the transactions detailed elsewhere in this report, the Group had the following transactions with related parties:

(b) Outstanding balances with related parties

Amounts due from related parties

		As of December 31,		
		2015	**2016**	**2017**
	Notes	**RMB'000**	**RMB'000**	**RMB'000**
Trade in nature				
Luzhou Tianli Kindergarten	*(ii)*	186	402	580
Non-trade in nature				
Tianli Holding	*(i)*	127,567	—	—
Guangyuan Tianjiao		62,283	707	—
Nanyuan Construction		—	3,531	—
Luzhou Xingnanyang		6,906	6,906	—
Luzhou Tianli Property		20	20	20
Luzhou Tianli Kindergarten	*(ii)*	13,040	4,670	4,665
Sichuan Kangning		6,409	6,409	—
Sichuan Shengzhong		—	175	—
Tianli Real Estate		11	11	—
Sichuan Tianyu Zhiyuan		—	453	—
Sichuan Jinchen		—	—	584
Shenzhou Tianyu		—	—	426
Yibin Tianrui		23,149	—	—
		239,385	22,882	5,695
Total		239,571	23,284	6,275

Notes:

(i) The amount due from Tianli Holding was unsecured, bore interest at a rate of 15% per annum and was fully collected by the Group during the year ended December 31, 2016.

(ii) Included in the amount due from Luzhou Tianli Kindergarten were management fees receivable for the provision of kindergarten management service provided by the Group amounting to RMB186,000, RMB402,000 and RMB580,000 as of December 31, 2015, 2016 and 2017, respectively. The remaining balances were interest-free advances granted to Luzhou Tianli Kindergarten. These balances were unsecured, interest-free and had no fixed term of repayment.

(iii) Except for the amounts due from related as disclosed in note (i) above, other amounts due from related parties were unsecured, interest-free and had no fixed terms of repayments.

Due to related parties

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Trade in nature			
Gulin Shengzhong	—	241	—
Tianli Real Estate	610	680	—
	610	921	—
Non-trade in nature			
Guangyuan Tianjiao	—	4,800	—
Nanyuan Construction	—	95,276	23,489
Neijiang Tianrui	41,029	—	—
Sichuan Jinchen	76,759	63,684	5,694
Shenzhou Tianyu	—	—	1,116
Sichuan Shengzhong	683	213	584
Sichuan Tianyu Zhiyuan	871	1,117	840
Yibin Tianrui	3,358	3,747	—
	122,700	168,837	31,723
Total	123,310	169,758	31,723

Amounts due to these related parties were unsecured, interest-free and had no fixed terms of repayments.

(c) Transactions with related parties

(1) Construction of property, plant and equipment

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Nanyuan Construction	37,500	181,293	137,851
Sichuan Jinchen	138,809	17,350	41,715
Shenzhou Tianyu	—	—	6,155
Sichuan Shengzhong	1,784	415	—
Sichuan Tianyu Zhiyuan	5,771	1,693	—
	183,864	200,751	185,721

The considerations for the construction of property, plant and equipment were determined at prices mutually agreed between the Group and its related parties with reference to the benchmarking studies for similar transactions.

(2) *Rental of properties*

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Gulin Shengzhong	—	241	289
Tianli Real Estate	256	327	566
	256	568	855

The Group rented certain properties from Gulin Shengzhong and Tianli Real Estate. Rental was charged based on prices mutually agreed between the Group and its related parties.

(3) *Provision of management services and sale of goods*

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Luzhou Tianli Kindergarten	617	216	178

The amount represented fees charged for the provision of management service and sales of kindergarten uniforms to Luzhou Tianli Kindergarten, at prices mutually agreed between the Group and its related party.

(4) *Details of loans provided to/(repayment of loans from) Shenzhou Tianli Investment are set out as follows:*

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Provision of loans	255,012	548,073	—
Repayment of loans	(320,546)	(657,924)	—
	(65,534)	(109,851)	—

(5) *Interest income from*

Tianli Holding	11,256	34,833	—

During the years ended December 31, 2015 and 2016, the Group advanced loans to Tianli Holding. Interest was charged based on the monthly balance of interest bearing receivables at each month end and at an interest rate of 15% per annum. The loans were fully repaid by Tianli Holding during the year ended December 31, 2016.

(6) *Disposal of subsidiaries*

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Yibin Tianrui	100,000	—	1,000

Details of the disposal of subsidiaries by the Group to Yibin Tianrui during the Relevant Periods are included in note 29. The disposal prices were determined by reference to the paid-up capital of the said subsidiaries.

(7) *Others*

During the Relevant Periods, certain bank loans of the Group are secured by the assets or guaranteed by certain related parties of the Group. Details of these securities and guarantees are disclosed in note 25.

During the Relevant Periods, Chengdu Tianli Kaixing Education Consulting Co. Ltd acquired 100% equity interest in Kinderworld Kindergarten, of which 60% was owned by Ms. Tu Mengxuan. Details of the transaction were disclosed in note 28.

(d) Compensation of key management personnel of the Group

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	661	619	1,030
Pension scheme contributions	41	40	105
	702	659	1,135

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as of the end of each of the Relevant Periods are as follows:

Financial assets

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Available-for-sale investments			
Available-for-sale investments	6,191	50,000	14,240

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Financial assets — loans and receivables			
Trade receivables	764	89	903
Cash and cash equivalents	32,047	325,651	313,539
Pledged deposits	—	—	27,855
Financial assets included in prepayments, deposits and other receivables	44,020	11,030	12,733
Due from related parties	239,571	23,284	6,275
	316,402	360,054	361,305

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Financial liabilities at amortised cost			
Due to related parties	123,310	169,758	31,723
Trade and bills payables	4,785	7,311	16,191
Interest-bearing bank loans	246,500	483,000	462,300
Financial liabilities included in other payables and accruals	162,185	110,026	158,702
	536,780	770,095	668,916

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, for those with carrying amounts that requires recurring fair value measurement, are as follows:

	Carrying amounts		
	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Financial assets			
Available-for-sale investments	6,191	50,000	14,240

	Fair values		
	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Financial assets			
Available-for-sale investments	6,191	50,000	14,240

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current interest-bearing bank loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in the Group's own non-performance risk for interest-bearing bank loans as of December 31, 2015, 2016 and 2017 was assessed to be insignificant.

The fair values of available-for-sale investments included in other current financial assets are measured using expectation return published by licensed banks.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale investments				
December 31, 2015	—	6,191	—	6,191
December 31, 2016	—	50,000	—	50,000
December 31, 2017	—	14,240	—	14,240

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans, non-current portion				
December 31, 2015	—	—	163,000	163,000
December 31, 2016	—	—	381,100	381,100
December 31, 2017	—	—	325,000	325,000

During the years ended December 31, 2015, 2016 and 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

The Company did not have any other financial assets and liabilities measured at fair value as of December 31, 2015, 2016 and 2017.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise other payables and accruals, interest-bearing bank loans, trade and bills payables, amounts due from/to related parties, cash and cash equivalents and pledged deposits which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks which are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The interest rates and terms of repayments of the bank loans are disclosed in note 25.

The Group has not used any interest swaps to hedge its exposure to interest rate risk.

The Group does not consider that it has any significant exposure to the risk of fluctuation in the interest rate as a reasonable possible change of five basis point in the interest rate would have no significant impact on the Group's profits.

Credit risk

The credit risk of the Group's financial assets, which comprise cash and cash equivalents, amounts due from related parties, trade receivables, deposit and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group offers minimal credit term to third party customers, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings.

As of December 31, 2015, 2016 and 2017, the Group had net current liabilities of RMB191,774,000, RMB196,143,000 and RMB265,329,000, respectively. In the opinion of the Directors, the Group's liquidity is not materially impacted by its net current liabilities position taking into account the factors stated in note 2.2.

The maturity profile of the Group's financial liabilities at the end of each of the Relevant Periods based on contractual undiscounted payments, was as follows:

	As of December 31, 2015				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	—	25,283	79,230	176,874	281,387
Financial liabilities included in other payables and accruals	162,185	—	—	—	162,185
Trade and bills payables	4,785	—	—	—	4,785
Due to related parties	123,310	—	—	—	123,310
	290,280	25,283	79,230	176,874	571,667

	As of December 31, 2016				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	—	10,176	127,123	426,794	564,093
Financial liabilities included in other payables and accruals	110,026	—	—	—	110,026
Trade and bills payables	7,311	—	—	—	7,311
Due to related parties	169,758	—	—	—	169,758
	287,095	10,176	127,123	426,794	851,188

	As of December 31, 2017				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	—	9,531	163,488	381,618	554,637
Financial liabilities included in other payables and accruals	158,702	—	—	—	158,702
Trade and bills payables	16,191	—	—	—	16,191
Due to related parties	31,723	—	—	—	31,723
	206,616	9,531	163,488	381,618	761,253

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The debt-to-asset ratios as of the end of each of the Relevant Periods were as follows:

	As of December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Total liabilities	740,215	1,059,872	1,069,347
Total assets	1,220,809	1,616,772	1,905,965
Debt-to-asset ratio	61%	66%	56%

38. EVENTS AFTER THE RELEVANT PERIODS

In addition to the event detailed elsewhere in this report, the Group had the following events after the reporting period:

On March 29, 2018, the Group entered into a state-owned construction land use right transfer contract and a supplemental agreement with Chengdu Pidu District Land and Resources Bureau to acquire a parcel of land with a total gross floor area of approximately 76,609.09 sq.m. located in Pidu District in Chengdu. The land premium is approximately RMB92.0 million to be paid in two installments. The relevant parcel of land is expected to be used for development of Chengdu West District Tianli School.

On May 22, 2018, the Group entered into a state-owned construction land use right transfer contract and a supplemental agreement with Chengdu Longquanyi District Land and Resources Bureau to acquire a parcel of land with a total gross floor area of approximately 32,127.13 sq.m. located in Longquanyi District in Chengdu. The land premium is approximately RMB60.7 million to be paid in three installments. The relevant parcel of land is expected to be used for development of Chengdu Tianli Elementary School.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to December 31, 2017.

The information set out in this Appendix was prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and is for information purposes only and does not form part of the Accountants' Report on the historical financial information of the Group prepared by the reporting accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong, as set out in Appendix I.

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules is set out here to provide the prospective investors with further information on how the proposed listing might have affected the net tangible assets of the Group after the completion of the Global Offering as if the Global Offering had taken place on December 31, 2017.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible assets attributable to owners of our Company as of December 31, 2017 as if it had taken place on December 31, 2017.

This pro forma adjusted net tangible assets of the Group 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 at December 31, 2017 or at any future date.

	Consolidated net tangible assets attributable to the equity owners of the Company as of December 31, 2017(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted Consolidated net tangible assets	Unaudited pro forma adjusted Consolidated net tangible assets per Share as of December 31, 2017(3)	
	(RMB'000)	(RMB'000)	(RMB'000)	RMB	HK$
Based on an Offer Price of HK$2.04 per Offer Share, after a Downward Offer Price Adjustment of 10% . . .	804,759	777,082	1,581,841	0.79	0.96
Based on an Offer Price of HK$2.26 per Offer share . . .	804,759	864,598	1,669,357	0.83	1.01
Based on an Offer Price of HK$2.66 per Offer share . . .	804,759	1,023,719	1,828,478	0.91	1.11

(1) The consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2017 is based on the audited consolidated net assets of the Group attributable to owners of the Company of RMB812,340,000 after deducting intangible assets of RMB9,000 and goodwill of RMB7,572,000 as of December 31, 2017 as shown in the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 500,000,000 Offer Shares of an indicative Offer Prices of HK$2.66 and HK$2.26 per Offer Share, and also based on an Offer Price of HK$2.04 per Offer Share after making a Downward Offer Price Adjustment of 10%, respectively (after deducting the underwriting fees and other related expenses), and takes no account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates. The estimated net proceeds are converted into Renminbi at the rate of HK$1=RMB0.82282. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at the rate or at any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets as of December 31, 2017 per Share is arrived at after the adjustments referred to in note 2 in the preceding paragraph and on the basis that 2,000,000,000 Shares were in issue assuming the Global Offering and the Capitalization Issue had been completed on December 31, 2017. It takes no account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates.

(4) No adjustment has been made to the pro forma adjusted net tangible assets of the Group attributable to owners of the Company as of December 31, 2017 to reflect any trading result or other transaction of the Group entered into subsequent to December 31, 2017.

B. REPORTING ACCOUNTANTS' ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from our Reporting Accountants, Ernst & Young, certified Public Accountants, Hong Kong, prepared for the purposes of incorporation in this prospectus, in respect of the additional unaudited pro forma financial information of our Group.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

22/F CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

To the Directors of Tianli Education International Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Tianli Education International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at December 31, 2017, and related notes as set out on Appendix II of the prospectus dated June 28, 2018 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of offer of the Company on the Group's financial position as at December 31, 2017 as if the transaction had taken place at December 31, 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended December 31, 2017, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of offer of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

June 28, 2018

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 March 2018 of the property interests held by the Group.

JLL
仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

28 June 2018

The Board of Directors
Tianli Education International Holdings Limited
Tower T25
Qingyang Industrial Zone
Chengdu, Sichuan Province
The People's Republic of China

Dear Sirs,

In accordance with your instructions to value the property interests held by Tianli Education International Holdings Limited (the "**Company**") and its subsidiaries and the entities controlled by the Company through structured contracts (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 March 2018 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Due to the nature of the buildings and structures of the properties which are held and occupied by the Group and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the relevant property interests have been valued by the cost approach with reference to their depreciated replacement costs.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Jingtian & Gongcheng, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in September 2017 by Ms. Jun Yang, Ms. Erin Wu and Ms. Elaine Huang. Ms. Jun Yang obtained a master degree in Finance and has more than 2 years' experience in the valuation of properties in the PRC. Ms. Elaine Huang and Ms. Erin Wu obtained a master degree in Commercial Real Estate and Business Administration respectively.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 24 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Property interests held and occupied by the Group in the PRC

No.	Property	Market value in existing state as at 31 March 2018
		(RMB)
1.	Luzhou Tianli School and Luzhou Longmatan Tianli Elementary School located at Nos. 3 and 2 Section 3 of Xianglin Road, Longmatan District, Luzhou City, Sichuan Province, The PRC	123,260,000
2.	Yibin Cuiping District Tianli School located at No. 9 Gouzhuang Road, Lingang Development District, Yibin City, Sichuan Province, The PRC	78,500,000
3.	Guangyuan Tianli International School located at No. 66 Dongping Road, Lizhou District, Guangyuan City, Sichuan Province, The PRC	256,500,000
4.	Neijiang Tianli (International) School located at Sanyuan Village, Lexian Town, Shizhong District, Neijiang City, Sichuan Province, The PRC	No commercial value
5.	Xichang Tianli International School located at Lijia Village, Xiaomiao Township, Xichang City, Liangshan Yi Autonomous Prefecture, Sichuan Province, The PRC	No commercial value
6.	Ya'an Tianli School located at Er Tai Di, Daxing Town, Yucheng District, Ya'an City, Sichuan Province, The PRC	51,000,000
	Total:	509,260,000

VALUATION CERTIFICATE

Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2018
				RMB
1.	Luzhou Tianli School and Luzhou Longmatan Tianli Elementary School located at Nos. 3 and 2 Section 3 of Xianglin Road, Longmatan District, Luzhou City, Sichuan Province, The PRC	Luzhou Tianli School and Luzhou Longmatan Tianli Elementary School is located at Nos. 3 and 2 Section 3 of Xianglin Road, Longmatan District, Luzhou City, Sichuan Province. The locality is well served with public transportation. There are some residential buildings, retail and educational facilities in the surrounding area. The property comprises 3 parcels of land with a total site area of approximately 90,822.38 sq.m., 9 buildings and various structures erected thereon which were completed in various stages between 2002 and 2016. The buildings have a total gross floor area of approximately 78,826.92 sq.m., mainly include academic building, office buildings, dormitories, canteens and ancillary buildings. The structures mainly include ancillary facilities, boundary walls and roads. The land use rights of 2 parcels of land of the property with a total site area of approximately 86,049.50 sq.m. have been granted for the term with the expiry date on 28 January 2042 for educational use. The land use rights of the remaining parcel of land with a site area of approximately 4,772.88 sq.m. have been allocated for educational use.	As at the valuation date, the property was occupied by the Group for educational and ancillary purposes.	123,260,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 29 January 2002, the land use rights of the property with a total site area of approximately 150.09 Mu were contracted to be granted to Luzhou Tianli International School (瀘州天立國際學校), now known as Luzhou Tianli School and Luzhou Longmatan Tianli Elementary School (瀘州天立學校和瀘州市龍馬潭區天立小學, together referred to as the "Luzhou Tianli", two entities of which the Company hold School's sponsor/equity interests) for a term of 40 years for educational use. The total land premium was in the sum of RMB18,010,800. As advised by Luzhou Tianli, the land premium has been fully paid.

2. Pursuant to 2 State-owned Land Use Rights Certificates — Lu Shi Guo Yong (2009) Di Nos. 01305 and 01304, the land use rights of 2 parcels of land of the property with a total site area of approximately 86,049.50 sq.m. have been granted to Luzhou Tianli for the term with the expiry date on 28 January 2042 for educational use.

3. Pursuant to a State-owned Land Use Rights Certificate — Lu Shi Guo Yong (2005) Di No. 018106, the land use rights of the remaining parcel of land of the property with a site area of approximately 4,772.88 sq.m. have been allocated to Luzhou Tianli for educational use.

4. Pursuant to 9 Building Ownership Certificates — Lu Shi Fang Quan Zheng Zi Di Nos. 0000348266, 0000348267, 0000348268, 0000348269, 0000348270, 0000348271, 0000348272, 0000311713 and 0000311714, 9 buildings with a total gross floor area of approximately 78,826.92 sq.m. are owned by Luzhou Tianli for educational, residential, canteen and ancillary uses.

5. In the valuation of this property, we have attributed no commercial value to the allocated land with a site area of approximately 4,772.88 sq.m. mentioned in note 3, which cannot be freely transferred as it is restricted by Chinese legislation and without approval from local authorities.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Luzhou Tianli has legally obtained the State-owned Land Use Rights Certificates mentioned in note 2 and is entitled to legally occupy, use, lease, transfer and otherwise dispose of the land use rights in accordance with the terms stipulated in the State-owned Land Use Rights Certificate;

    b. for the land mentioned in note 3, Luzhou Tianli could transfer, lease, dispose of the allocated land by gift or licensed use after obtaining the approval from local authorities;

    c. the land of the property which are of educational use cannot be legally mortgaged according to Chinese legislation;

    d. Luzhou Tianli has legally obtained the Building Ownership Certificates of the buildings as mentioned in note 4 and is entitled to legally use these buildings in accordance with the prescribed use, and there is no violation of legal use of the buildings; and

    e. subject to the restriction stipulated in notes 6b and 6c, Luzhou Tianli is not restricted by the PRC laws and any contracts or undertakings to transfer, lease, gift and grant permit to any third parties to use the property, and the aforesaid land use rights and building ownership rights are not found subject to seizure or any other encumbrances.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2018
				RMB
2.	Yibin Cuiping District Tianli School located at No. 9 Gouzhuang Road, Lingang Development District, Yibin City, Sichuan Province, The PRC	Yibin Cuiping District Tianli School is located at No. 9 Gouzhuang Road, Lingang Development District, Yibin City, Sichuan Province. The locality is a newly-developed area which is not well served with public transportation at the moment. There are some residential buildings, retail and educational facilities in the surrounding area. The property comprises a parcel of land with a site area of approximately 177,099 sq.m., 17 buildings and various structures erected thereon which were completed in various stages between 2013 and 2014. The buildings have a total gross floor area of approximately 88,146 sq.m., mainly include academic building, office buildings, experiment building kindergarten, dormitories, canteens and ancillary buildings. The structures mainly include ancillary facilities, sports ground, boundary walls and roads. The land use rights of the property have been granted for a term with the expiry date on 8 April 2063 for educational use.	As at the valuation date, the property was occupied by the Group for educational and ancillary purposes.	78,500,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. 1400-2013-0009 dated 8 March 2013, the land use rights of the property with a site area of approximately 177,099 sq.m. were contracted to be granted to Yibin Tianli International School (宜賓天立國際學校, now known as Yibin Cuiping District Tianli School (宜賓翠屏區天立學校, "Yibin Cuiping"), a wholly owned subsidiary of the Company)for a term of 50 years for educational use. The total land premium was in the sum of RMB68,183,115. As advised by Yibin Cuiping, the land premium has been fully paid.

2. Pursuant to a State-owned Land Use Rights Certificate — Yi Shi Lin Gang Guo Yong (2013) Di 00790, the land use rights of the property with a site area of approximately 177,099 sq.m. have been granted to Yibin Cuiping for a term with the expiry date on 8 April 2063 for educational use.

3. Pursuant to a Construction Work Planning Permit — Jian Zi Di (2014) Lin Gang No. 4 in favour of Yibin Cuiping, 17 buildings with a total gross floor area of approximately 94,699 sq.m. has been approved for construction.

4. Pursuant to 2 Construction Work Commencement Permits — Nos. 51250120130703001 and 51250120150427001, in favour of Yibin Cuiping, permission by the relevant local authority were given to commence the construction work of 17 buildings with a total gross floor area of approximately 103,139 sq.m.

5. Pursuant to 2 Construction Work Completion and Inspection Certificates — Lin Gang Gui Jian Bei (2016) No. 11 and 12, in favour of Yibin Cuiping, the construction of Yibin Cuiping District Tianli School with a gross floor area of approximately 88,146 sq.m. has been completed and passed the inspection acceptance.

6. For the buildings of the property with a total gross floor area of approximately 88,146 sq.m., we have not been provided with Building Ownership Certificates.

7. In the valuation of this property, we have attributed no commercial value to the buildings of the property with a total gross floor area of approximately 88,146 sq.m. which have not obtained Building Ownership Certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the valuation date would be RMB276,500,000.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Yibin Cuiping has legally obtained the State-owned Land Use Rights Certificate mentioned in note 2 and is entitled to legally occupy, use, lease, transfer and otherwise dispose of the land use rights in accordance with the terms stipulated in the State-owned Land Use Rights Certificate;

   b. the land of the property which are of educational use cannot be legally mortgaged according to Chinese legislation;

   c. Yibin Cuiping has obtained all the construction related documents, and the relevant buildings can be put into normal use after completing the procedure of construction work completion and inspection acceptance;

   d. for the buildings mentioned in note 6, Yibin Cuiping has obtained the Yibin Construction Planning Verification Certificate and Sichuan Province Housing Construction and Municipal Infrastructure Construction Completion and Acceptance Record. The buildings of property can be put into normal operating use and the aforesaid land use rights and building ownership rights are not found subject to mortgage, seizure or other encumbrances; and

   e. subject to the restriction stipulated in note 8b, Yibin Cuiping is not restricted by the PRC laws and any contracts or undertakings to transfer, lease, gift and grant permit to third parties to use the property after obtaining the Building Ownership Certificates.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2018
				RMB
3.	Guangyuan Tianli International School located at No. 66 Dongping Road, Lizhou District, Guangyuan City, Sichuan Province The PRC	Guangyuan Tianli International School is located at No. 66 Dongping Road, Lizhou district, Guangyuan City, Sichuan Province. The locality is a newly-developed area which is not well served with public transportation at the moment and there are only few public facilities nearby. There are some residential buildings in the surrounding area. The property comprises a parcel of land with a site area of approximately 145,621.85 sq.m., 12 buildings and various structures erected thereon which were completed in various stages between 2015 and 2017. The buildings have a total gross floor area of approximately 71,457.7 sq.m., mainly include academic buildings, dormitories, canteens, art multiple-use building and ancillary buildings. The structures mainly include ancillary facilities, boundary walls and roads. The land use rights of the property have been granted for a term with the expiry date on 18 March 2066 for educational use.	As at the valuation date, the property was occupied by the Group for educational and ancillary purposes.	256,500,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. 510700-2015-009 dated on 13 May 2015, the land use rights of the property with a total site area of approximately 145,621.85 sq.m. were contracted to be granted to Guangyuan Tianli International School (廣元天立國際學校, "Guangyuan Tianli", a wholly owned subsidiary of the Company) for a term of 50 years for educational use. The total land premium was in the sum of RMB65,650,000. As advised by Guangyuan Tianli, the land premium has been fully paid.

2. Pursuant to a State-owned Land Use Rights Certificate — Guang Guo Yong (2016) Di No. 1366, the land use rights of the property with a site area of approximately 145,621.85 sq.m. have been granted to Guangyuan Tianli for a term expiring on 18 March 2066 for educational use.

3. Pursuant to 2 Construction Work Planning Permits — Jian Zi Di Nos. 2015060 and 2015030 in favour of Guangyuan Tianli, various buildings with a total gross floor area of approximately 97,953.74 sq.m. have been approved for construction.

4. Pursuant to 2 Construction Work Commencement Permits — Nos. 5108002015082600001 and 510800201611030101, in favour of Guangyuan Tianli, permissions by the relevant local authority were given to commence the construction work of various buildings with a total gross floor area of 114,069.30 sq.m..

5. Pursuant to 10 Building Ownership Certificates — Chuan (2017) Guang Yuan Shi Bu Dong Chan Quan Di Nos. 0004898, 0004899, 0005416, 0005418, 0004901, 0004880, 0005413, 0005414, 0005415 and 0005417, 10 buildings of the property with a total gross floor area of approximately 54,927.08 sq.m. are owned by Guangyuan Tianli for educational, canteen and ancillary use.

6. Pursuant to a Construction Work Completion and Inspection Certificate in favour of Guangyuan Tianli, the construction of 2 buildings of Guangyuan Tianli with a total gross floor area approximately 16,530.62 sq.m. has been completed and passed the inspection acceptance.

7. In the valuation of this property, we have attributed no commercial value to 2 buildings with a total gross floor area of approximately 16,530.62 sq.m. which have not obtained Building Ownership Certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the valuation date would be RMB52,400,000.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Guangyuan Tianli has legally obtained the State-owned Land Use Rights Certificates mentioned in note 2 and is entitled to legally occupy, use, lease, transfer and otherwise dispose of the land use rights in accordance with the terms stipulated in the State-owned Land Use Rights Certificate;

   b. the land and buildings of the property which are of educational use cannot be legally mortgaged according to Chinese legislation;

   c. Guangyuan Tianli has legally obtained the Building Ownership Certificates of the buildings as mentioned in note 5;

   d. for the buildings mentioned in note 7, Guangyuan Tianli has obtained all construction related documents. There is no material legal impediment for Guangyuan Tianli in obtaining Building Ownership Certificate after completing the procedure of construction work completion and inspection acceptance; and

   e. subject to the restriction stipulated in note 8b, Guangyuan Tianli is not restricted by the PRC laws and any contracts or undertakings to transfer, lease, gift and grant permit to any third parties to use the property, and the aforesaid land use rights and building ownership rights are not found subject to seizure or any other encumbrances.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2018
				RMB
4.	Neijiang Tianli (International) School located at Sanyuan Village, Lexian Town, Shizhong District, Neijiang City, Sichuan Province, The PRC	Neijiang Tianli (International) School is located at Sanyuan Village, Lexian Town, Shizhong District, Neijiang City, Sichuan Province. The property is beside Tuojiang River and near Shiyang Avenue. The locality is a newly-developed area which is not well served with public transportation at the moment and there are only few public facilities nearby. The property comprises a parcel of land with a site area of approximately 166,727 sq.m. 10 buildings and various structures erected thereon which were completed in various stages between 2016 and 2017. The buildings have a total gross floor area of approximately 69,407.59 sq.m., mainly include academic building, art multiple-use building, dormitories, canteens and ancillary buildings. The structures mainly include sports ground, ancillary facilities, boundary walls and roads. The land use rights of the property have been allocated to Neijiang Tianli (International) School for educational use.	As at the valuation date, the property was occupied by the Group for educational and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Letter of Decision of State-owned Construction Land Use Rights Allocation- Nei Shi Zhong Di Hua (2015) No.7 dated on 9 August 2015, the land use rights of the property with a total site area of approximately 166,727 sq.m. have been allocated to Neijiang Tianli (International) School (內江天立(國際)學校, "Neijiang Tianli", a wholly owned subsidiary of the Company) for educational use. The total land allocation premium was in the sum of RMB50,018,100. As advised by the Company, the land allocation premium has been fully paid.

2. Pursuant to a State-owned Land Use Rights Certificate — Nei Zhong Qu Guo Yong (2015) Di No. 017, the land use rights of the property with a site area of approximately 166,727 sq.m. have been allocated to Neijiang Tianli for educational use.

3. Pursuant to 2 Construction Work Planning Permits — Jian Zi Di Nos. 511000201500070 and 511000201600059 in favour of Neijiang Tianli, 10 buildings with a total gross floor area of approximately 70,951.14 sq.m. have been approved for construction.

4. Pursuant to 2 Construction Work Commencement Permits — Nos. 511002201604130199 (Bu) and 511002201612300199 (Bu) in favour of Neijiang Tianli, permissions by the relevant local authority were given to commence the construction work of 10 buildings with a total gross floor area of 70,642.5 sq.m.

5. For 10 buildings of the property with a total gross floor area of approximately 69,407.59 sq.m. (according to survey and measurement report issued by Sichuan Zhuben Space Engineering Science and Technology Co., Ltd.), we have not been provided with Building Ownership Certificates.

6. In the valuation of this property, we have attributed no commercial value to 10 buildings with a total gross floor area of approximately 69,407.59 sq.m., which have not obtained Building Ownership Certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the valuation date would be RMB251,210,000.

7. In the valuation of this property, we have attributed no commercial value to the property due to its allocated land nature, which cannot by freely transferred as it is restricted by Chinese legislation and without approval from local authorities. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and structures (excluding the land) as at the valuation date would be RMB67,720,000.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Neijiang Tianli has legally obtained the land use rights of the land mentioned in notes 1 and 2, and is entitled to legally use the land in accordance with the terms stipulated in the State-owned Land Use Rights Certificate;

   b. Neijiang Tianli could transfer, lease, dispose of the allocated land by gift or licensed use after obtaining the approval from local authorities;

   c. the land of the property which is of educational use cannot be legally mortgaged according to Chinese legislation;

   d. Neijiang Tianli has obtained all the construction related documents, and the relevant buildings can be put into normal use after completing the procedure of construction work completion and inspection acceptance;

   e. for the buildings mentioned in note 6, which can be put into normal operating use, and the relevant buildings, structures and ancillary facilities are not found subject to mortgage, seal up and other encumbrances or rights disputes; and

   f. subject to the restriction stipulated in notes 8b and 8c, Neijiang Tianli is not restricted by the PRC laws and any contracts or undertakings to transfer, lease, gift and grant permit to any third parties to use the property, and the aforesaid land use rights and building ownership rights are not found subject to seizure or any other encumbrances.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2018
				RMB
5.	Xichang Tianli International School located at Lijia Village, Xiaomiao Township, Xichang City, Liangshan Yi Autonomous Prefecture, Sichuan Province, The PRC	Xichang Tianli International School is located at Lijia Village, Xiaomiao Township, Xichang City, Liangshan Yi Autonomous Prefecture, Sichuan Province. The locality is a newly-developed area which is not well served with public transportation at the moment and there are only few public facilities nearby. There are some colleges in the surrounding area with limited retail facilities. The property comprises a parcel of land with a site area of approximately 112,669.29 sq,m., 7 buildings and various structures erected thereon which were completed in various stages between 2016 and 2017. The buildings have a total gross floor area of approximately 52,790.43 sq.m., mainly include academic building, art multiple-use building, dormitories and canteens. The structures mainly include sports ground, ancillary facilities, boundary walls and roads. The rights to use the land of the property have been granted to Xichang Tianli International School by Intellectual Property Office of Xichang Education and Science and Technology for educational use at nil consideration for a term of no less than 30 years.	As at the valuation date, the property was occupied by the Group for educational and ancillary purposes.	No commercial value

Notes:

1. Pursuant to an Investment and Operation Agreement in 2015 entered into between Xichang City Government (西昌市人民政府) and Shenzhou Tianli Education Investment Company Limited (神州天立教育投資有限責任公司, "Shenzhou Tianli"), the land use rights of a parcel of land with a site area of approximately 200 Mu were allocated to Intellectual Property Office of Xichang Education and Science and Technology (西昌市教育和科學技術知識產權局, "Xichang Education and Science and Technology") and Shenzhou Tianli was subsequently granted the rights to use the land for an education project of Xichang Tianli International School (西昌天立國際學校, "Xichang Tianli", a wholly owned subsidiary of the Company) by Xichang Education and Science and Technology.

2. Pursuant to a Xichang Tianli International School Land Use Agreement dated 25 December 2015, entered into between Xichang Education and Science and Technology and Shenzhou Tianli, Shenzhou Tianli has been granted the rights to use a parcel of the land of the property with a site area of approximately 200 Mu at nil consideration for an initial term of no less than 30 years and is entitled to extend the term to use the parcel of land at nil consideration if the school continues its operation when the 30 year's initial term expires.

3. Pursuant to a Construction Land Planning Permit — Xi Gui Jian Zhu Di Zi Di 513401（2016）No. 38 in favour of Xichang Tianli, permission towards the planning of the aforesaid land with a site area of approximately 112,669.29 sq.m. has been granted.

4. Pursuant to a Construction Work Planning Permit — Xi Gui Jian Zhu Jian Zi Di 513401（2016）No. 70 in favour of Xichang Tianli, 7 buildings with a total gross floor area of approximately 52,281.24 sq.m. have been approved for construction.

5. Pursuant to 2 Construction Work Commencement Permits — Nos. 513401201607084801 and 513401201612229701 in favour of Xichang Tianli, permissions by the relevant local authority were given to commence the construction work of 7 buildings with a total gross floor area of 50,396.44 sq.m.

6. For 7 buildings of the property with a total gross floor area of approximately 52,790.43 sq.m. (according to construction work completion and inspection acceptance reports issued by Sichuan Province Head Office for Construction Project Quality and Safety Supervision), we have not been provided with Building Ownership Certificates.

7. In the valuation of this property, we have attributed no commercial value to the property as the land use rights of the property are not held by the Group. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and structures (excluding the land) as at the valuation date would be RMB293,500,000.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Xichang Tianli has been legally granted the rights to use the land mentioned in note 2 in accordance with the terms stipulated in the Xichang Tianli International School Land Use Agreement; and

   b. Xichang Tianli has obtained all the construction related documents, and the relevant buildings can be put into normal use after completing the procedure of construction work completion and inspection acceptance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2018
				RMB
6.	Ya'an Tianli School located at Er Tai Di, Daxing Town, Yucheng District, Ya'an City, Sichuan Province, The PRC	Ya'an Tianli School is located at Er Tai Di, Daxing Town, Yucheng District, Ya'an city, Sichuan Province. The locality is a newly-developed area which is not well served with public transportation at the moment and there are some hospital facilities and residential buildings in the surrounding area. The property comprises 2 parcels of land with a total site area of approximately 79,139.59 sq.m., 5 buildings and various structures erected thereon which were completed in 2017. The buildings have a total gross floor area of approximately 22,040.83 sq.m., mainly include academic building, dormitories, canteens, multiple-use building and ancillary buildings. The structures mainly include ancillary facilities rooms, boundary walls and roads. Apart from the completed buildings, there are an academic building and a dormitory building which were under construction ("CIP buildings") as at the valuation date. As advised by the Group, the CIP buildings are scheduled to be completed in July 2018. Upon completion, the CIP buildings will have a total gross floor area of approximately 23,490.24 sq.m. The total construction cost is estimated to be approximately RMB131,000,000, of which RMB4,160,000 had been paid as at the valuation date. The land use rights of the property have been granted for the terms with the expiry dates on 23 May 2067 and 10 September 2067 for educational use.	As at the valuation date, the property was occupied by the Group for educational and ancillary purposes, whilst the CIP buildings were under construction.	51,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. 511800-2017-C-002 dated 16 June 2017, the land use rights of a parcel of land with a site area of approximately 61,308.79 sq.m. were contracted to be granted to Ya'an Tianli School (雅安天立學校, "Ya'an Tianli", a wholly owned subsidiary of the Company) for a term of 50 years for educational use. The total land premium was in the sum of RMB18,420,000. As advised by Ya'an Tianli, the land premium has been fully paid.

2. Pursuant to a State-owned Land Use Rights Grant Contract — No. 511800-2017-C-003 dated 28 July 2017, the land use rights of a parcel of land with a site area of approximately 17,758.80 sq.m. were contracted to be granted to Ya'an Tianli School (雅安天立學校, "Ya'an Tianli", a wholly owned subsidiary of the Company) for a term of 50 years for educational use. The total land premium was in the sum of RMB5,330,000. As advised by Ya'an Tianli, the land premium has been fully paid.

3. Pursuant to 2 State-owned Land Use Rights Certificates — Chuan (2017) Ya'an Shi Bu Dong Chan Quan Di Nos. 0005702 and 0003205, the land use rights of 2 parcels of land of the property with a total site area of approximately 79,139.59 sq.m. have been granted to Ya'an Tianli for the terms with the expiry dates on 10 September 2067 and 23 May 2067 for educational use.

4. Pursuant to 2 Construction Work Planning Permits — Jian Zi Di Nos. 2017-021 and 2017-047 in favour of Ya'an Tianli, the property with a total gross floor area of approximately 45,531.07 sq.m. has been approved for construction.

5. Pursuant to 2 Construction Work Commencement Permits — Nos. 511800201707280101 and 51180020181260101 in favour of Ya'an Tianli, permission by the relevant local authority was given to commence the construction work of 7 buildings and ancillary facilities with a total gross floor area of approximately 45,531.07 sq.m.

6. Pursuant to a Construction Work Completion and Inspection Certificate in favour of Ya'an Tianli, the construction of 5 buildings with a total gross floor area of approximately 22,040.83 sq.m. has been completed and passed the inspection acceptance.

7. For 5 buildings of the property with a total gross floor area of approximately 22,040.83 sq.m., we have not been provided with Building Ownership Certificates.

8. The replacement cost of the CIP buildings of the property as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB4,160,000.

9. In the valuation of this property, we have attributed no commercial value to 5 buildings with a total gross floor area of approximately 22,040.83 sq.m. which have not obtained Building Ownership Certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the valuation date would be RMB64,200,000.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Ya'an Tianli has legally obtained the State-owned Land Use Rights Certificates mentioned in note 3 and is entitled to legally occupy, use, lease, transfer and otherwise dispose of the land use rights in accordance with the terms stipulated in the State-owned Land Use Rights Certificate;

    b. the land of the property which is of educational use cannot be legally mortgaged according to Chinese legislation;

    c. Ya'an Tianli has not obtained any Building Ownership Certificate for the buildings of the property mentioned in note 7; and

    d. for the CIP building of the property as mentioned in note 8, Ya'an Tianli has obtained main construction related documents. There is no material impediment for Ya'an Tianli in obtaining the Building Ownership Certificates after completing the procedure of construction work completion and inspection acceptance.

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association was conditionally adopted on June 24, 2018 with effect from the Listing Date and states, *inter alia*, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix VI in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection".

2 Articles of Association

The Articles of Association were conditionally adopted on June 24, 2018 with effect from the Listing Date and include provisions to the following effect:

2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The authorised share capital of the Company at the date of adoption of the Articles is HK$1,000,000,000 divided into 10,000,000,000 shares of HK$0.1 each.

2.2 *Directors*

(a) *Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the

Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 *Alteration of capital*

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 *Special resolution — majority required*

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 *Voting rights*

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by 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 proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 *Annual general meetings*

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

2.9 *Accounts and audit*

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 ***Notice of meetings and business to be conducted thereat***

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 ***Transfer of shares***

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 ***Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 ***Power of any subsidiary of the Company to own shares***

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 ***Dividends and other methods of distribution***

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 ***Calls on shares and forfeiture of shares***

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15%

per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 ***Inspection of register of members***

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 ***Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 ***Rights of minorities in relation to fraud or oppression***

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 ***Procedure on liquidation***

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 ***Untraceable members***

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on January 24, 2017 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies 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.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the

Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking is for a period of twenty years from February 14, 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 certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on January 24, 2017. We have established a principal place of business in Hong Kong at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong and have registered with the Registrar of Companies as a non-Hong Kong company under Part 16 of the Companies Ordinance on February 14, 2018. Mr. Wong Yu Kit has been appointed as our agent for the acceptance of service of process and notices on our behalf in Hong Kong.

As we were incorporated in the Cayman Islands, our operations are subject to the Cayman Companies Law and to our constitution comprising our Memorandum and the Articles of Association. A summary of certain provisions of our constitution and relevant aspects of the Cayman Companies Law is set out in Appendix IV to this prospectus.

2. Changes in our share capital

As at the date of incorporation of our Company, the authorized share capital of the Company was HK$380,000 divided into 3,800,000 shares with a par value of HK$0.1 each. The following alterations in the issued and paid up share capital of our Company have taken place since its date of incorporation up to the date of this prospectus:

a) on January 24, 2017, Mr. Luo acquired one Share in our Company from Mapcal Limited at par value of HK$0.1;

b) on November 24, 2017, Sky Elite Limited acquired one Share in our Company from Mr. Luo at par value of HK$0.1;

c) on January 26, 2018, our Company issued a total number of 3,799,999 Shares of a par value of HK$0.1 each as fully paid and non-assessable to the following entities in consideration of the entering into of the Structured Contracts by the PRC Operating Entities and the transfer of all economic benefits arising from the operation of Tianli Education:

New Shareholder	Number of Shares
Sunyear Limited	201,987 Shares
Xu Hui Limited	63,547 Shares
Shenzhou Tianli Holdings Group Limited	203,501 Shares
Sky Elite Limited	2,185,357 Shares
Xin Lida Limited	177,658 Shares
Xing Nanyang Limited	124,392 Shares
Han Feng Limited	131,579 Shares
Sheenlight Investment Limited	64,534 Shares
Healthy And Peaceful Limited	19,620 Shares
Shang Long Limited	33,043 Shares
East Spark Limited	33,043 Shares
Tian Hai Limited	66,087 Shares
Sky Vista Limited	271,518 Shares
Glorious Capital Limited	27,756 Shares
Sky Joined Limited	196,377 Shares

d) on June 24, 2018, pursuant to the written resolutions of our Shareholders, the authorized share capital of our Company was increased from HK$380,000 divided into 3,800,000 Shares of HK$0.1 each to HK$1,000,000,000 divided into 10,000,000,000 Shares of HK$0.1 each.

Save as disclosed above, there has been no alteration in our share capital within the two years immediately preceding the date of this prospectus.

3. Changes in the share capital or registered capital of our subsidiaries and PRC Operating Entities

Our subsidiaries and PRC Operating Entities are set out in the Accountants' Report set out in Appendix I to this prospectus.

Save for the subsidiaries and PRC Operating Entities mentioned in the Accountants' Report set out in Appendix I to this prospectus, our Company has no other subsidiaries or PRC Operating Entities.

The following alterations in the share capital or registered capital of our subsidiaries and PRC Operating Entities took place within the two years immediately preceding the date of this document:

Tianli Education Holdings Limited

Tianli Education Holdings Limited was incorporated in the BVI on February 20, 2017 and a single share of no par value was issued to our Company as the first subscriber. At the time of its incorporation, Tianli Education Holdings Limited was authorized to issue 50,000 shares of no par value.

Tianli Education (HK) Limited

Tianli Education (HK) Limited was incorporated in Hong Kong on March 6, 2017 and a single share was issued to Maples Fiduciary Services (Hong Kong) Limited as the first subscriber. On March 6, 2017, Maples Fiduciary Services (Hong Kong) Limited transferred the one share, representing the entire issued share capital in Tianli Education (HK) Limited, to Tianli Education Holdings Limited at the consideration of US$1.

Tibet Yongsi

On September 4, 2017, Tibet Yongsi was established in the PRC as a wholly-foreign owned enterprise with a registered capital of US$500,000, which was wholly owned by Tianli Education (HK) Limited.

Tianli Education

On October 20, 2016, Tianli Holding transferred 2% equity interest in Tianli Education to Beijing Maoyong Tianli Investment Center (LLP).

On December 30, 2016, Tianli Education passed a shareholders' meeting resolution that Sichuan Tianhe was agreed to be a new shareholder of Tianli Education, holding 13.0435% equity interest, by way of capital contribution to Tianli Education.

On October 27, 2017, Beijing Maoyong Tianli Investment Center (LLP) transferred 1.74% equity interest in Tianli Education to Shenzhen Xieli Tianhai.

Luzhou Jiangyang Tianli Culture and Arts Tutoring School

On July 6, 2017, Luzhou Jiangyang Tianli Culture and Arts Tutoring School was established in the PRC by Luzhou Tianli Jiaozi Education Technology Co., Ltd. with a registered capital of RMB1,800,000.

Tianli Kindergarten of Gulin County

On August 29, 2016, Tianli Kindergarten of Gulin County was established in the PRC by Tianli Education and three individuals with a registered capital of RMB6,000,000, in which Tianli Education held 66.5% school sponsor's interest.

Luzhou Tianli Jiaozi Education Technology Co., Ltd.

On April 19, 2017, Luzhou Tianli Jiaozi Education Technology Co., Ltd. was established in the PRC by Chengdu Tianli Jaozi Education Technology Co., Ltd. as its wholly owned subsidiary with a registered capital of RMB1,000,000.

Luzhou Tianli Daren Education Technology Co,, Ltd.

On February 15, 2017, Luzhou Tianli Daren Education Technology Co,, Ltd. was established in the PRC by Luzhou Longmatan Tianli Culture and Arts Tutoring School and Liu Qin (an Independent Third Party) with a registered capital of RMB800,000, in which Luzhou Longmatan Tianli Culture and Arts Tutoring School held 51% equity interest.

Neijiang Tianli (International) School

On July 13, 2016, it was approved by the relevant authority that Tianli Education ceased to be the sole school sponsor of Neijiang Tianli (International) School, and such school sponsor's interest was transferred to Neijiang Shenzhou Tianli Education Development Co., Ltd.

Neijiang Dongxing Tianli Jiaozi Tutoring School

On December 6, 2017, it was approved by the relevant authority that Neijiang Tianli Jiaozi Education Technology Co., Ltd. acquired the sole school sponsor's interest from an individual.

Neijiang Tianli Jiaozi Education Technology Co., Ltd.

On December 12, 2016, Neijiang Tianli Jiaozi Education Technology Co., Ltd. was established in the PRC by Chengdu Tianli Jiaozi Education Technology Co., Ltd. as its wholly owned subsidiary with a registered capital of RMB3,000,000.

Guangyuan Tianli Jiaozi Education and Tutoring School

On September 18, 2017, Guangyuan Tianli Jiaozi Education and Tutoring School was established in the PRC by Guangyuan Tianli Jiaozi Education Technology Co., Ltd. with a registered capital of RMB300,000.

Guangyuan Tianli Jiaozi Education Technology Co., Ltd.

On January 4, 2017, Guangyuan Tianli Jiaozi Education Technology Co., Ltd. was established in the PRC by Chengdu Tianli Jiaozi Education Technology Co., Ltd. as its wholly owned subsidiary with a registered capital of RMB1,000,000.

Yibin Cuiping District Tianli School

On August 17 and 18, 2017, Tianli Education ceased to be the sole school sponsor of Yibin Cuiping District Tianli School, and such school sponsor's interest was transferred to Yibin Shenzhou Tianli Education Development Co., Ltd.

Yibin Cuiping Tianjiao Tutoring School

On July 4, 2017, Yibin Cuiping Tianjiao Tutoring School was established in the PRC by Yibin Tianli Jiaozi Education Technology Co., Ltd. with a registered capital of RMB500,000.

Yibin Cuiping Tianzhan Tutoring School

On September 14 and 25, 2017, Yibin Cuiping District Tianli School ceased to be the sole school sponsor of Yibin Cuiping Tianzhan Tutoring School, and such school sponsor's interest was transferred to Yibin Tianli Jiaozi Education Technology Co., Ltd.

Renjie Education Tutoring School of Gong County

On August 16, 2017, Zhou Rong, the then sole school sponsor of Renjie Education Tutoring School of Gong County, transferred 90% of the school sponsor's interest he held to Yibin Tianli Jiaozi Education Technology Co., Ltd.

Yibin Shenzhou Tianli Education Development Co., Ltd.

On March 15, 2017, Yibin Shenzhou Tianli Education Development Co., Ltd. was established in the PRC by Tianli Education with a registered capital of RMB5,000,000.

Yibin Tianli Jiaozi Education Technology Co., Ltd.

On December 27, 2016, Yibin Tianli Jiaozi Education Technology Co., Ltd. was established in the PRC by Chengdu Tianli Jiaozi Education Technology Co., Ltd. as its wholly owned subsidiary with a registered capital of RMB1,000,000.

Ya'an Tianli School

On April 18, 2017, Ya'an Tianli School was established in the PRC by Ya'an Shenzhou Tianli Education Development Co., Ltd. with a registered capital of RMB50,000,000.

Ya'an Shenzhou Tianli Education Development Co., Ltd.

On March 23, 2017, Ya'an Shenzhou Tianli Education Development Co., Ltd. was established in the PRC by Tianli Education as its wholly owned subsidiary with a registered capital of RMB5,000,000.

Xichang Tianli Jiaozi Education Technology Co., Ltd.

On March 9, 2017, Xichang Tianli Jiaozi Education Technology Co., Ltd. was established in the PRC by Chengdu Tianli Jiaozi Education Technology Co., Ltd. as its wholly owned subsidiary with a registered capital of RMB1,000,000.

Chengdu Wuhou District Kinderworld Kindergarten

On November 15, 2017, it was approved by the relevant authority that 100% of the school sponsor's interests held by three individuals in Chengdu Wuhou District Kinderworld Kindergarten were transferred to Chengdu Tianli Kaixing Education Consulting Co. Ltd.

Chengdu Tianli Jiaozi Education Technology Co., Ltd.

On September 22, 2016, Chengdu Tianli Jiaozi Education Technology Co., Ltd. was established in the PRC by Tianli Education and Kong Linggang with a registered capital of RMB5,000,000.

Chengdu Shenzhou Tianli Education Consulting Co., Ltd.

On September 8, 2017, Chengdu Shenzhou Tianli Education Consulting Co., Ltd. was established in the PRC by Tianli Education and Li Wenjing, with a registered capital of RMB10,000,000.

Chengdu Likai Education Consulting Co., Ltd.

On October 10, 2017, Chengdu Likai Education Consulting Co., Ltd. was established in the PRC by Chengdu Tianli Kaixing Education Consulting Co. Ltd, Li Yongtao and Cai Xingqiong with a registered capital of RMB5,000,000.

Chengdu Tianli Kaixing Education Consulting Co. Ltd.

On September 19, 2017, Chengdu Tianli Kaixing Education Consulting Co. Ltd. was established in the PRC by Tianli Education, Wang Wen and Tu Mengxuan with a registered capital of RMB10,000,000.

Ziyang Shenzhou Tianli Education Consulting Co., Ltd.

On December 4, 2017, Ziyang Shenzhou Tianli Education Consulting Co., Ltd. was established in the PRC by Tianli Education as its wholly owned subsidiary with a registered capital of RMB5,000,000.

Cangxi Tianli School

On December 29, 2017, Cangxi Tianli School was established in the PRC by Shenzhou Tianli Guangyuan Education Development Co., Ltd. with a registered with a registered capital of RMB5,000,000.

Chengdu Tianli Huiai Education Management Co., Ltd

On January 3, 2018, Chengdu Tianli Huiai Education Management Company Limit was established in the PRC by Chengdu Shenzhou Tianli Education Consulting Co., Ltd. as its wholly owned subsidiary with a registered capital of RMB5,000,000.

Chengdu Tianli Huixin Education Consulting Co., Ltd.

On April 9, 2018, Chengdu Tianli Huixin Education Consulting Co., Ltd. was established in the PRC by Chengdu Shenzhou Tianli Education Consulting Co., Ltd. and Bai Xue with a registered capital of RMB10,000,000.

Ziyang Yanjiang District Tianli School

On April 13, 2018, Ziyang Yanjiang District Tianli School was established in the PRC by Ziyang Shenzhou Tianli Education Consulting Co., Ltd. with a registered capital of RMB5,000,000.

Dongying Shenzhou Tianli Education Consulting Co., Ltd.

On April 16, 2018, Dongying Shenzhou Tianli Education Consulting Co., Ltd was established in the PRC by Tianli Education as its wholly owned subsidiary with a registered capital of RMB5,000,000.

Xiangtan Shenzhou Tianli Education Consulting Co., Ltd.

On April 17, 2018, Xiangtan Shenzhou Tianli Education Consulting Co., Ltd was established in the PRC by Tianli Education as its wholly owned subsidiary with a registered capital of RMB5,000,000.

Saved as disclosed above, there has been no alteration in the share capital or registered capital of any of the subsidiaries of our Company or our PRC Operating Entities within the two years immediately preceding the date of this prospectus.

4. Resolutions in writing of our Shareholders passed on June 24, 2018

Pursuant to the written resolutions dated June 24, 2018 passed by the Shareholders of the Company, among other matters:

(a) conditional on (aa) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; and (bb) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise:

(i) the Memorandum and Articles of Association were approved and adopted with effect from the Listing Date;

(ii) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;

(b) conditional upon the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, our Directors were authorised to allot and issue a total of 1,496,200,000 Shares credited as fully paid at par to the persons whose names appear on the register of members of our Company at the close of business on July 11, 2018 (as nearly as possible without involving fractions) by way of capitalization of such sum standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued shall rank *pari passu* in all respects with the existing issued Shares;

(c) a general unconditional mandate was given to our Directors to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which would or might require Shares to be allotted, issued or dealt with, with an aggregate number of Shares (otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue and any other share incentive scheme or any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by our Shareholders or an issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association), not exceeding the sum of 20% of the issued share capital immediately following the completion of the Capitalization Issue and the Global Offering but excluding any Shares, which may be issued pursuant to the exercise of the Over-allotment Option, until the conclusion of our next annual general meeting, or the passing of an ordinary resolution by the Shareholders renewing, revoking or varying the authority to our Directors, whichever occurs first;

(d) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of the Company to purchase Shares with an aggregate number of Shares of not exceeding 10% of the issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering but excluding any Shares, which may be issued pursuant to the exercise of the Over-allotment Option until the conclusion of our next annual general meeting, or the passing of an ordinary resolution by the Shareholders renewing, revoking or varying the authority given to our Directors, whichever occurs first; and

(e) the extension of the general mandate to allot, issue and deal with Shares to include the number of Shares repurchased pursuant to paragraph (c) above.

5. Repurchases of our own securities

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to repurchase their securities on the Hong Kong Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) *Shareholders' approval*

All proposed repurchases of Shares (which must be fully paid up) by a company with a primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on June 24, 2018, a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors authorizing any repurchase by us of Shares on the Hong Kong Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Capitalization Issue and the Global Offering, such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by our Articles of Association or any other applicable laws to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time.

(iii) *Trading restrictions*

The total number of Shares which we may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the Global Offering. We may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Hong Kong Stock Exchange. We are also prohibited from repurchasing Shares on the Hong Kong Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. We are required to procure that the broker appointed by us to effect a repurchase of Shares discloses to the Hong Kong Stock Exchange such information with respect to the repurchase as the Hong Kong Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Hong Kong Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Hong Kong Stock Exchange.

(iv) *Status of repurchased Shares*

All repurchased Shares (whether effected on the Hong Kong Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed.

(v) *Suspension of repurchase*

Pursuant to the Listing Rules, we may not make any repurchases of Shares after inside information has come to our knowledge until the information has been made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for us to publish an announcement of our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, we may not repurchase Shares on the Hong Kong Stock Exchange unless the circumstances are exceptional.

(vi) *Procedural and reporting requirements*

As required by the Listing Rules, repurchases of Shares on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Hong Kong Stock Exchange business day following any day on which we may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) *Connected parties*

A company is prohibited from knowingly repurchasing securities on the Hong Kong Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell its securities to the company on the Hong Kong Stock Exchange.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of us and Shareholders for the Directors to have general authority from the Shareholders to enable the Directors 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 the Directors believe that such repurchases will benefit us and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position as disclosed in this prospectus and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be 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. The Directors, however, do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which in the opinion of the Directors are from time to time appropriate for us.

The exercise in full of the Repurchase Mandate, on the basis of 2,000,000,000 Shares in issue immediately following the completion of the Capitalization Issue and Global Offering, could accordingly result in 200,000,000 Shares being repurchased by us during the period prior to (1) the conclusion of our next annual general meeting; (2) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or (3) the revocation or variation of the purchase mandate by an ordinary resolution of the Shareholders in general meeting, whichever occurs first (the "**Relevant Period**").

(d) General

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to us or our subsidiaries.

The Directors have undertaken to the Hong Kong 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. We have not repurchased any Shares since our incorporation.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the 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. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares than in issue could only implemented with the approval of the Hong Kong Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

(1) an exclusive business cooperation agreement (獨家業務合作協議) dated December 15, 2017 and entered into by and among Party A: Tibet Yongsi Technology Co., Ltd. (西藏永思科技有限公司), Party B: Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司), Parties C: (C1) Luzhou Shenzhou Tianli Education Development Co., Ltd. (瀘州神州天立教育發展有限責任公司), (C2) Yibin Shenzhou Tianli Education Development Co., Ltd. (宜賓神州天立教育發展有限責任公司), (C3) Shenzhou Tianli Guangyuan Education Development Co., Ltd. (神州天立廣元教育發展有限責任公司), (C4) Xichang Shenzhou Tianli Education Development Co., Ltd. (西昌神州天立教育發展有限責任公司), (C5) Neijiang Shenzhou Tianli Education Development Co., Ltd. (內江神州天立教育發展有限責任公司), (C6) Ya'an Shenzhou Tianli Education Development Co., Ltd. (雅安神州天立教育發展有限責任公司), (C7) Chengdu Shenzhou Tianli Education Consulting Co., Ltd. (成都神州天立教育諮詢有限公司), (C8) Chengdu Tianli Kaixing Education Consulting Co., Ltd. (成都天立凱星教育諮詢有限公司), (C9) Chengdu Likai Education Consulting Co., Ltd. (成都立凱教育諮詢有限公司), (C10) Luzhou Lixin Investment Co., Ltd. (瀘州立信投資有限公司), (C11) Luzhou Tianli Daren Education Technology Co., Ltd. (瀘州天立達人教育科技有限公司), (C12) Ziyang Shenzhou Tianli Education Consulting Co., Ltd. (資陽神州天立教育諮詢有限責任公司), Party D: Chengdu Tianli Jiaozi Education Technology Co., Ltd. (成都天立驕子教育科技有限公司), Parties E: (E1) Luzhou Tianli Jiaozi Education Technology Co., Ltd. (瀘州天立驕子教育科技有限公司), (E2) Yibin Tianli Jiaozi Education Technology Co., Ltd. (宜賓天立驕子教育科技有限公司), (E3) Guangyuan Tianli Jiaozi Education Technology Co., Ltd. (廣元天立驕子教育科技有限公司), (E4) Xichang Tianli Jiaozi Education Technology Co., Ltd. (西昌天立驕子教育科技有限公司), (E5) Neijiang Tianli Jiaozi Education Technology Co., Ltd. (內江天立驕子教育科技有限公司), Parties F: (F1) Luzhou Longmatan Tianli Elementary School (瀘州市龍馬潭區天立小學), (F2) Luzhou Tianli School (瀘州市天立學校), (F3) Tianli Kindergarten of Gulin County (古藺縣天立幼兒園), (F4) Yibin Cuiping District Tianli School (宜賓市翠屏區天立學校), (F5) Guangyuan Tianli International School (廣元天立國際學校), (F6) Xichang Tianli (International) School (西昌天立(國際)學校), (F7) Neijiang Tianli (International) School (內江天立(國際)學校), (F8) Ya'an Tianli School (雅安天立學校), (F9) Chengdu Wuhou District Kinderworld Kindergarten (成都市武侯區凱星幼兒園), Parties G: (G1) Luzhou Longmatan Tianli Culture and Arts Tutoring School (瀘州市龍馬潭區天立文化藝術培訓學校), (G2) Luzhou Jiangyang Tianli Culture and Arts Tutoring School (瀘州市江陽區天立文化藝術培訓學校), (G3) Yibin Cuiping Tianzhan Tutoring School (宜賓市翠屏區天展培訓學校), (G4) Yibin Cuiping Tianjiao Tutoring School (宜賓市翠屏區天驕培訓學校), (G5) Renjie Education Tutoring School of Gong County (珙縣人傑教育培訓學校), (G6) Guangyuan Tianli Jiaozi Education and Tutoring School (廣元天立驕子教育培訓學校), (G7) Neijiang Dongxing Tianli Jiaozi Tutoring School (內江市東興區天立驕子培訓學校), Parties H: (H1) Shenzhou Tianli Investment Group Limited (神州天立投資集團有限公司), (H2) Luo Shi (羅實), (H3) Sichuan Tianhe Zhida Corporate Management Consulting Co., Ltd. (四川天合致達企業管理諮詢有限公司), (H4) Luzhou Xinlida Investment Co., Ltd. (瀘州市新利達投資有限公司), (H5) Sichuan Kangning Investment Management Co., Ltd. (四川康寧投資管理有限公司), (H6) Luzhou Xingnanyang Investment Co., Ltd. (瀘州市興南陽投資有限公司), (H7) Wuxi Shanglong Investment Consultancy Co., Ltd. (無錫市尚龍投資諮詢有限公司), (H8) Luzhou Xinshun Investment Co., Ltd. (瀘州欣順

投資有限責任公司), (H9) Shenzhen Xieli Tianhai Investment Partnership L.P. (深圳市協力天海投資合夥企業(有限合夥)), (H10) Shanghai Yihong Investment Management Partnership L.P. (上海熠宏投資管理合夥企業(有限合夥)) and (H11) Luzhou Yuanyuan Education Consulting Co., Ltd. (瀘州原源教育諮詢有限公司), pursuant to which, among others, Party A shall provide exclusive technical services, management support and consultancy services to Party B, Parties C, Party D, Parties E, Parties F and Parties G in return for service fees to be paid to Party A by such other parties;

(2) an exclusive call option agreement (獨家購買權協議) dated December 15, 2017 and entered into by and among Party A: Tibet Yongsi Technology Co., Ltd. (西藏永思科技有限公司), Party: B Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司), Parties C: (C1) Shenzhou Tianli Investment Group Limited (神州天立投資集團有限公司), (C2) Luo Shi (羅實), (C3) Sichuan Tianhe Zhida Corporate Management Consulting Co., Ltd. (四川天合致達企業管理諮詢有限公司), (C4) Luzhou Xinlida Investment Co., Ltd. (瀘州市新利達投資有限公司), (C5) Sichuan Kangning Investment Management Co., Ltd. (四川康寧投資管理有限公司), (C6) Luzhou Xingnanyang Investment Co., Ltd. (瀘州市興南陽投資有限公司), (C7) Wuxi Shanglong Investment Consultancy Co., Ltd. (無錫市尚龍投資諮詢有限公司), (C8) Luzhou Xinshun Investment Co., Ltd. (瀘州欣順投資有限責任公司), (C9) Shenzhen Xieli Tianhai Investment Partnership L.P. (深圳市協力天海投資合夥企業(有限合夥)), (C10) Shanghai Yihong Investment Management Partnership L.P. (上海熠宏投資管理合夥企業(有限合夥)), (C11) Luzhou Yuanyuan Education Consulting Co., Ltd. (瀘州原源教育諮詢有限公司), Parties D: (D1) Luzhou Longmatan Tianli Elementary School (瀘州市龍馬潭區天立小學), (D2) Luzhou Tianli School (瀘州市天立學校), (D3) Tianli Kindergarten of Gulin County (古藺縣天立幼兒園), (D4) Yibin Cuiping District Tianli School (宜賓市翠屏區天立學校), (D5) Guangyuan Tianli International School (廣元天立國際學校), (D6) Xichang Tianli (International) School (西昌天立(國際)學校), (D7) Neijiang Tianli (International) School (內江天立(國際)學校), (D8) Ya'an Tianli School (雅安天立學校), (D9) Luzhou Longmatan Tianli Culture and Arts Tutoring School (瀘州市龍馬潭區天立文化藝術培訓學校), (D10) Luzhou Jiangyang Tianli Culture and Arts Tutoring School (瀘州市江陽區天立文化藝術培訓學校), (D11) Yibin Cuiping Tianzhan Tutoring School (宜賓市翠屏區天展培訓學校), (D12) Yibin Cuiping Tianjiao Tutoring School (宜賓市翠屏區天驕培訓學校), (D13) Renjie Education Tutoring School of Gong County (珙縣人傑教育培訓學校), (D14) Guangyuan Tianli Jiaozi Education and Tutoring School (廣元天立驕子教育培訓學校), (D15) Neijiang Dongxing Tianli Jiaozi Tutoring School (內江市東興區天立驕子培訓學校), (D16) Chengdu Wuhou District Kinderworld Kindergarten (成都市武侯區凱星幼兒園), pursuant to which, among others, (i) Parties C irrevocably granted Party A or such persons as Party A may designate an exclusive option to purchase all or part of the equity interests in Party B held by Parties C; (ii) Party B irrevocably granted Party A or such persons as Party A may designate an exclusive option to purchase all or part of the equity interests held directly or indirectly by Party B in its subsidiaries; and (iii) Party B irrevocably granted Party A or such persons as Party A may designate an exclusive option to purchase all or part of the school sponsor interests held by Party B or any of its subsidiaries;

(3) a school sponsor's and directors' rights entrustment agreement (學校舉辦者及董事/理事權利委託協議) dated December 15, 2017 and entered into by and among Party A: Tibet Yongsi Technology Co., Ltd. (西藏永思科技有限公司), Party B: Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司), Parties C: (C1) Luzhou Longmatan Tianli Elementary School (瀘州市龍馬潭區天立小學), (C2) Luzhou Tianli School (瀘州市天立學校), (C3) Tianli Kindergarten

of Gulin County (古藺縣天立幼兒園), (C4) Yibin Cuiping District Tianli School (宜賓市翠屏區天立學校), (C5) Guangyuan Tianli International School (廣元天立國際學校), (C6) Xichang Tianli (International) School (西昌天立(國際)學校), (C7) Neijiang Tianli (International) School (內江天立(國際)學校), (C8) Ya'an Tianli School (雅安天立學校), (C9) Luzhou Longmatan Tianli Culture and Arts Tutoring School (瀘州市龍馬潭區天立文化藝術培訓學校), (C10) Luzhou Jiangyang Tianli Culture and Arts Tutoring School (瀘州市江陽區天立文化藝術培訓學校), (C11) Yibin Cuiping Tianzhan Tutoring School (宜賓市翠屏區天展培訓學校), (C12) Yibin Cuiping Tianjiao Tutoring School (宜賓市翠屏區天驕培訓學校), (C13) Renjie Education Tutoring School of Gong County (珙縣人傑教育培訓學校), (C14) Guangyuan Tianli Jiaozi Education and Tutoring School (廣元天立驕子教育培訓學校), (C15) Neijiang Dongxing Tianli Jiaozi Tutoring School (內江市東興區天立驕子培訓學校) and (C16) Chengdu Wuhou District Kinderworld Kindergarten (成都市武侯區凱星幼兒園), and Parties D: (D1) the directors of Luzhou Longmatan Tianli Elementary School (being Luo Shi (羅實), Wang Jian (王建), Liu Dengyan (劉登堰), Tian Mu (田畝), Chen Guangming (陳光明) and Zhang Xuewen (張學文)), (D2) the directors of Luzhou Tianli School (being Luo Shi (羅實), Tian Mu (田畝), Wang Jian (王建), Liu Dengyan (劉登堰), Chen Guangming (陳光明) and Mou Shiping (牟世平)), (D3) the directors of Tianli Kindergarten of Gulin County (being Yang Zhaotao (楊昭濤), Guo Gang (郭剛), Wang Rui (王銳) and Wang Xiaoyan (王曉豔)), (D4) the directors of Yibin Cuiping District Tianli School (being Luo Shi (羅實), Tian Mu (田畝), Wang Jian (王建), Liu Dengyan (劉登堰), Huang Zhengjun (黃正軍), Yu Kaiquan (余開全) and Chen Rong (陳榮)), (D5) the directors of Guangyuan Tianli International School (being Huang Yonggui (黃永貴), Peng Dingjun (彭定君), Fang Fang (方芳), Peng Yangkun (彭煬坤), Luo Ting (羅婷), Cheng Siwen (程思文), Pan Qiulin (潘秋琳), Liu Chun (劉春) and Li Yao (李瑤)), (D6) the directors of Xichang Tianli (International) School (being Yang Zhaotao (楊昭濤), Wang Rui (王銳), Lai Zhangjian (賴章劍), Guo Gang (郭剛) and Chen Xinqi (陳新奇)), (D7) the directors of Neijiang Tianli (International) School (being Yang Zhaotao (楊昭濤), Wang Rui (王銳), Lai Zhangjian (賴章劍), Guo Gang （郭剛）and Su Lin (蘇林)), (D8) the directors of Ya'an Tianli School (being Yang Zhaotao (楊昭濤), Guo Gang (郭剛), Wang Rui (王銳), Lai Zhangjian (賴章劍) and Chen Xinqi (陳新奇)), (D9) the directors of Luzhou Longmatan Tianli Culture and Arts Tutoring School (being Luo Shi (羅實), Kong Linggang (孔令剛), Liu Li (劉利), Tian Mu (田畝) and He Entao (何恩桃)), (D10) the directors of Luzhou Jiangyang Tianli Culture and Arts Tutoring School (being Liu Li (劉利), Yuan Jiping (袁繼平), Xiao Zonglan (肖棕蘭), Kong Linggang (孔令剛) and Luo Xuemei (駱雪梅)), (D11) the directors of Yibin Cuiping Tianzhan Tutoring School (being Yu Kaiquan (余開全), Yang Xiaodong (楊小東) and Wu Shuangquan (吳雙全)), (D12) the directors of Yibin Cuiping Tianjiao Tutoring School (being Yang Xiaodong (楊小東), Xu Fenglan (許鳳蘭) and Wang Yan (王燕)), (D13) the directors of Renjie Education Tutoring School of Gong County (being Kong Linggang (孔令剛), Yang Xiaodong (楊小東), Yuan Liang (袁亮), Luo Xuejin (羅學金) and Zhou Rong (周容)), (D14) the directors of Guangyuan Tianli Jiaozi Education and Tutoring School (being Wang Guohui (王國輝), Kang Shiping (康仕平), Deng Yuchun (鄧玉春), He Zhijie (賀志傑) and Yang Zhong (楊忠)), (D15) the directors of Neijiang Dongxing Tianli Jiaozi Tutoring School (being Yu Hang (余航), Zhang Liumeng (張流夢), Liu Yajie (劉雅潔), Qiu Lingxiao (邱淩霄) and Fu Linchang (扶林昌)) and (D16) the directors of Chengdu Wuhou District Kinderworld Kindergarten (being Yang Zhaotao (楊昭濤), Wang Rui (王銳), Tao Yi (陶毅), Wang Wen (王雯) and Tu Mengxuan (涂孟軒)), pursuant to which, among others, (i) Party B, its subsidiaries and/or schools irrevocably authorized and entrusted Party A or such persons as Party A may designate to exercise all of their rights as school sponsors; and (ii) Parties D irrevocably authorized and entrusted such persons as Party A or persons designated by Party A may nominate to exercise their rights as directors of the schools;

(4) a shareholders' rights entrustment agreement (股東表決權委託協議) dated December 15, 2017 and entered into by and among Party A: Tibet Yongsi Technology Co., Ltd. (西藏永思科技有限公司), Party B: Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司), Parties C: (C1) Shenzhou Tianli Investment Group Limited (神州天立投資集團有限公司), (C2) Luo Shi (羅實), (C3) Sichuan Tianhe Zhida Corporate Management Consulting Co., Ltd. (四川天合致達企業管理諮詢有限公司), (C4) Luzhou Xinlida Investment Co., Ltd. (瀘州市新利達投資有限公司), (C5) Sichuan Kangning Investment Management Co., Ltd. (四川康寧投資管理有限公司), (C6) Luzhou Xingnanyang Investment Co., Ltd. (瀘州市興南陽投資有限公司), (C7) Wuxi Shanglong Investment Consultancy Co., Ltd. (無錫市尚龍投資諮詢有限公司), (C8) Luzhou Xinshun Investment Co., Ltd. (瀘州欣順投資有限責任公司), (C9) Shenzhen Xieli Tianhai Investment Partnership L.P. (深圳市協力天海投資合夥企業(有限合夥)), (C10) Shanghai Yihong Investment Management Partnership L.P. (上海熠宏投資管理合夥企業(有限合夥)), and (C11) Luzhou Yuanyuan Education Consulting Co., Ltd. (瀘州原源教育諮詢有限公司), pursuant to which, among others, Parties C and shareholders of subsidiaries of Party B irrevocably authorized and entrusted Party A or such persons as Party A may designate to exercise all of their respective rights as shareholders of Party B and subsidiaries of Party B;

(5) an equity pledge agreement (股權質押協議) dated December 15, 2017 and entered into by and among Party A: Tibet Yongsi Technology Co., Ltd. (西藏永思科技有限公司), Party B: Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司), Parties C: (C1) Shenzhou Tianli Investment Group Limited (神州天立投資集團有限公司), (C2) Luo Shi (羅實), (C3) Sichuan Tianhe Zhida Corporate Management Consulting Co., Ltd. (四川天合致達企業管理諮詢有限公司), (C4) Luzhou Xinlida Investment Co., Ltd. (瀘州市新利達投資有限公司), (C5) Sichuan Kangning Investment Management Co., Ltd. (四川康寧投資管理有限公司), (C6) Luzhou Xingnanyang Investment Co., Ltd. (瀘州市興南陽投資有限公司), (C7) Wuxi Shanglong Investment Consultancy Co., Ltd. (無錫市尚龍投資諮詢有限公司), (C8) Luzhou Xinshun Investment Co., Ltd. (瀘州欣順投資有限責任公司), (C9) Shenzhen Xieli Tianhai Investment Partnership L.P. (深圳市協力天海投資合夥企業(有限合夥)), (C10) Shanghai Yihong Investment Management Partnership L.P. (上海熠宏投資管理合夥企業(有限合夥)) and (C11) Luzhou Yuanyuan Education Consulting Co., Ltd. (瀘州原源教育諮詢有限公司), pursuant to which Parties C agreed to pledge and grant first priority security interests over all of their equity interests in Party B together with all related rights thereto to Party A for the purpose of securing the performance of the contractual obligations of Party B, subsidiaries of Party B and schools in which Party B or any of its subsidiaries has school sponsor interests, including Luzhou Longmatan Tianli Elementary School (瀘州市龍馬潭區天立小學), Luzhou Tianli School (瀘州市天立學校), Tianli Kindergarten of Gulin County (古藺縣天立幼兒園), Yibin Cuiping District Tianli School (宜賓市翠屏區天立學校), Guangyuan Tianli International School (廣元天立國際學校), Xichang Tianli (International) School (西昌天立(國際)學校), Neijiang Tianli (International) School (內江天立(國際)學校), Ya'an Tianli School (雅安天立學校), Luzhou Longmatan Tianli Culture and Arts Tutoring School (瀘州市龍馬潭區天立文化藝術培訓學校), Luzhou Jiangyang Tianli Culture and Arts Tutoring School (瀘州市江陽區天立文化藝術培訓學校), Yibin Cuiping Tianzhan Tutoring School (宜賓市翠屏區天展培訓學校), Yibin Cuiping Tianjiao Tutoring School (宜賓市翠屏區天驕培訓學校), Renjie Education Tutoring School of Gong County (珙縣人傑教育培訓學校), Guangyuan Tianli Jiaozi Education and Tutoring School (廣元天立驕子教育培訓學校), Neijiang Dongxing Tianli Jiaozi Tutoring School (內江市東興區天立驕子培訓學校) and Chengdu Wuhou District Kinderworld Kindergarten (成都市武侯區凱星幼兒園) under the exclusive business cooperation agreement (獨家業務合作協議), exclusive call option agreement (獨家購買權協議),

school sponsor's and directors' rights entrustment agreement (學校舉辦者及董事/理事權利委託協議), shareholders' rights entrustment agreement (股東表決權委託協議), equity pledge agreement (股權質押協議) and loan agreement (借款協議);

(6) a loan agreement (借款協議) dated December 15, 2017 and entered into by and among Party A: Tibet Yongsi Technology Co., Ltd. (西藏永思科技有限公司), Party B: Shenzhou Tianli Education Investment Co., Ltd (神州天立教育投資有限責任公司), Parties C: (C1) Luzhou Longmatan Tianli Elementary School (瀘州市龍馬潭區天立小學), (C2) Luzhou Tianli School (瀘州市天立學校), (C3) Tianli Kindergarten of Gulin County (古藺縣天立幼兒園), (C4) Yibin Cuiping District Tianli School (宜賓市翠屏區天立學校), (C5) Guangyuan Tianli International School (廣元天立國際學校), (C6) Xichang Tianli (International) School (西昌天立(國際)學校), (C7) Neijiang Tianli (International) School (內江天立(國際)學校), (C8) Ya'an Tianli School (雅安天立學校), (C9) Luzhou Longmatan Tianli Culture and Arts Tutoring School (瀘州市龍馬潭區天立文化藝術培訓學校), (C10) Luzhou Jiangyang Tianli Culture and Arts Tutoring School (瀘州市江陽區天立文化藝術培訓學校), (C11) Yibin Cuiping Tianzhan Tutoring School (宜賓市翠屏區天展培訓學校), (C12) Yibin Cuiping Tianjiao Tutoring School (宜賓市翠屏區天驕培訓學校), (C13) Renjie Education Tutoring School of Gong County(珙縣人傑教育培訓學校), (C14) Guangyuan Tianli Jiaozi Education and Tutoring School (廣元天立驕子教育培訓學校), (C15) Neijiang Dongxing Tianli Jiaozi Tutoring School (內江市東興區天立驕子培訓學校), (C16) Chengdu Wuhou District Kinderworld Kindergarten (成都市武侯區凱星幼兒園), pursuant to which Party A has the right to provide interest-free loans to Party B from time to time in accordance with the terms of the agreement and PRC laws and regulations, and Party B shall use such loans as capital investments in Parties C;

(7) a letter of undertaking dated December 15, 2017 from Tu Mengxuan (涂孟軒), the spouse of Luo Shi (羅實), to Tibet Yongsi Technology Co., Ltd. (西藏永思科技有限公司), pursuant to which Tu Mengxuan (涂孟軒) irrevocably acknowledged and consented, among others, the pledge, transfer and other restrictions over the shareholding of Luo Shi (羅實) in Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司) under the exclusive business cooperation agreement (獨家業務合作協議), exclusive call option agreement (獨家購買權協議), shareholders' rights entrustment agreement (股東表決權委託協議), school sponsor's and directors' rights entrustment agreement (學校舉辦者及董事權利委託協議), equity pledge agreement (股權質押協議) and loan agreement (借款協議);

(8) a letter of undertaking dated December 19, 2017 from Zhang Ling (張玲), the spouse of Tao Yi (陶毅), to Tibet Yongsi Technology Co., Ltd. (西藏永思科技有限公司), pursuant to which Zhang Ling (張玲) irrevocably acknowledged and consented, among others, the pledge, transfer and other restrictions over the shareholding of Tao Yi (陶毅) in Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司) under the exclusive business cooperation agreement (獨家業務合作協議), exclusive call option agreement (獨家購買權協議), shareholders' rights entrustment agreement (股東表決權委託協議), school sponsor's and directors' rights entrustment agreement (學校舉辦者及董事權利委託協議), equity pledge agreement (股權質押協議) and loan agreement (借款協議);

(9) a supplemental agreement to cooperation agreements (合作系列協議之補充協議) dated December 19, 2017 and entered into by and among Party A: Tibet Yongsi Technology Co., Ltd. (西藏永思科技有限公司), Party B: Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責

任公司), Parties C: (C1) Luzhou Longmatan Tianli Elementary School (瀘州市龍馬潭區天立小學), (C2) Luzhou Tianli School (瀘州市天立學校), (C3) Tianli Kindergarten of Gulin County (古藺縣天立幼兒園), (C4) Yibin Cuiping District Tianli School (宜賓市翠屏區天立學校), (C5) Guangyuan Tianli International School (廣元天立國際學校), (C6) Xichang Tianli (International) School (西昌天立(國際)學校), (C7) Neijiang Tianli (International) School (內江天立(國際)學校), (C8) Ya'an Tianli School (雅安天立學校), (C9) Luzhou Longmatan Tianli Culture and Arts Tutoring School ((瀘州市龍馬潭區天立文化藝術培訓學校), (C10) Luzhou Jiangyang Tianli Culture and Arts Tutoring School (瀘州市江陽區天立文化藝術培訓學校), (C11) Yibin Cuiping Tianzhan Tutoring School (宜賓市翠屏區天展培訓學校), (C12) Yibin Cuiping Tianjiao Tutoring School (宜賓市翠屏區天驕培訓學校), (C13) Renjie Education Tutoring School of Gong County (珙縣人傑教育培訓學校), (C14) Guangyuan Tianli Jiaozi Education and Tutoring School (廣元天立驕子教育培訓學校), (C15) Neijiang Dongxing Tianli Jiaozi Tutoring School (內江市東興區天立驕子培訓學校), (C16) Chengdu Wuhou District Kinderworld Kindergarten(成都市武侯區凱星幼兒園), Parties D: (D1) Luzhou Shenzhou Tianli Education Development Co., Ltd. (瀘州神州天立教育發展有限責任公司), (D2) Yibin Shenzhou Tianli Education Development Co., Ltd. (宜賓神州天立教育發展有限責任公司), (D3) Shenzhou Tianli Guangyuan Education Development Co., Ltd. (神州天立廣元教育發展有限責任公司), (D4) Xichang Shenzhou Tianli Education Development Co., Ltd. (西昌神州天立教育發展有限責任公司), (D5) Neijiang Shenzhou Tianli Education Development Co., Ltd. (內江神州天立教育發展有限責任公司), (D6) Ya'an Shenzhou Tianli Education Development Co., Ltd. (雅安神州天立教育發展有限責任公司), (D7) Chengdu Shenzhou Tianli Education Consulting Co., Ltd. (成都神州天立教育諮詢有限公司), (D8) Chengdu Tianli Kaixing Education Consulting Co., Ltd. (成都天立凱星教育諮詢有限公司), (D9) Chengdu Likai Education Consulting Co., Ltd. (成都立凱教育諮詢有限公司), (D10) Luzhou Lixin Investment Co., Ltd. (瀘州立信投資有限公司), (D11) Luzhou Tianli Daren Education Technology Co., Ltd. (瀘州天立達人教育科技有限公司), (D12) Chengdu Tianli Jiaozi Education Technology Co., Ltd. (成都天立驕子教育科技有限公司), (D13) Luzhou Tianli Jiaozi Education Technology Co. Ltd. (瀘州天立驕子教育科技有限公司), (D14) Yibin Tianli Jiaozi Education Technology Co. Ltd. (宜賓天立驕子教育科技有限公司), (D15) Guangyuan Tianli Jiaozi Education Technology Co. Ltd. (廣元天立驕子教育科技有限公司), (D16) Xichang Tianli Jiaozi Education Technology Co. Ltd. (西昌天立驕子教育科技有限公司), (D17) Neijiang Tianli Jiaozi Education Technology Co. Ltd. (內江天立驕子教育科技有限公司), (D18) Ziyang Shenzhou Tianli Education Consulting Co., Ltd. (資陽神州天立教育諮詢有限責任公司), Parties E: (E1) Luo Shi (羅實), (E2) Tao Yi (陶毅), Parties F: (F1) Shenzhou Tianli Investment Group Limited (神州天立投資集團有限公司), (F2) Sichuan Tianhe Zhida Corporate Management Consulting Co., Ltd. (四川天合致達企業管理諮詢有限公司), (F3) Luzhou Xinlida Investment Co., Ltd. (瀘州市新利達投資有限公司), (F4) Sichuan Kangning Investment Management Co., Ltd. (四川康寧投資管理有限公司), (F5) Luzhou Xingnanyang Investment Co., Ltd. (瀘州市興南陽投資有限公司), (F6) Wuxi Shanglong Investment Consultancy Co., Ltd. (無錫市尚龍投資諮詢有限公司), (F7) Luzhou Xinshun Investment Company Limited (瀘州欣順投資有限責任公司), (F8) Shenzhen Xieli Tianhai Investment Partnership L.P. (深圳市協力天海投資合夥企業(有限合夥)), (F9) Shanghai Yihong Investment Management Partnership L.P. (上海熠宏投資管理合夥企業(有限合夥)) and (F10) Luzhou Yuanyuan Education Consulting Co., Ltd. (瀘州原源教育諮詢有限公司), pursuant to which, among others, the rights and obligations of Parties F under the exclusive business cooperation agreement (獨家業務合作協議), exclusive call option agreement (獨家購買權協議), shareholders' rights entrustment agreement (股東表決權委託協議), school sponsor's and directors' rights entrustment agreement (學校舉辦者及董事/理事權利委託協議), equity pledge agreement (股權質押協議) and loan agreement (借款協議) will be transferred to Parties E following transfer of all equity interests in Party B held by Parties F to Parties E;

(10) a supplemental agreement on additional party to cooperation agreements (合作系列協議之新增主體補充協議(公司)) dated December 19, 2017 and entered into by and among Party A: Tibet Yongsi Technology Co., Ltd. (西藏永思科技有限公司), Party B: Deyang Shenzhou Tianli Education Consulting Co., Ltd. (德陽神州天立教育諮詢有限責任公司) and Party C: Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司), pursuant to which, among others, it was agreed that Party B as a subsidiary of Party C shall become a party to the exclusive business cooperation agreement (獨家業務合作協議), exclusive call option agreement (獨家購買權協議), school sponsor's and directors' rights entrustment agreement (學校舉辦者及董事/理事權利委託協議), shareholders' rights entrustment agreement (股東表決權委託協議), equity pledge agreement (股權質押協議) and loan agreement (借款協議), and assume all rights and obligations applicable to subsidiaries of Party C under the above agreements;

(11) a supplemental agreement on additional party to cooperation agreements (合作系列協議之新增主體補充協議(公司)) dated January 3, 2018 and entered into by and among Party A: Tibet Yongsi Technology Co., Ltd. (西藏永思科技有限公司), Party B: Chengdu Tianli Huiai Education Management Co., Ltd. (成都天立慧愛教育管理有限公司), Party C: Chengdu Shenzhou Tianli Education Consulting Co., Ltd. (成都神州天立教育諮詢有限公司) and Party D: Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司), pursuant to which, among others, it was agreed that Party B as a subsidiary of Party D shall become a party to the exclusive business cooperation agreement (獨家業務合作協議), exclusive call option agreement (獨家購買權協議), school sponsor's and directors' rights entrustment agreement (學校舉辦者及董事/理事權利委託協議), shareholders' rights entrustment agreement (股東表決權委託協議), equity pledge agreement (股權質押協議) and loan agreement (借款協議), and assume all rights and obligations applicable to subsidiaries of Party D under the above agreements;

(12) a supplemental agreement on additional party to cooperation agreements (合作系列協議之新增主體補充協議(學校)) dated December 29, 2017 and entered into by and among Party A: Tibet Yongsi Technology Co., Ltd. (西藏永思科技有限公司), Party B: Cangxi Tianli School (蒼溪天立學校), Party C: Shenzhou Tianli Guangyuan Education Development Co., Ltd. (神州天立廣元教育發展有限責任公司) and Party D: Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司), pursuant to which, among others, it was agreed that Party B as a school of Party D shall become a party to and assume all rights and obligations applicable to schools under the exclusive business cooperation agreement (獨家業務合作協議), exclusive call option agreement (獨家購買權協議), school sponsor's and directors' rights entrustment agreement (學校舉辦者及董事/理事權利委託協議), shareholders' rights entrustment agreement (股東表決權委託協議), equity pledge agreement (股權質押協議) and loan agreement (借款協議);

(13) a supplemental agreement on additional party to cooperation agreements (合作系列協議之新增主體補充協議(學校)) dated December 27, 2017 and entered into by and among Party A: Tibet Yongsi Technology Co., Ltd. (西藏永思科技有限公司), Party B: Gulin Tianli Jiaozi Culture and Arts Tutoring School Co., Ltd. (古藺天立驕子文化藝術培訓學校有限公司), Party C: Luzhou Tianli Jiaozi Education Technology Co., Ltd. (瀘州天立驕子教育科技有限公司) and Party D: Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司), pursuant to which, among others, it was agreed that Party B as a school of Party D shall become a party to and assume all rights and obligations applicable to schools under the exclusive business cooperation agreement (獨家業務合作協議), exclusive call option agreement (獨家購買權協議), school sponsor's and directors' rights entrustment agreement (學校舉辦者及董事/理事權利委託協議), shareholders' rights entrustment agreement (股東表決權委託協議), equity pledge agreement (股權質押協議) and loan agreement (借款協議);

(14) a supplemental agreement on additional party to cooperation agreements (合作系列協議之新增主體補充協議(學校)) dated January 8, 2018 and entered into by and among Party A: Tibet Yongsi Technology Co., Ltd. (西藏永思科技有限公司), Party B: Xichang Tianli Jiaozi Culture and Arts Tutoring School Co., Ltd. (西昌天立驕子文化藝術培訓有限公司), Party C: Xichang Tianli Jiaozi Education Technology Co., Ltd. (西昌天立驕子教育科技有限公司) and Party D: Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司), pursuant to which, among others, it was agreed that Party B as a school of Party D shall become a party to and assume all rights and obligations applicable to schools under the exclusive business cooperation agreement (獨家業務合作協議), exclusive call option agreement (獨家購買權協議), school sponsor's and directors' rights entrustment agreement (學校舉辦者及董事/理事權利委託協議), shareholders' rights entrustment agreement (股東表決權委託協議), equity pledge agreement (股權質押協議) and loan agreement (借款協議);

(15) a supplemental agreement on additional party to cooperation agreements (合作系列協議之新增主體補充協議(學校)) dated April 13, 2018 and entered into by and among Party A: Tibet Yongsi Technology Co., Ltd. (西藏永思科技有限公司), Party B: Ziyang Yanjiang District Tianli School (資陽市雁江區天立學校), Party C: Ziyang Shenzhou Tianli Education Consulting Co., Ltd. (資陽神州天立教育諮詢有限責任公司) and Party D: Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司), pursuant to which, among others, it was agreed that Party B as a school of Party D shall become a party to and assume all rights and obligations applicable to schools under the exclusive business cooperation agreement (獨家業務合作協議), exclusive call option agreement (獨家購買權協議), school sponsor's and directors' rights entrustment agreement (學校舉辦者及董事/理事權利委託協議), shareholders' rights entrustment agreement (股東表決權委託協議), equity pledge agreement (股權質押協議) and loan agreement (借款協議);

(16) a supplemental agreement on additional party to cooperation agreements (合作系列協議之新增主體補充協議(公司)) dated April 16, 2018 and entered into by and among Party A: Tibet Yongsi Technology Co., Ltd. (西藏永思科技有限公司), Party B: Dongying Shenzhou Tianli Education Consulting Co., Ltd. (東營神州天立教育諮詢有限責任公司) and Party C: Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司), pursuant to which, among others, it was agreed that Party B as a subsidiary of Party C shall become a party to the exclusive business cooperation agreement (獨家業務合作協議), exclusive call option agreement (獨家購買權協議), school sponsor's and directors' rights entrustment agreement (學校舉辦者及董事/理事權利

委託協議), shareholders' rights entrustment agreement (股東表決權委託協議), equity pledge agreement (股權質押協議) and loan agreement (借款協議), and assume all rights and obligations applicable to subsidiaries of Party C under the above agreements;

(17) a supplemental agreement on additional party to cooperation agreements (合作系列協議之新增主體補充協議(公司)) dated April 17, 2018 and entered into by and among Party A: Tibet Yongsi Technology Co., Ltd. (西藏永思科技有限公司), Party B: Xiangtan Shenzhou Tianli Education Consulting Co., Ltd. (湘潭神州天立教育諮詢有限責任公司) and Party C: Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司), pursuant to which, among others, it was agreed that Party B as a subsidiary of Party C shall become a party to the exclusive business cooperation agreement (獨家業務合作協議), exclusive call option agreement (獨家購買權協議), school sponsor's and directors' rights entrustment agreement (學校舉辦者及董事/理事權利委託協議), shareholders' rights entrustment agreement (股東表決權委託協議), equity pledge agreement (股權質押協議) and loan agreement (借款協議), and assume all rights and obligations applicable to subsidiaries of Party C under the above agreements;

(18) a supplemental agreement on additional party to cooperation agreements (合作系列協議之新增主體補充協議(公司)) dated April 9, 2018 and entered into by and among Party A: Tibet Yongsi Technology Co., Ltd. (西藏永思科技有限公司), Party B: Chengdu Tianli Huixin Education Consulting Co., Ltd. (成都天立慧心教育諮詢有限公司), Party C: Chengdu Shenzhou Tianli Education Consulting Co., Ltd. (成都神州天立教育諮詢有限公司) and Party D: Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司), pursuant to which, among others, it was agreed that Party B as a subsidiary of Party D shall become a party to the exclusive business cooperation agreement (獨家業務合作協議), exclusive call option agreement (獨家購買權協議), school sponsor's and directors' rights entrustment agreement (學校舉辦者及董事/理事權利委託協議), shareholders' rights entrustment agreement (股東表決權委託協議), equity pledge agreement (股權質押協議) and loan agreement (借款協議), and assume all rights and obligations applicable to subsidiaries of Party D under the above agreements;

(19) an equity transfer agreement dated September 5, 2017 entered into between Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司) and Yibin Tianrui Real Estate Development Co., Ltd. (宜賓天瑞房地產開發有限公司), pursuant to which Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司) agreed to transfer 100% equity interest in Sichuan Tianyu Trading Co., Ltd. (四川天育商貿有限公司) to Yibin Tianrui Real Estate Development Co., Ltd. (宜賓天瑞房地產開發有限公司) at a consideration of RMB1,000,000;

(20) an equity transfer agreement dated November 23, 2016 entered into between Zhou Rong (周容) and Yibin Tianli Jiaozi Education Technology Co., Ltd. (宜賓天立驕子教育科技有限公司), pursuant to which Zhou Rong (周容) agreed to transfer 90% equity interest in Renjie Education Tutoring School of Gong County (珙縣人杰教育培訓學校) to Yibin Tianli Jiaozi Education Technology Co., Ltd. (宜賓天立驕子教育科技有限公司) at a consideration of RMB1;

(21) a tutoring school transfer agreement dated December 31, 2016 entered into between Li Nianping (李念平) and Neijiang Tianli Jiaozi Education Technology Co., Ltd. (內江天立驕子教育科技有限公司), pursuant to which Li Nianping (李念平) agreed to transfer 100% equity interest in Neijiang Dongxing Borui Tutoring School (內江市東興區博瑞培訓學校) to Neijiang Tianli Jiaozi Education Technology Co., Ltd. (內江天立驕子教育科技有限公司) at a consideration of RMB108,888;

(22) a capital transfer agreement dated September 10, 2017 entered into between Yibin Cuiping District Tianli School (宜賓市翠屏區天立學校) and Yibin Tianli Jiaozi Education Technology Co., Ltd. (宜賓天立驕子教育科技有限公司), pursuant to which Yibin Cuiping District Tianli School (宜賓市翠屏區天立學校) agreed to transfer RMB300,000 worth of equity capital in Yibin Lingang Economic and Technology Development Zone Tianli Tutoring School (宜賓臨港經濟技術開發區天立培訓學校) to Yibin Tianli Jiaozi Education Technology Co., Ltd. (宜賓天立驕子教育科技有限公司);

(23) the Deed of Non-competition;

(24) the Deed of Indemnity;

(25) a cornerstone investment agreement dated June 26, 2018 entered into among our Company, China International Capital Corporation Hong Kong Securities Limited and Greenwoods Asset Management Limited, pursuant to which Greenwoods Asset Management Limited agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be subscribed for in the amount of USD 20,000,000;

(26) a cornerstone investment agreement dated June 26, 2018 entered into among our Company, China International Capital Corporation Hong Kong Securities Limited and City Legend International Limited, pursuant to which City Legend International Limited agreed to subscribe for 100,000,000 Shares at the Offer Price, representing approximately 5% of the total issued Shares of our Company immediately upon the Listing (not taking into account any Share that may be issued pursuant to the exercise of the Over-allotment Option or any option(s) granted under the Share Option Scheme);

(27) a cornerstone investment agreement dated June 26, 2018 entered into among our Company, China International Capital Corporation Hong Kong Securities Limited and Value Partners Hong Kong Limited, pursuant to which Value Partners Hong Kong Limited agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be subscribed for in the amount of USD 10,000,000; and

(28) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of our Group

As of the Latest Practicable Date, we had registered the following intellectual property rights which, in the opinion of our Directors, are material to our business.

(a) *Trademarks*

As of the Latest Practicable Date, we have applied for the registration of the following trademarks in the PRC:

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Date of Application
1		24199936	Chengdu Wuhou District Kinderworld Kindergarten	41	May 18, 2017
2	KINDERWORLD	24202838	Chengdu Wuhou District Kinderworld Kindergarten	41	May 18, 2017
3	天立凯星	24198185	Chengdu Wuhou District Kinderworld Kindergarten	41	May 18, 2017

As of the Latest Practicable Date, we have registered the following trademarks in Hong Kong:

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Date of Registration	Expiry Date
1	A. B.	304119516	Tianli Education (HK) Limited	9, 16, 35, 36, 37, 41, 42, 43	April 25, 2017	April 24, 2027
2	A. B.	304119525	Tianli Education (HK) Limited	9, 16, 35, 36, 37, 41, 42, 43	April 25, 2017	April 24, 2027
3	A. 神州天立 SHENZHOU TIANLI B. 神州天立 SHENZHOU TIANLI	304119499AA	Tianli Education (HK) Limited	9, 36, 37, 42, 43	April 25, 2017	April 24, 2027
4	A. 神州天立 SHENZHOU TIANLI B. 神州天立 SHENZHOU TIANLI	304119507AA	Tianli Education (HK) Limited	9, 36, 37, 42, 43	April 25, 2017	April 24, 2027

As of the Latest Practicable Date, we have applied for the registration of the following trademarks in Hong Kong which are under the review and approval process of the Trade Marks Registry of Hong Kong:

No.	Trademark	Registration Number	Name of trademark applicant	Class
1	A. 神州天立 SHENZHOU TIANLI B. 神州天立 SHENZHOU TIANLI	304119499AB	Tianli Education (HK) Limited	16, 35, 41
2.	A. 神州天立 SHENZHOU TIANLI B. 神州天立 SHENZHOU TIANLI	304119507AB	Tianli Education (HK) Limited	16, 35, 41

As of the Latest Practicable Date, we had been licensed for use of the following trademarks which our Directors consider as material to our business. See the section headed "Connected Transactions" of this prospectus for details of the licensing agreement:

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
1		5246346	Tianli Holding	41	PRC	November 7, 2009	November 6, 2019
2	神州天立	13070646	Tianli Holding	41	PRC	March 28, 2016	March 27, 2026
3	神州天立 SHENZHOUTIANLI	17687826	Tianli Holding	36	PRC	October 7, 2016	October 6, 2026
4		17688029	Tianli Holding	41	PRC	October 7, 2016	October 6, 2026

(b) *Domain Names*

As of the Latest Practicable Date, we had registered the following domain names:

No.	Domain Name	Registered Owner	Date of Registration	Expiry Date
1	njtianli.com	Neijiang Tianli (International) School	September 30, 2014	September 30, 2019
2	gytlxx.com	Guangyuan Tianli International School	September 14, 2014	September 14, 2020
3	http://www.kinderworld.com.cn	Chengdu Wuhou District Kinderworld Kindergarten	April 8, 2013	April 8, 2019
4	sztljyjt.com	Tianli Education	December 31, 2013	December 31, 2019
5	xctlgjxx.com	Tianli Education	January 5, 2016	January 5, 2020
6	ybtlgjxx.com	Yibin Cuiping District Tianli School	September 26, 2012	September 26, 2020
7.	luzhoutianli.com	Luzhou Tianli School	July 23, 2002	July 23, 2020

We shall register/review our domain names in accordance with our operational need.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

(a) *Interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations*

Immediately following completion of the Global Offering (assuming no exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), the interests or short positions of our Directors or chief executives in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("**Model Code**"), once the Shares are listed will be as follows:

Interest in Shares or Underlying Shares of the Company

Name of Director	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding interest (without taking into account the Shares which may be issued or allotted upon any exercise of the Over-allotment Option and any options which have been or may be granted under the Share Option Scheme or the Restricted Share Award Scheme)
Mr. Luo	Interest of a controlled corporation	862,641,316	43.13%
Yang Zhaotao(1) . .	Beneficiary of a trust	1,956,520	0.10%
Wang Rui(2) . .	Beneficiary of a trust	1,956,520	0.10%
Tian Mu(3) . . .	Interest in a controlled corporation	7,744,737	0.39%

Notes:

1. Yang Zhaotao is an executive Director and has been granted 1,956,520 Shares under the Restricted Share Award Scheme, 391,304 Shares of which have been vested as of the Latest Practicable Date.

2. Wang Rui is an executive Director and has been granted 1,956,520 Shares under the Restricted Share Award Scheme, 391,304 Shares of which have been vested as of the Latest Practicable Date.

3. Tian Mu is a non-executive Director and wholly-owns 100% of the issued share capital of Healthy and Peaceful Limited, and therefore he is deeded or taken to be interested in the issued share capital of our Company in which Healthy and Peaceful Limited has shareholding interests.

(b) ***Interests and short positions of the Substantial Shareholders in the Shares and Underlying Shares of the Company***

For information on the persons who will, immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account the Shares which may be issued or allotted upon any exercise of the Over-allotment Option and any options which have been or may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Hong Kong 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 the rights to vote in all circumstances at general meetings of the Company, please see the section headed "Substantial Shareholders" in this prospectus.

(c) ***Interests of the Substantial Shareholders of Any Member of Our Group (Other than Our Company)***

So far as the Directors are aware, immediately following the completion of the Capitalization Issue and the Global Offering, no persons will, directly or indirectly, be interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of the Group (other than us).

2. Particulars of Service Contracts

(a) ***Executive Directors***

Each of the executive Directors has entered into a service contract with us, under which they agreed to act as executive Directors for an initial term of three years commencing from their respective date of appointment, which may be terminated by not less than three months' notice in writing served by either the executive Director or us.

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

(b) ***Non-executive Director and Independent Non-executive Directors***

Each of the non-executive Director and the independent non-executive Directors has signed an appointment letter with us for a term of three years, with effect from their respective date of appointment. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee while the non-executive Director is not entitled to any remuneration. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles and the applicable Listing Rules.

(c) *Others*

(a) Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(b) For the years ended December 31, 2015, 2016 and 2017, the aggregate of the salaries, allowances, benefits in kind and pension scheme contribution paid to our Directors by us and our subsidiaries was RMB695,000, RMB630,000 and RMB1,078,000, respectively. Details of the Directors' remuneration during the Track Record Period are set out in note 8 of the Accountant's Report set out in Appendix I to this prospectus. Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the years ended December 31, 2015, 2016 and 2017 by us to the Directors.

(c) Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending December 31, 2018 is estimated to be approximately RMB2,060,000.

(d) None of the Directors or any past Directors of any members of our Group has been paid any sum of money for the years ended December 31, 2015, 2016 and 2017 (i) as an inducement to join or upon joining us or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(e) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the years ended December 31, 2015, 2016 and 2017.

(f) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, us, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of the Company.

3. Fees or commissions received

None of the Directors or any of the persons whose names are listed under the sub-section headed "F. Other Information — 8. Consent of Experts" below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Disclaimers

Save as disclosed above in the section headed "C. Further Information about our Directors and Substantial Shareholders — (a) Interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations":

(a) none of our Directors or chief executives has any interests and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong 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 SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to us and the Hong Kong Stock Exchange, in each case once our Shares are listed on the Hong Kong Stock Exchange;

(b) so far as is known to any of our Directors or chief executives, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;

(c) none of our Directors nor any of the parties listed in the section headed "F. Other Information — 7. Qualification of Experts" of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;

(d) save in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in the section headed "F. Other Information — 7. Qualification of Experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed "F. Other Information — 7. Qualification of experts" of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in 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 in any member of our Group; and

(f) none of our Directors or their respective associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest revenue payment collection channels.

D. RESTRICTED SHARE AWARD SCHEME

Summary of the Restricted Share Award Scheme

The following is a summary of the Rules of the Restricted Share Award Scheme adopted by the Company on January 15, 2018. The Restricted Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules.

(a) *Purpose*

The Company has adopted the Scheme to align the interests of Eligible Persons with those of the Group through ownership of Shares, to support value creation oriented performance culture and, in part, to replace those certain interests of certain Eligible Persons in Tian Li Education transferred in connection with the Reorganization Transaction.

(b) *Term of the Scheme*

The Scheme shall be valid and effective for a period of 10 years, commencing on January 15, 2018, or until the Scheme is terminated by the Board, whichever is earlier, after which period no further Share Awards shall be granted or accepted, but the provisions of the Scheme shall remain in full force and effect in order to give effect to the vesting of Share Awards granted and accepted prior to the expiration or termination of the Scheme.

(c) *Maximum number of Share Awards*

The maximum number of Share Awards that may be granted under the Scheme in aggregate (excluding Share Awards that have lapsed or been cancelled in accordance with the Rules of the Scheme) shall be such number of Shares held or to be held by the Trustee for the purpose of the Scheme from time to time, and which shall in any event, be no more than 271,518 Shares. Our Company will not make further grants of share awards under the Scheme.

(d) *Administration of the Scheme*

The Scheme shall be subject to the administration of the Board, and the decision of the Board shall be final and binding on all parties. The Board may delegate the authority to administer the Scheme to any committee thereof or any third party duly appointed thereby, including without limitation third-party service providers and professional trustees (collectively, the "**Authorized Administrators**"). The powers of the Board include and are not limited to:

(i) construe and interpret the Scheme, make factual determinations with respect to the administration of the Scheme, further define the terms used in the Scheme; and prescribe, amend and rescind rules and regulations relating to the administration of the Scheme or the Share Awards;

(ii) determine the persons who will be awarded Share Awards, eligibility requirements, the number and price of Share Awards, and restrictions applicable to such Share Awards;

(iii) make such appropriate and equitable adjustments to the terms of Share Awards as it deems necessary; and

(iv) amend, add to and/or delete any of the provisions of the Scheme.

(e) *Basis of Eligibility for Share Awards*

The basis of eligibility of any Selected Person for the grant of Share Awards shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group or such other factors as the Board may deem appropriate and in particular the Reorganization Transaction.

(f) *Grant of Share Awards*

Subject to the limitations and conditions of the Scheme, the Board or Authorized Administrators may, at its absolute discretion, grant Share Awards to any Selected Person on such terms and conditions as the Board or Authorized Administrators thinks fit. The Board or Authorized Administrators may determine the time-based or other restrictions and/or other criteria and conditions (collectively, the "**Restrictions**") and the time period and schedule (the "**Restricted Period**") when the Share Awards will vest, and the Restrictions and the Restricted Period shall be stated in the Grant Letter.

In the Grant Letters issued to all Selected Persons, the Board has imposed a Restriction Period under which Share Awards shall vest in six (6) years from June 26, 2016 in accordance with the following schedule:

(i) 10% of a Participant's applicable Share Awards shall become unlocked upon each of the first anniversary and the second anniversary; and

(ii) 20% of a Participant's applicable Share Awards shall become unlocked upon each of the third anniversary, the fourth anniversary, the fifth anniversary and the sixth anniversary.

(g) *Restrictions on Share Awards*

Each Share Award shall be subject to a restricted period starting from the date of grant of each such Share Award and ending upon the date when the Shares become listed on the Stock Exchange and the date upon which the relevant Participant completes the relevant approval and filing procedures in respect of his/her Share Awards/Shares in accordance with the Huifa [2012] No. 7 Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning the Domestic Individuals' Participation in the Exchange Administration of Equity Incentive Plans of Overseas Listed Companies (if applicable) and other applicable laws and regulations (whichever is later) (the "**Lockup Restricted Period**").

The Share Awards and any interest therein may not be enjoyed, sold, assigned, transferred, pledged, hypothecated or otherwise disposed of by the Participants, except by will or the laws of descent and distribution, during the Restricted Period (including the Lockup Restricted Period).

(h) *Obtaining of Share Awards*

A Participant may not exercise voting rights nor have any rights in respect of the Shares underlying the Share Awards, including but not limited to, any dividends or other distributions, prior to the Participant's receipt of an Unlock Notice.

Share Awards held by a Participant that are vested as evidenced by the Unlock Notice may be obtained (in whole or in part) by the Participants upon the expiry of Restricted Period and lapse of all Restrictions (if any). The Board may decide at its absolute discretion to direct and procure the Trustee to, within a reasonable time, transfer the Shares underlying the Share Awards (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the Participant which the Company has allotted and issued to the Trustee or which the Trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any shareholder of the Company, as the case may be, subject to the Participant paying all tax, stamp duty, levies and charges applicable to such transfer.

(i) *Lapse of Share Awards*

Any unvested Share Award will automatically under the scenarios set out below:

(i) the Participant's employment with or service for the Group terminates for any reason except retirement, early retirement due to heath problem, permanent disablement, death during employment or redundancy;

(ii) the Participant is involved in businesses that are competing with or similar to the Group during his employment period without prior approval from the Company;

(iii) the company employing the Participant ceases to be a Subsidiary or an Affiliate of the Company;

(iv) the Participant makes any attempt or takes any action to sell, transfer, charge, encumber, hedge or create any interest in favour of any other person over or in relation to any unvested Share Awards or any interests or benefits pursuant to the unvested Share Awards;

(v) the Participant violates relevant rules under his/her respective local labour laws, or breaches the employment agreement or non-disclosure agreement with the Group; or

(vi) merger, bankruptcy, insolvency, liquidation and winding up and any other similar events of the Company.

Once Share Awards have lapsed and after the Shares of the Company are listed on the Stock Exchange, the Company will instruct the Trustee to sell that certain portion of the Shares underlying such Share Awards that remain unvested on the open market (the "**Subject Share Awards**"). If the Sale Proceeds are less than the sum of the purchase price that was paid by the Participant to acquire the corresponding interests in Tianli Education as specified in the Grant Letter and such additional amount so as to provide the Participant with a rate of return (the "**Minimum Rate of Return**") of fifteen percent (15%) per annum (such sum the "**Expected Proceeds**"), (1) the Trustee will continue to sell the Shares which are assets of the Trust to be used for the operation and maintenance of the Trust and pay the proceeds to the relevant Participant until the Expected Proceeds are fully paid; and (2) if the Sale Proceeds and all the assets of the Trust to be used for the operation and maintenance of the Trust are still not enough to pay the Expected Proceeds, such shortage shall be paid by Mr. Luo to such Participant. In the event that the Sale Proceeds are more than Expected Proceeds, the surplus amount will become assets of the Trust to be used by the Trustee for the administration and operation of the trust.

E. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of our Shareholders passed on June 24, 2018 and adopted by a resolution of the Board on June 24, 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; and

(g) an associate of any of the persons referred to in paragraphs (a) to (f) above (the person referred above are the "**Eligible Persons**").

3. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date (such 10% limit representing 200,000,000 Shares excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option granted by our Company) (the "**Scheme Mandate Limit**") provided that:

(a) our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of our Shares in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules;

(b) our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company should issue a circular to our Shareholders containing the details and information required under the Listing Rules; and

(c) the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Company (or the subsidiary) shall not exceed 30% of our Company's (or the subsidiary'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 (or the subsidiary) if this will result in such limit being exceeded.

4. Maximum entitlement of each participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of our Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in our Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

5. Offer and grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

6. Granting Options to connected persons

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the relevant class of securities in issue; and

(b) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5.0 million,

such further grant of Options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons (as defined in the Listing Rules) of our Company must abstain from voting in favor at such general meeting.

Approval from our Shareholders is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates. The grantee, his associates and all core connected persons (as defined in the Listing Rules) of our Company must abstain from voting in favor 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 five 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 "E. Share Option Scheme — 11. Exercise of Option" in this section, the date of the commencement of the winding-up of our Company;

(d) there is an unsatisfied judgment, order or award outstanding against the grantee or the Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;

(e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in this Share Option Scheme with respect to the exercise of the Option;

(f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

14. Adjustment

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalization of profits or reserves, right issue, consolidations, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

(a) the maximum number of Shares subject to the Share Option Scheme; and/or

(b) the aggregate number of Shares subject to the Option so far as unexercised; and/or

(c) the subscription price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalization issue), the auditors appointed by our Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

(a) any such adjustments shall give the Eligible Persons the same proportion of equity capital as they were previously entitled to. In respect of any such adjustments, other than any made on a capitalization issue, the auditors shall confirm to the Board in writing that the adjustments satisfy this requirement;

(b) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable same as (but shall not be greater than) it was before such event;

(c) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

(d) any such adjustments shall be made to in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and

(e) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

15. Cancellation of Options not exercised

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the "**Cancellation Date**"):

(a) the grantee commits or permits or attempts to commit or permit a breach of restriction on transferability of Option or any terms or conditions attached to the grant of the Option;

(b) the grantee makes a written request to the Board for the Option to be cancelled; or

(c) if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

16. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue commencing from (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members. Accordingly, it will entitle the holders to participate in all dividends or other distributions paid or made on or after (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

17. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

18. Transferability

The Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

19. Alteration of Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the our Shareholders in general meeting:

(a) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);

(b) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee;

(c) any change to the authority of the Board or any person or committee delegated by the Board pursuant to the Share Option Scheme to administer the day-to-day running of the Scheme; and

(d) any alteration to the aforesaid alternation provisions.

provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of the Listing Rules.

20. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

(a) the approval of our Shareholders for the adoption of the Share Option Scheme;

(b) the approval of the Stock Exchange for the listing of and permission to deal in, any 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 Agreements 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 and permission to deal in 200,000,000 Shares which may be issued pursuant to the exercise of Options under the Share Option Scheme.

F. OTHER INFORMATION

1. Estate Duty

We have been advised that no material liability for estate duty is likely to fall upon us.

2. Indemnities

Our Controlling Shareholders (the "**Indemnifiers**") have entered into the Deed of Indemnity with our Company in favor of us (being the contract referred to in paragraph (d) of the sub-section headed "B. Further Information about our Business — 1. Summary of Material Contracts" above) to provide the following indemnities:

Pursuant to the Deed of Indemnity, the Indemnifiers shall indemnify us against, among other things, (a) any depletion in or diminution of the value of our assets as a direct or indirect consequence of, and in respect of any amount which we may become liable to pay, resulting from any taxation falling on us resulting from, or relating to or in consequence of, any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the Listing Date; or (b) all property losses and property claims arising from, or in connection with, directly or indirectly, the properties owned or occupied by our Group with defective title.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation where, among other things, (a) provision has been made for such taxation in the audited accounts of our Company; (b) the taxation falling on us in respect of any accounting period commencing on or after January 1, 2015 unless liability for such taxation would not have arisen but for some event entered into by the Indemnifiers or us otherwise than in the course of normal day to day trading operations on or before the Listing Date; and (c) the taxation arises or is incurred as a consequence of any change in law or the interpretation thereof or practice by the relevant tax authority having retrospective effect coming into force after the Listing Date or to the extent that the taxation arises or is increased by an increase in rates of taxation after the Listing Date with retrospective effect.

3. Litigation

As of the Latest Practicable Date, we were not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

4. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option). The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The fees to the Sole Sponsor were approximately US$1 million and were paid by us.

5. Preliminary expenses

The preliminary expenses incurred by us in relation to our incorporation were approximately US$6,340 and were paid by us.

6. Promoter

We have no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

7. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
China International Capital Corporation Hong Kong Securities Limited	Licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 5 (advising on future contracts) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Ernst & Young	Certified Public Accountants, Hong Kong
Jingtian & Gongcheng	PRC legal adviser
Maples and Calder (Hong Kong) LLP	Cayman Islands legal advisers
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer

8. Consent of Experts

Each of the experts named in paragraph 7 has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included in this prospectus in the form and context in which it is respectively included.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Reserves available for distribution

As at December 31, 2017, we have reserves of RMB197,617,000 available for distribution to our Shareholders.

G. MISCELLANEOUS

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

   (i) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

   (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founders or management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued;

(iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries; and

(v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in the Company or any of its subsidiaries.

(b) Our Group had not issued any debentures nor did it have any outstanding debentures or any convertible debt securities.

(c) Our Directors confirm that:

(i) there has been no material adverse change in the financial or trading position or prospects of the Group since December 31, 2017 (being the date to which the latest audited consolidated financial statements of the Group were prepared); and

(ii) there is no arrangement under which future dividends are waived or agreed to be waived; and

(iii) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.

(d) Our principal register of members will be maintained by our principal registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

(e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

(f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(g) The Directors have been advised that, under the Cayman Companies Law, the use of a Chinese name by the Company for identification purposes only does not contravene the Cayman Companies Law.

(h) The English and 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).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) a copy of each of the material contracts referred to the section headed "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix V to this prospectus;

(c) the written consents referred to in the section headed "Statutory and General Information — F. Other Information — 8. Consent of Experts" in Appendix V to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Shearman & Sterling at 12th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) our Memorandum and Articles of Association;

(b) the Accountants' Report from by Ernst & Young, the texts of which are set out in Appendix I to this prospectus;

(c) the audited consolidated financial statements of the Group for the years ended December 31, 2015, 2016 and 2017;

(d) the report from Ernst & Young on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(e) the letter, summary of values and valuation certificates relating to the property interests of our Group prepared by JLL, the texts of which are set out in Appendix III to this prospectus;

(f) the legal opinions issued by Jingtian & Gongcheng, our PRC Legal Adviser in respect of certain aspects of the Group and the property interests of the Group;

(g) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our Cayman legal advisers, summarizing certain aspects of Cayman Companies Law referred to in the section headed "Summary of the Constitution of Our Company and Cayman Companies Law" in Appendix IV to this prospectus;

(h) the Cayman Companies Law;

(i) copies of material contracts referred to the section headed "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix V to this prospectus;

(j) the written consents referred to in the section headed "Statutory and General Information — F. Other Information — 8. Consent of Experts" in Appendix V to this prospectus;

(k) service contracts and letters of appointment entered into between the Company and each of the Directors;

(l) the Frost & Sullivan Report;

(m) the rules of the Share Option Scheme; and

(n) the rules of the Restricted Share Award Scheme.

天之骄子 立己达人