希望教育集團有限公司
Hope Education Group Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1765

GLOBAL OFFERING

Joint Sponsors

citi CMS 招商證券國際

Joint Global Coordinators

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Joint Bookrunners and Joint Lead Managers

citi CMS 招商證券國際 建银国际 CCB International 農銀國際 ABC INTERNATIONAL 光大證券 EBS INTERNATIONAL 首控證券

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

HOPE EDUCATION GROUP CO., LTD.
希望教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	1,666,668,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Public Offer Shares	:	166,668,000 Shares (subject to reallocation)
Number of International Offer Shares	:	1,500,000,000 Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price (subject to a Downward Offer Price Adjustment)	:	HK$1.92 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, and the Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund) *(If the Offer Price is set at 10% below the low-end of the indicative Offer Price after making a Downward Offer Price Adjustment, the Offer Price will be HK$1.37 per Hong Kong Public Offer Share)*
Nominal value	:	US$0.00001 per Share
Stock code	:	1765

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix VI — Documents Delivered to the Registrar of Companies and Available for Inspection" in 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 and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, July 27, 2018 and, in any event, not later than Thursday, August 2, 2018. The Offer Price will be not more than HK$1.92 and is currently expected to be not less than HK$1.52 (subject to a Downward Offer Price Adjustment), unless otherwise announced. If the Offer Price is set at 10% below the low-end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the Offer Price will be HK$1.37 per Hong Kong Public Offer Share. If, for any reason, the Offer Price is not agreed by Thursday, August 2, 2018 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at www.hope55.com not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Details of the arrangement will then be announced by us as soon as practicable. For further information, see "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares."

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe and purchase, and to procure applicants for the subscription or purchase of, the Hong Kong Public Offer Shares are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" 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 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 (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (i) in the United States to qualified institutional buyers in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

July 24, 2018

Latest time for completing electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** [2]	11:30 a.m. on Friday, July 27, 2018
Application lists open[3]	11:45 a.m. on Friday, July 27, 2018
Latest time for (a) lodging **WHITE** and **YELLOW** Application Forms, (b) completing payment for **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (c) giving electronic application instructions to HKSCC	12:00 noon on Friday, July 27, 2018
Application lists close[3]	12:00 noon on Friday, July 27, 2018
Expected Price Determination Date	Friday, July 27, 2018
Where applicable, announcement of the Offer Price being set below the low-end of the indicative Offer Price range after making a Downward Offer Price Adjustment (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.hope55.com** on or before	Thursday, August 2, 2018
Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Public Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Thursday, August 2, 2018
An announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) will be available through a variety of channels (including the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.hope55.com**) (see the section headed "How to Apply for Hong Kong Public Offer Shares — Publication of Results") from	Thursday, August 2, 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	Thursday, August 2, 2018
Share certificates in respect of wholly or partially successful applications to be despatched or deposited into CCASS on or before[4]	Thursday, August 2, 2018
White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessfully applications to be despatched on or before[4]	Thursday, August 2, 2018
Dealings in the Shares on the Hong Kong Stock Exchange expected to commence at 9.00 a.m. on	Friday, August 3, 2018

Notes:

(1) All dates and times refer to Hong Kong dates and times.

(2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment 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 the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, July 27, 2018, the application lists will not open and close on that day. See the section headed "How to Apply for Hong Kong Public Offer Shares."

(4) The Share certificates will only become valid at 8:00 a.m. on the Listing Date, which is expected to be Friday, August 3, 2018, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Public Offer Shares, see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares," respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, the Company will make an announcement as soon as practicable thereafter.

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, 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 Hong Kong Public Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Public 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 only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. 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 contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering. Information contained in the website of the Company (www.hope55.com) does not constitute part of this prospectus.

CONTENTS

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

OVERVIEW

We are the second largest private higher education group in China in terms of the number of students enrolled for higher education as of December 31, 2017, according to the Frost & Sullivan Report. We are committed to providing quality education and professional training to students with an aim to equipping them with the knowledge and skills desired in employment markets. We own and operate eight higher education schools, including three independent colleges and five junior colleges in Sichuan, Guizhou and Shanxi. China's private higher education industry is fast-growing. Its market size is expected to increase from RMB103.7 billion in 2017 to RMB139.0 billion in 2021, representing a CAGR of 7.6%, according to the Frost & Sullivan Report. At the same time, this market is highly fragmented and competitive. Our Group ranked second as of December 31, 2017 with a market share of approximately 1.1%. As a leader of China's private higher education industry, with our established market position, rich experience in operating higher education schools and sophisticated centralized management model, we believe that we have the first-mover advantage to expand school network, acquire and consolidate additional schools, increase our market share and capture the market growth opportunities and continue to achieve rapid development.

We have successfully expanded our school network rapidly based on our strong capabilities of acquiring and establishing higher education institutions. We started to build our school network in Sichuan and have expanded to Guizhou and Shanxi. Since entering into higher education industry in 2008, we have increased the number of our schools providing higher education services to eight, including five acquired schools and three schools established by us. We also provide self-study examination services and adult education services through some of the eight schools. In addition to the above-mentioned eight schools, we operate Sichuan Hope Automotive Technical College to provide technical education services. We experienced a rapid growth during the Track Record Period. The total number of students at our schools increased from 41,375 for the 2014/2015 school year to 86,498 for the 2017/2018 school year, including the provision of higher education services for 73,573 students, and the provision of other education services for 12,925 students. Our teaching staff increased from 3,085 for the 2014/2015 school year to 5,527 for the 2017/2018 school year.

In line with our commitment to students, we endeavor to enable students to become professional talent possessing knowledge and skills desired in employment market. We establish majors and curricula with a focus on applied technologies based on employment market demand and make job-oriented training a key part of our courses. Furthermore, we have close cooperation with corporations and institutions in various areas, which has complemented our classroom teaching, offered superior training opportunities for our students and improved our graduates' competitiveness in the employment market. During the Track Record Period, our initial employment rate for higher education programs reached approximately 90%, significantly higher than the average level in the private higher education industry.

We have a sophisticated centralized management model enabling us to control the operation costs while reducing operating risks. Our schools also share market demand, teaching resources and student recruitment experience and job placement resources. The synergy so achieved underpins the further expansion of our school network. We established an education management committee at our headquarters, consisting of prestigious education experts, serving as a think tank on decision-making and supervision for education and school operations. This enables our schools to benefit from these experts' education management experience in their teaching activities and operations.

Our revenue increased 26.2% from RMB486.7 million in 2015 to RMB614.4 million in 2016 and further increased 22.5% to RMB752.4 million in 2017. Our revenue increased 33.6% from RMB165.9 million for the three months ended March 31, 2017 to RMB221.7 million for the same period of 2018. Our gross profit increased 25.6% from RMB246.5 million in 2015 to RMB309.7 million in 2016 and further increased 16.2% to RMB360.0 million in 2017. Our gross profit increased 5.1% from RMB89.8 million for the three months ended March 31, 2017 to RMB94.4 million for the same period of 2018.

Our Educational Philosophy

Our fundamental educational philosophy is "happy learning, happy living and happy working." We adhere to our core values of gratefulness, optimism, rigor and responsibility and focus on providing high-quality higher education to foster talent with competitive capabilities and practical skills to contribute to the social and economic development.

Our Schools

We established our first school, Southwest Jiaotong University Hope College, in Sichuan in 2008 and expanded our network and student base through acquiring and establishing new schools. We currently own and operate eight higher education institutions in Sichuan, Guizhou and Shanxi, including (i) three independent colleges, namely Southwest Jiaotong University Hope College, Business College of Guizhou University of Finance and Economics and Jinci College of Shanxi Medical University, which are under our operations and separate from the public universities we cooperate with to establish these schools; and (ii) five junior colleges, namely Sichuan Tianyi College, Sichuan Hope Automotive Vocational College, Sichuan Vocational College of Culture & Communication, Guizhou Vocational Institute of Technology and Sichuan TOP IT Vocational Institute. As of March 31, 2018, we had an aggregate of 73,573 full-time students enrolled at these eight higher education institutions. In addition, we operate Sichuan Hope Automotive Technical College, a technical college providing technical education services.

The following table sets forth summary of information relating to the history, and the revenue and gross profit margin for, each of our schools for the years indicated:

School	History and year of establishment/acquisition	For the year ended December 31,						For the three months ended March 31,			
		2015	2016	2017	2015	2016	2017	2017	2018	2017	2018
		Revenue			Gross profit margin			Revenue		Gross profit margin	
		(in thousands of RMB)			*(%)*			*(in thousands of RMB)*		*(%)*	
Independent Colleges											
Southwest Jiaotong University Hope College	Established by our Group in April 2009 and commenced operations in September 2009	195,667	210,716	227,978	50%	50%	54%	50,543	52,840	58%	50%
Business College of Guizhou University of Finance and Economics	Acquired by our Group in April 2014 and commenced operations under our management in September 2014	70,198	114,105	161,893	41%	44%	44%	31,663	42,495	46%	41%
Jinci College of Shanxi Medical University	Acquired by our Group in April 2014 and commenced operations under our management in September 2014	32,117	45,587	64,393	45%	39%	41%	12,311	16,780	39%	29%
Junior Colleges											
Sichuan Tianyi College	Acquired by our Group in September 2011 and commenced operations under our management in September 2011	128,728	139,452	139,662	65%	64%	52%	39,899	40,056	68%	48%
Sichuan Hope Automotive Vocational College	Established by our Group in June 2013 and commenced operations in September 2013	25,477	41,281	41,192	47%	47%	31%	9,317	9,137	43%	35%
Sichuan Vocational College of Culture & Communication	Acquired by our Group in March 2014 and commenced operations under our management in September 2014	33,905	54,630	80,440	33%	52%	58%	16,736	18,330	59%	44%
Guizhou Vocational Institute of Technology	Established by our Group in June 2016 and commenced operations in September 2016	—	4,969	26,645	—	(9)%	39%	3,601	8,088	21%	46%
Sichuan TOP IT Vocational Institute(1)	Acquired by our Group in December 2017 and commenced operations under our management in December 2017	—	—	—	—	—	—	—	29,862	—	45%
Technical College											
Sichuan Hope Automotive Technical College	Established by our Group in July 2016 and started to enroll students in September 2016	—	3,002	10,231	—	27%	(21)%	1,818	4,112	(10)%	11%

(1) We obtained control of this school on December 28, 2017 and started operation in December 2017.

For explanations for the fluctuations of the revenue and gross profit margin, see "Financial Information — Key Components of Our Results of Operations — Revenue" and "Financial Information — Key Components of Our Results of Operations — Gross Profit and Gross Margin."

For the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school year, our schools had a total capacity to accommodate 48,976 students, 57,766 students, 69,893 students and 95,776 students, respectively, and the utilization rate of all of our schools as a whole was 75.2%, 76.3%, 79.2% and 80.8%, respectively. For more details of the students capacity and utilization rate of each of our schools, including the explanations for fluctuations, see "Business—Capacity and Utilization Rate of Our Schools."

Our Students

We focus on providing higher education services including bachelor's degree program and junior college diploma program. For the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school year, the aggregate number of full-time students enrolled at our schools for higher education was 33,654, 40,047, 50,307 and 73,573, respectively. For more details of the full-time student enrollment of higher education programs for each of our schools, see "Business—Our Higher Education Services—Existing Schools—Overview—Student Enrollment."

We also provide other education services. We provide self-study examination education services and adult education services through some of our schools. For the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school year, the aggregate number of students received self-study examination education and relevant services offered by us was 3,119, 2,899, 4,426 and 2,911, respectively, and the aggregate number of students received adult education services offered by us was 4,602, 5,503, 7,928 and 7,893, respectively. In July 2016, we obtained an approval from Sichuan provincial government for establishment of Sichuan Hope Automotive Technical College, making use of the venue and teaching resources of Sichuan Hope Automotive Vocational College to provide technical education services. For the 2016/2017 school year and 2017/2018 school year, Sichuan Hope Automotive Technical College had a total of 1,365 students and 2,121 students, respectively. For more details of our other education services, see "Business—Our Other Education Services."

Our Teachers

We believe that our team of experienced and dedicated teachers has been crucial to our success. Our aim is to continue recruiting teachers who possess expertise and practical knowledge in their respective subject areas and sufficient teaching experience. As of March 31, 2018, we had 5,527 teaching staff, including 3,889 full-time teachers and teaching-support staff. As of the same date, approximately half of our teaching staff had master's degree or above. We also invite industry experts, technical experts and professionals in relevant enterprises to teach at our schools.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors: (i) Leading position in China private higher education industry with strong brand recognition; (ii) Outstanding capabilities of acquiring and establishing schools; (iii) Sophisticated and efficient centralized management model; (iv) Market-oriented education services with balanced focus on theories and skills, providing students with good career prospects; and (v) An experienced management team with proven track record and a high-quality teaching team.

OUR BUSINESS STRATEGIES

We aspire to provide more Chinese students with access to higher education and to become a world-renowned private higher education service provider. To achieve this goal, we plan to pursue the following business strategies: (i) Continue to expand our school network and strengthen our leading market position; (ii) Further increase the utilization rate, capacity and education level of our existing schools; (iii) Further optimize our centralized management model, continue to improve our schools' teaching quality and competitiveness and strengthen our brand recognition; (iv) Continue to attract, encourage and retain high-quality teachers, and enhance the support for the career development of teachers; (v) Further optimize our pricing strategy and income structure and enhance the Company's profitability; and (vi) Further expand school-enterprise collaboration and improve student employment rate.

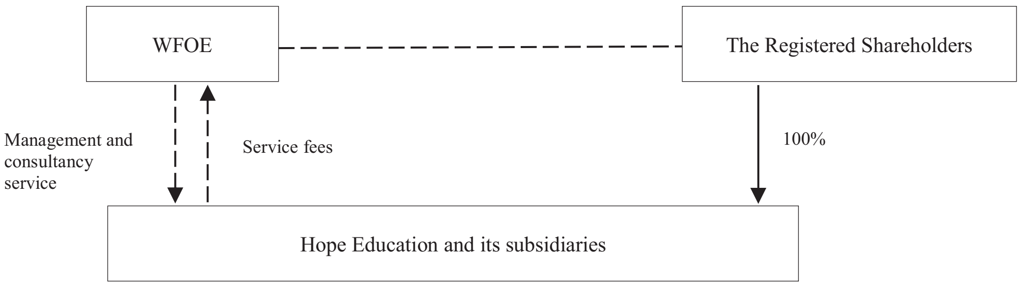
RISK FACTORS

There are a number of risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. For details of the risks relating our business and an investment in our Shares, see "Risk Factors." We believe our major risk factors include: (i) Our business and results of operations depend on the level of tuition and boarding fees we are able to charge and our ability to maintain and raise tuition and boarding fee levels; (ii) The private higher education business is relatively new and may not gain wide acceptance in China; (iii) We face intense competition in the PRC higher education industry, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departures of qualified employees and increased capital expenditure; (iv) We may not be able to execute our growth strategies successfully or effectively manage our growth, which may hinder our ability to capitalize on new business opportunities; (v) We may not be able to successfully integrate businesses that we acquire, which may cause us to lose the anticipated benefits from such acquisitions and to incur significant additional expenses; and (vi) We may not be able to successfully establish new schools pursuant to our proposed timeline or at all; (vii) We are subject to uncertainties brought by the Amendment of Law for Promoting Private Education of the PRC.

CONTRACTUAL ARRANGEMENTS

The operation of our schools are subject to various foreign ownership prohibitions or restrictions under PRC laws and regulations. Our Company is therefore unable to own or hold any direct equity interest in our Consolidated Affiliated Entities. In order to enable us to maintain and exercise control over our Consolidated Affiliated Entities, we have entered into the Contractual Arrangements. The Contractual Arrangements allow us to obtain substantially all of the economic benefits of our Consolidated Affiliated Entities and consolidate their results of operations into our Group's. Accordingly, the term "ownership" or the relevant concept, as applied to our Company in this prospectus, as the case may be, refers to an economic interest in the assets or businesses through the Contractual Arrangements without holding any sponsorship/equity interest in our Consolidated Affiliated Entities. See "Contractual Arrangements" for further details.

The following simplified diagram illustrates the flow of economic benefits from Hope Education to us under the Contractual Arrangements:



(1) "→" denotes direct legal and beneficial ownership in the equity interest.
(2) "⇢" denotes contractual relationship.
(3) "— — —" denotes the control by WFOE over the Registered Shareholders through (i) powers of attorney to exercise all shareholders' rights in Hope Education, (ii) exclusive options to acquire all or part of the equity interests in Hope Education and (iii) equity pledges over the equity interests in Hope Education.
(4) Registered Shareholders refer to shareholders of Hope Education, namely, Sichuan Tequ Investment, Chengdu Mayflower Investment Management, CEL Maiming and Guangwei Qinghe.

On January 19, 2015, the MOFCOM published the Draft Foreign Investment Law, which is intended to replace the current laws and implementing rules governing the foreign investments in China. Although the Draft Foreign Investment Law has been released for consultation purposes, there remain substantial uncertainties regarding its final content, adoption timeline or effective date. Furthermore, several issues are yet to be clarified at current stage, including, among others, (i) the level of "actual control" for being qualified as a domestic enterprise, and (ii) how existing domestic enterprises that are operated by foreign investors through contractual arrangements are to be handled. Due to these uncertainties, we cannot determine whether the new foreign investment law, when it is adopted and becomes effective, will have a material impact on our corporate structure and business. Our Contractual Arrangements, in a worst case scenario, may be regarded as invalid and illegal, and the Stock Exchange may consider us to be no longer suitable for listing on the Stock Exchange and delist our Shares.

For the risks relating to the Contractual Arrangements, see "Risk Factors — Risks Relating to Our Contractual Arrangements — The Draft Foreign Investment Law proposes significant changes to the PRC foreign investment legal regime, which will likely to have a significant impact on businesses in China controlled by foreign invested enterprises through contractual arrangements, such as our business".

Following the implementation of a "variable interest entity" structure with the execution of the series of agreements pursuant to the Contractual Arrangements (collectively, the "**Structured Contracts**") on March 14, 2018 (as amended and superseded by certain agreements dated June 22, 2018, as the case may be), we are subject to additional amounts of PRC income tax and value-added tax. If the Contractual Arrangements had been in effect during the Track Record Period, at least 25% of our schools' net profit would be required to be retained for the schools' working capital as development fund and statutory surplus reserve, and profit attributable to the WFOE would only be 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 35%, 21%, 15% and 26% for the years ended December 31, 2015, 2016 and 2017 and for the three months ended March 31, 2018, respectively. However, as the WFOE was specifically established to provide exclusive technical and management consultancy services to our Consolidated Affiliated Entities under the Structured Contracts, such impact is estimated without taking into consideration of certain potential tax preferential policy and potential tax reductions as such mitigating factors 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. For details of the factors taken into account when arriving at the estimate, see "Contractual Arrangements — Legality of the Contractual Arrangements".

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised at all and without taking into account any Shares which may be issued upon the exercise of the Pre-IPO Share Options, Tequ Group A Limited, Tequ Group Limited and Maysunshine Limited, members of the group of our Controlling Shareholders, will be interested in and control indirectly, through Hope Education Investment Limited, in aggregate 62.11% of the issued share capital of our Company. See "Relationship with Controlling Shareholders" for further details.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountants' Report set out in Appendix I to this prospectus. You should read the summary of historical consolidated financial statements set forth below in conjunction with our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus, together with the accompanying notes, which have been prepared in accordance with IFRS.

Summary Financial Data from Consolidated Statements of Profit or Loss and Comprehensive Income

	For the year ended December 31,			For the three months ended March 31,	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
Revenue	486,714	614,399	752,434	165,888	221,700
Cost of sales	(240,190)	(304,682)	(392,405)	(76,091)	(127,291)
Gross profit	246,524	309,717	360,029	89,797	94,409
Other income and gains	50,087	55,372	136,384	41,007	58,352
Selling expenses	(34,774)	(32,506)	(29,140)	(5,189)	(5,104)
Administrative expenses	(56,309)	(70,102)	(88,929)	(22,892)	(42,944)
Other expenses	(28,671)	(26,388)	(2,656)	(1,627)	(552)
Finance costs	(107,767)	(76,816)	(144,511)	(17,230)	(55,065)
Share of losses of a joint venture	—	—	(1,752)	—	(1,858)
Profit before tax	69,090	159,277	229,425	83,866	47,238
Income tax expense	(3,692)	(4,536)	(19,769)	(17,120)	(1,165)
Profit for the year/period	65,398	154,741	209,656	66,746	46,073

In 2015, 2016 and 2017 and the three months ended March 31, 2018, we had significant amount of other income and gains of RMB50.1 million, RMB55.4 million, RMB136.4 million and RMB58.4 million, respectively, consisting primarily of service income, rental income, government grants, interest income, gain on disposal of items of property, plant and equipment, fair value gains on conversion rights of convertible bonds, gains on disposal of subsidiary and others, some of which are non-recurring events, such as the one-off disposal of certain commercial properties by Business College of Guizhou University of Finance and Economics in 2017 and the one-off disposal of the then subsidiary Jiexing Huilv in the three months ended March 31, 2018. See "Risk Factors — Risks Relating to Our Business and Our Industry — Our other income and gains is subject to fluctuations due to factors that are beyond our control" for further details.

Non-IFRS Measures — EBITDA and Adjusted Net Profit

EBITDA represents profit before tax, which excludes finance costs, depreciation, recognition of prepaid land lease payments and amortization of other intangible assets. Adjusted net profit represents profit for the year, which excludes listing expenses, equity-settled share option expense, loss on disposal of items of property, plant and equipment, termination fees, provision for claim, interest income from loans to a related party, interest income from a loan to a joint venture, interest income from entrusted loan, gain on disposal of items of property, plant and equipment, guarantee income, fair value gains on conversion rights of convertible bonds and gain on disposal of a subsidiary. EBITDA and adjusted net profit are not defined under IFRS. We present these non-IFRS measures because they are used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. We also believe that such non-IFRS measures provide additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management and in comparing financial results across accounting periods and to those of our peer companies. See "Financial Information — Non-IFRS Measures" for more information.

The table below sets forth a reconciliation of our profit before tax to EBITDA for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
Profit before tax	69,090	159,277	229,425	83,866	47,238
Add:					
Finance costs	107,767	76,816	144,511	17,230	55,065
Depreciation	67,599	81,670	100,684	23,507	33,722
Recognition of prepaid land lease payments	9,827	10,222	10,333	2,554	3,356
Amortization of other intangible assets	5,557	7,611	10,450	2,976	1,906
EBITDA	259,840	335,596	495,403	130,133	141,287

The table below sets forth a reconciliation of our profit for the year to adjusted net profit for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
Profit for the year/period	65,398	154,741	209,656	66,746	46,073
Add:					
Listing expense	—	943	9,843	2,051	10,256
Equity-settled share option expense	—	—	—	—	5,901
Loss on disposal of items of property, plant and equipment	620	410	21	3	23
Termination fees	26,000	—	—	—	—
Provision for claim	—	23,000	—	—	—
Deduct:					
Interest income from loans to a related party	—	—	(14,581)	—	(16,653)
Interest income from a loan to a joint venture	—	—	(2,388)	—	—
Interest income from entrusted loan	(3,731)	—	—	—	—
Gain on disposal of items of property, plant and equipment	(10)	(5)	(32,373)	(32,172)	(805)
Guarantee income	—	—	(1,057)	—	(236)
Fair value gains on conversion rights of convertible bonds	—	—	(6,253)	—	(13,271)
Gain on disposal of a subsidiary	—	—	—	—	(8,256)
Adjusted net profit	88,277	179,089	162,868	36,628	23,032

Selected Financial Data from Consolidated Statements of Financial Position

	As of December 31,			As of March 31,	As of May 31,
	2015	2016	2017	2018	2018
	(in thousands of RMB)				
Current assets	1,525,224	1,650,868	1,043,889	1,511,382	1,202,452
Current liabilities	2,062,538	2,455,299	2,098,061	1,992,831	2,135,094
Net current liabilities	(537,314)	(804,431)	(1,054,172)	(481,449)	(932,642)
Total equity	249,942	494,974	679,388	1,220,238	1,315,294

As of December 31, 2015, 2016 and 2017 and March 31 and May 31, 2018, our Group recorded net current liabilities of RMB537.3 million, RMB804.4 million, RMB1,054.2 million, RMB481.5 million and RMB932.6 million, respectively. See "Financial Information—Current Assets and Current Liabilities" for details of the reasons of our net current liabilities position. We may have net current liabilities in the future and be exposed to liquidation risks, and, as a result, our business, financial condition and results of operations may be materially and adversely affected. See "Risk Factors — Risks Relating to Our Business and Our Industry — We had net current liabilities as of December 31, 2015, 2016 and 2017, March 31, 2018 and May 31, 2018. We may be exposed to liquidation risks, and our business, financial condition and results of operation may be materially and adversely affected as a result." In view of the net current liabilities position, our Directors have given careful consideration to the future liquidity and performance of our Group and the available sources of finance in assessing whether our Group will have sufficient financial resources to continue as a going concern. Having considered the cash flows from operations and the available resource of finance, our Directors are of the opinion that our Group is able to meet in full our 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.

As of December 31, 2015, 2016 and 2017 and March 31, 2018, our Group had goodwill acquired through business combination of RMB53.2 million, RMB53.2 million and RMB481.1 million and RMB481.1 million, respectively. The significant increase in our goodwill from December 31, 2016 to December 31, 2017 was primarily due to goodwill of RMB427.9 million arising from our acquisition of Sichuan TOP Education Co., Ltd. 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, measured at cost less any accumulated impairment losses subsequently, and performed impairment assessment 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. See "Financial Information— Discussion of Key Balance Sheet Items—Assets—Goodwill" for details of 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 the goodwill as of December 31, 2017.

As of December 31, 2015, 2016 and 2017 and March 31, 2018, our Group recorded other intangible assets of RMB117.2 million, RMB215.6 million, RMB118.7 million and RMB120.9 million, respectively, which consisted primarily of software and cooperation arrangements to operate our independent colleges. The significant increase in our other intangible assets from December 31, 2015 to December 31, 2016 was primarily due to an increase of RMB100.0 million arising from our acquisition of a subsidiary, Jiexing Huilv, in 2016, representing the sponsor right to operate College of Science and Technology of Guizhou University for a term of 20 years from December 24, 2014 to December 23, 2034. Since September 2017, we had used the sponsor right to operate the new campus of College of Science and Technology of Guizhou University, and therefore the cost for the sponsor right was transferred from other intangible assets and was recorded as the investment in College of Science and Technology of Guizhou University in 2017, which was the primary reason for the significant decrease in our other intangible assets from December 31, 2016 to December 31, 2017. The cost of other intangible assets acquired in a business combination is the fair value at the date of acquisition, which are amortized on the straight-line basis over their estimated useful lives of 20 years. For details of the acquistion and disposal, see "History, Reorganization and Corporate Structure — Our Consolidated Affiliated Entities — Our Education Investment Platforms — Jiexing Huilv."

Key Financial Ratios

	As of/for the year ended December 31,			As of/for the three months ended March 31,
	2015	2016	2017	2018
EBITDA margin	53.4%	54.6%	65.8%	63.7%
Net profit margin	13.4%	25.2%	27.9%	20.8%
Return on assets	1.7%	3.4%	3.7%	3.0%
Return on equity	26.2%	31.3%	30.9%	15.1%
Current ratio	0.74	0.67	0.50	0.76
Gearing ratio	6.31	3.32	2.77	2.16

Gearing ratio equals the sum of interest-bearing bank and other borrowings and convertible bonds divided by total equity as of the end of the year. We had high gearing ratio of 6.31, 3.32, 2.77 and 2.16 as of December 31, 2015, 2016 and 2017 and March 31, 2018, respectively, primarily due to the high level of debt financing to fund our acquisition and constructions of school premises and supplement working capital during the Track Record Period. As of December 31, 2015, 2016 and 2017 and March 31, 2018, we had total debt of RMB1.6 billion, RMB1.6 billion and RMB1.9 billion and RMB2.6 billion, respectively, consisting of interest-bearing bank and other borrowings and convertible bonds. We acquired three schools in 2014 and one school in 2017 and also established two schools in 2016. See "Financial Information — Financial Ratios" for further details of our gearing ratio and other key financial ratios.

DIVIDEND

Our Group currently does not have a pre-determined dividend policy. As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and particularly, our schools, which are primarily incorporated in the PRC. See "Financial Information—Dividend" for details of our dividend policy. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board. In 2015, 2016, and 2017 and for the three months ended March 31, 2018, we did not declare or pay any dividends to our Shareholders.

GLOBAL OFFERING

This document is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to the Over-allotment Option): (i) the Hong Kong Public Offering of 166,668,000 Offer Shares (subject to reallocation), and (ii) the International Offering of 1,500,000,000 Offer Shares (subject to reallocation and the Over-allotment Option).

The Offer Shares will represent 25% of the issued share capital of our Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options granted under the 2018 Pre-IPO Share Option Scheme. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7%, without taking into account any Shares which may be issued upon the exercise of any options granted under the 2018 Pre-IPO Share Option Scheme.

RECENT DEVELOPMENTS

We expect our profit for the year ending December 31, 2018 will be adversely affected by our listing expenses, which is a non-recurring item, and expenses relating to the 2018 Pre-IPO Share Option Scheme.

Our Directors confirm that, except as disclosed in this prospectus, since March 31, 2018 (being the date on which our Consolidated Financial Statements was prepared) and up to the date of this prospectus, there had been no material adverse change in the industry in which we operate or in the financial or trading position of our Group that would materially affect the information shown in our Consolidated Financial Statements as set out in the Accountants' Report included in Appendix I to this prospectus.

Jiexing Huilv

In order to enhance our strengths in provision of undergraduate education and as part of our business expansion plan in Guizhou province, we acquired the 70% interest in Jiexing Huilv from an Independent Third Party on September 6, 2016. Hope Education transferred its 70% interests in Jiexing Huilv to Chengdu Maysunshine Education Management Co., Ltd. (成都五月陽光教育管理有限公司) ("**Maysunshine Education Management**"), a wholly-owned subsidiary of Hope Education on March 16, 2018. On March 19, 2018, Sichuan Tequ Education, which is a connected person of our Company acquired the entire interest in Maysunshine Education Management from Hope Education. Upon the completion of the transaction, Sichuan Tequ Education holds 70% of the interest in Jiexing Huilv. We disposed of Jiexing Huilv since we cannot control or consolidate the financial statements of the College of Science and Technology of Guizhou University due to various arrangements between them. For further details, see "History, Reorganization and Corporate Structure — Our Consolidated Affiliated Entities — Our Education Investment Platforms — Jiexing Huilv" and "Relationship with Controlling Shareholders — Independence from Controlling Shareholders — Delineation of Business — Operation."

Regulatory Developement

As of the date of this prospectus, two general regulations regarding Amendment of Law for Promoting Private Education of the PRC (the "Amendment") and the registration of private schools have been issued jointly by the Sichuan Department of Education and other five government authorities of Sichuan provincial level which became effective on June 1, 2018 and is valid for five years, see "Regulations — Regulations on Private Education in the PRC — The General Regulations of Sichuan Province for the Amendment." However, these regulations of Sichuan province are silent on taxation policies, tuition fee policies, financing policies of schools, public funding policies, clear financial settlement rules and procedure requirements and clear re-applying requirements. We are not aware as to when more implementation measures in these respect will be promulgated. As of the date of this prospectus, the provincial implementation rules for the Amendment or the relevant regulations adopted by competent government authorities in Guizhou and Shanxi have not been published. Several provincial implementation rules for the Amendment have been published by relevant authorities of certain other provinces, pursuant to which a "transitional period" shall be granted to the applicants for each private school to choose to register as a for-profit or a non-profit private school. See "Risk Factors — Risks Relating to Our Business and Our Industry — We are subject to uncertainities brought by the Amendment of Law for Promoting Private Education of the PRC."

Based on the consultations with competent authorities, as advised by our PRC Legal Adviser, we have been advised that (a) our schools are not required and will not be required to choose to register as for-profit or non-profit private schools before the provincial implementation rules for the Amendment are promulgated and require so; and (b) our schools will be able to renew the licenses in accordance with the law without being required to choose to register as for-profit or non-profit private schools before the provincial implementation rules for the Amendment require so. See "Business — The Decision on Amending the Law for Promoting Private Education of the PRC."

Under the existing regulatory environment, we are unable to choose to register as for-profit or non-profit schools as we are unable to accurately evaluate the potential impact of such regulatory changes to our operations at this stage. See "Risk Factors — Risks Relating to Our Business and Our Industry — We are subject to uncertainties brought by the Amendment of Law for Promoting Private Education of the PRC," "Risk Factors — Risks Relating to Doing Business in China — The discontinuation of any preferential tax treatments currently available to us, in particular the tax exempt status of our schools, could materially and adversely affect our results of operations" and "Business — The Decision on Amending the Law for Promoting Private Education of the PRC" for further details. Based on the review of relevant laws and regulations, interviews with our management and the relevant government authorities, our PRC Tax Consultant is of the view that the existing preferential tax treatment will remain unchanged until the provincial implementation rules for the Amendment are promulgated. We will establish and assign the responsibility to a special committee led by Mr. Wang Huiwu, our chief executive officer and executive Director, to pay close attention to rules and regulations to be promulgated by relevant authorities at all levels regarding interpreting and implementing the Amendment. We will consult with our PRC Legal Advisor when such rules and regulations are promulgated regarding the potential impact on all aspects of operation of our schools and make relevant public announcements when appropriate.

Planned Additional School

We intend to leverage our existing operations and resources to further expand our school network in China. Toward this end, we entered into an agreement to establish a new school, Guangdong Agricultural Science and Technology Vocational College in May 2018. For more information, see "Business — Our Higher Education Services — Planned Additional School."

LISTING EXPENSES

We expect to incur a total of RMB112.3 million of listing expenses (assuming an Offer Price of HK$1.72, being the mid-point of the indicative Offer Price range between HK$1.52 and HK$1.92, and assuming that the Over-allotment Option is not exercised at all) in relation to the Global Offering, of which RMB21.0 million were charged to our consolidated statements of profit or loss and other comprehensive income and RMB5.9 million was directly attributable to the issue of the Shares to the public and was capitalized during the Track Record Period. For the remaining expenses, we expect to charge approximately RMB17.4 million to our profit or loss and to capitalize approximately RMB68.0 million. Listing expenses represent professional fees and other fees incurred in connection with the Global Offering, including underwriting commissions and discretionary bonus. The listing expenses above were the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. The Listing expense are non-recurring in nature. The listing expenses will have an adverse effect on our results of operations for the year ended December 31, 2018.

OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 1,666,668,000 Shares are issued pursuant to the Global Offering; and (ii) 6,666,668,000 Shares are issued and outstanding following the completion of the Global Offering.

	Based on an Offer Price of HK$1.37, after Downward Offer Price Adjustment of 10%	Based on an Offer Price of HK$1.52 per Share	Based on an Offer Price of HK$1.92 per Share
Market capitalization of our Shares(1)	HK$9,133 million	HK$10,133 million	HK$12,800 million
Unaudited pro forma adjusted consolidated net tangible assets per Share(2)	HK$0.44 (RMB0.37)	HK$0.47 (RMB0.40)	HK$0.57 (RMB0.49)

(1) The calculation of market capitalization is based on 6,666,668,000 shares in issue immediately upon completion of the Global Offering.

(2) The unaudited pro forma adjusted consolidated net tangible assets per Share as at March 31, 2018 is calculated based on 6,666,668,000 Shares in issue immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Pre-IPO Share Options.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$2,734.6 million (after deducting the underwriting fees, commissions and estimated expenses payable by us in relation to the Global Offering), assuming the Over-allotment Option is not exercised at all and an Offer Price of HK$1.72 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus. We intend to use the net proceeds we receive from the Global Offering as follows:

Intended use of net proceeds	Percentage of the total estimated net proceeds	Amount
		(in millions of HK$)
To acquire higher education schools and to establish new campuses for the acquired schools	40%	1,093.8
To construct new buildings for education purpose	30%	820.4
To repay bank loans and other borrowings	20%	546.9
To use for working capital and general corporate purposes	10%	273.5

To the extent that our actual net proceeds from the Global Offering is higher or lower than our estimate above, we will increase or decrease our allocation of the net proceeds for the above purposes accordingly on a pro rata basis. For more details, see "Future Plans and Use of Proceeds."

In the event that the Over-allotment Option is not exercised at all and after deducting the underwriting fees, commissions and estimated expenses payable by us in relation to the Global Offering, we estimate that we will receive net proceeds from the Global Offering of approximately HK$3,058.6 million assuming the Offer Price is determined to be HK$1.92 per Share, being the high-end of the indicative offer price range stated in this prospectus, approximately HK$2,410.6 million, assuming the Offer Price is determined to be HK$1.52 per Share, being the low-end of the indicative Offer Price range stated in this prospectus, and approximately HK$2,167.6 million, assuming the Offer Price is determined to be HK$1.37 per Share, being up to 10% below the low-end of indicative Offer Price range stated in this prospectus.

In the event that the Over-allotment Option is exercised in full and after deducting the underwriting fees, commissions and estimated expenses payable by us in relation to the Global Offering, we estimate that we will receive net proceeds from the Global Offering of approximately HK$3,525.1 million assuming the Offer Price is determined to be HK$1.92 per Share, being the high-end of the indicative offer price range stated in this prospectus, approximately HK$2,780.0 million, assuming the Offer Price is determined to be HK$1.52 per Share, being the low-end of the indicative Offer Price range stated in this prospectus, and approximately HK$2,500.5 million, assuming the Offer Price is determined to be HK$1.37 per Share, being up to 10% below the low-end of indicative Offer Price range stated in this prospectus. Additional net proceeds received due to the exercise of any Over-allotment Option will be used for the above purposes accordingly on a pro rata basis.

LEGAL PROCEEDINGS AND COMPLIANCE

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, (i) we had not experienced any material or systemic non-compliance of applicable laws or regulations, which taken as a whole, in the opinion of our Directors, are likely to have a material adverse effect on our business condition or results of operations; and (ii) we had not experienced any non-compliance of applicable laws or regulations, which taken as a whole, in the opinion of our Directors, reflects negatively on the ability or tendency of our Company, our Directors or our senior management, to operate our business in a compliant manner.

See "Business — Employees" and "Business — Properties" for a description of certain legal matters relating to our compliance with certain employee benefits and property related laws and regulations which our Directors consider would not have a material adverse effect on our operations as a whole for the reasons described therein.

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

"2018 Pre-IPO Share Option Scheme"	the 2018 pre-IPO share option scheme conditionally approved and adopted by our Shareholders on March 18, 2018 for the benefit of, amongst others, our Group's directors, senior management, employees, advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners and service providers, a summary of the principal terms of which is set out in "Appendix V — Statutory and General Information"
"affiliate(s)"	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	WHITE Application Form(s), YELLOW Application Form(s) or GREEN Application Form(s), individually or collectively, as the context so requires, any of them, which is used in relation to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Company conditionally adopted on July 14, 2018 with effect from the Listing Date, as amended from time to time, a summary of which is set out in "Summary of the Constitution of our Company and Cayman Companies Law" in Appendix IV to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the board of Directors
"Business College of Guizhou University of Finance and Economics"	Business College of Guizhou University of Finance and Economics (貴州財經大學商務學院), a college established under the laws of PRC in 2004, acquired by our Group in April 2014 and approved by the MOE to be operated under the cooperation between Guizhou University and our Group in September 2014
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate

"Capitalization Issue"	the issue of 4,947,499,947 Shares on the Listing Date to be made upon capitalization of certain sums standing to the credit of the share premium account of our Company, details of which are set out in the section headed "Share Capital" to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, or a CCASS Custodian Participant or a CCASS Investor Participant
"CEL Maiming"	Shanghai CEL Maiming Investment Centre (Limited Partnership) (上海光控麥鳴投資中心(有限合夥)), a limited partnership established under the laws of PRC on February 27, 2015
"China" or "PRC"	the People's Republic of China excluding for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region and Taiwan
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Financial Statements"	the consolidated financial statements of our Group for the financial years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018 as included in the "Accountants' Report" in Appendix I to this prospectus
"Companies Law" or "Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time

"Company" or "our Company"	Hope Education Group Co., Ltd. (希望教育集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on March 13, 2017
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Affiliated Entities"	the entities that we control through the contractual arrangements which comprised, as at the Latest Practicable Date, Hope Education, Sichuan Guojian Investment Limited, Taiyuan Xudong Technology Limited, Shanghai Shurui Investment Consultant Limited, Sichuan Yonghe Education Investment Limited, Jiexing Huilv, Sichuan Top Education Co., Ltd., Ziyang Maysunshine Education Investment Limited, Fuquan Mayflower Education Investment Limited, Southwest Jiaotong University Hope College, Business College of Guizhou University of Finance and Economics, Jinci College of Shanxi Medical University, Sichuan Hope Automotive Technical College, Sichuan Top IT Vocational Institute Sichuan Tianyi College, Sichuan Hope Automotive Vocational College, Sichuan Vocational College of Culture & Communication, Guizhou Vocational Institute of Technology and Sichuan Top Education Co., Ltd.
"Controlling Shareholder(s)"	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to the group of controlling shareholders of our Company, namely Hope Education Investment Limited, Tequ Group A Limited, Tequ Group Limited, Maysunshine Limited, Tequ Group (Hong Kong) Company Limited, Spring Breeze Limited, Puhua Limited, Striving Origin Co., Ltd., Puhua Agriculture Limited, Shanghai Yi Zeng Management Co., Ltd. (上海乙增管理有限公司), Sichuan Tequ Investment, West Hope, Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司), Sichuan Shengbo Genyuan Trade Limited (四川生搏根源貿易有限公司), Chen Yuxin (陳育新), Zhao Guiqin (趙桂琴), Zhang Qiang (張強), Wang Degen (王德根), Tang Jianyuan (唐健源), Liu Birong (劉碧容), Wang Qiang (王強), Lan Hai (蘭海), Zeng Zheng (曾正), Zhou Xingbang (周興幫), Wang Xiaoguo (王孝國), Xiao Song (肖崧), Mei Shaofeng (梅紹鋒), Wang Huiwu (汪輝武) and Fu Wenge (付文革)
"CSRC"	China Securities Regulatory Commission (中國證券管理監督委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Director(s)"	the directors of our Company

"Downward Offer Price Adjustment"	an adjustment that has the effect of setting the final Offer Price up to 10% below the low-end of the indicative Offer Price range
"Draft Foreign Investment Law"	the draft version of the Foreign Investment Law* (中華人民共和國投資法(草案徵求意見)) issued by MOFCOM on January 19, 2015 for public consultation
"EIT Law"	the PRC Enterprise Income Tax Law* (中華人民共和國企業所得稅法) adopted by the National People's Congress of the PRC on March 16, 2007 and become effective on January 1, 2008
"Everbright Investment Agreement"	an investment agreement dated June 30, 2016 and entered into amongst Yixing CEL, Sichuan Tequ Investment and Chengdu Mayflower Investment Management Limited (成都五月花投資管理有限公司), pursuant to which Yixing CEL agreed to subscribe for 13.04% equity interest in Hope Education at the subscription price of RMB300 million
"Foreign Investment Catalogue"	the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄(2017)》), which was promulgated jointly by the MOFCOM and the NDRC on March 10, 2015 and became effective from April 10, 2015 and is amended from time to time
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
"Frost & Sullivan Report"	an independent market research report commissioned by our Company on the PRC private education market and prepared by Frost & Sullivan
"GDP"	Gross Domestic Product
"Guangdong Agricultural Science and Technology Vocational College"	Guangdong Agricultural Science and Technology Vocational College* (廣東農業科技職業學院), a college to be established as a higher vocational college
"Guangwei Qinghe"	Shanghai Guangwei Qinghe Investment Centre (Limited Partnership) (上海光微青合投資中心(有限合夥)), a limited partnership established under the laws of PRC on January 12, 2016
"Guizhou Department of Education"	Guizhou Department of Education* (貴州省教育廳)
"Guizhou Vocational Institute of Technology"	Guizhou Vocational Institute of Technology* (貴州應用技術職業學院), a college established by our Group under the laws of PRC in March 2016

"Global Offering"	the Hong Kong Public Offering and the International Offering
"Green Application Form(s)"	the application form(s) to be completed by White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"Group," "our Group," "we" or "us"	our Company, its subsidiaries and the Consolidated Affiliated Entities from time to time, or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"HK$," "Hong Kong dollar(s)," "HKD" or "cents"	Hong Kong dollars and cents, respectively, the lawful currency for the time being of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Public Offer Shares"	the 166,668,000 Shares initially being offered for subscription in the Hong Kong Public Offering (subject to reallocation as described in "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and the Hong Kong Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in "Structure of the Global Offering — The Hong Kong Public Offering" in this prospectus
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering as listed in "Underwriting — Hong Kong Underwriters" in this prospectus

"Hong Kong Underwriting Agreement"	the underwriting agreement, dated July 23, 2018, relating to the Hong Kong Public Offering, entered into among, inter alia, the Joint Global Coordinators, the Hong Kong Underwriters, our Company and certain Controlling Shareholders, as further described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering" in this prospectus
"Hope California"	California Hope University of Science and Technology, a residential university to be established in the State of California, the United States
"Hope Education"	Sichuan Hope Education Industry Group Limited* (四川希望教育產業集團有限公司) (formerly known as Sichuan Mayflower Investment Company Limited (四川五月花投資有限公司), Sichuan Hope Mayflower Investment Limited (四川希望五月花投資有限公司), Sichuan Hope Education Industry Company Limited (四川希望教育產業有限公司)), a limited liability company established under the laws of PRC on January 12, 2005
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
"IFRS"	the International Financial Reporting Standard(s)
"International Offering"	the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from the registration requirement under the U.S. Securities Act, as further described in "Structure of the Global Offering" in this prospectus
"International Offer Shares"	the 1,500,000,000 Shares being initially offered for subscription and purchased at the Offer Price under the International Offering together, where relevant, with any additional Shares that may be sold pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in "Structure of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Offering

"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering and expected to be entered into by, among others, our Company, the Joint Global Coordinators and the International Underwriters on or about Price Determination Date, as further described in "Underwriting — Underwriting Arrangements and Expenses — The International Offering" in this prospectus
"Jiexing Huilv"	Guizhou Jiexing Huilv Air Service Consultant Services Limited (貴州捷星慧旅航空空乘諮詢服務有限公司), a limited liability company established under the laws of PRC on September 9, 2010
"Jinci College of Shanxi Medical University"	Jinci College of Shanxi Medical University* (山西醫科大學晉祠學院), a college established under the laws of PRC in June 2002, acquired by our Group in April 2014, and approved by the MOE to be operated under the cooperation between Shanxi Medical University and our Group in August 2014
"Joint Bookrunners"	Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), China Merchants Securities (HK) Co., Limited, CCB International Capital Limited, ABCI Capital Limited, China Everbright Securities (HK) Limited and First Capital Securities Limited
"Joint Global Coordinators"	Citigroup Global Markets Asia Limited and China Merchants Securities (HK) Co., Limited
"Joint Lead Managers"	Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), China Merchants Securities (HK) Co., Limited, CCB International Capital Limited, ABCI Securities Company Limited, China Everbright Securities (HK) Limited, and First Capital Securities Limited
"Joint Sponsors"	Citigroup Global Markets Asia Limited and China Merchants Securities (HK) Co., Limited
"Latest Practicable Date"	July 16, 2018, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
"Listing"	the listing of our Shares on the Main Board of the 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 August 3, 2018 on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange

"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"M&A"	mergers and acquisitions
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company conditionally adopted on July 14, 2018 with effect from the Listing Date, as amended from time to time, a summary of which is set out in "Summary of the Constitution of our Company and Cayman Companies Law" in Appendix IV to this prospectus
"Ministry of Human Resources and Social Security"	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)
"MOE"	Ministry of Education of the PRC (中華人民共和國教育部)
"MOFCOM"	Ministry of Commence of the PRC (中華人民共和國商務部)
"MOOC"	massive open online courses
"National People's Congress" or "NPC"	National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NBSC"	National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Offer Price"	the final price per Offer Share (exclusive of brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee), expressed in Hong Kong dollars, at which Hong Kong Public Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in "Structure of the Global Offering — Pricing of the Global Offering" in this prospectus, subject to any Downward Offer Price Adjustment
"Offer Share(s)"	the Hong Kong Public Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be sold by our Company pursuant to the exercise of the Over-allotment Option

"Over-allotment Option"	the option expected to be granted by the Company to the International Underwriters, exercisable by the Stabilization Manager on behalf of the International Underwriters and in consultation with the Joint Global Coordinators for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, among other things, cover over-allocations in the International Offering, if any, details of which are described in "Structure of the Global Offering — The International Offering — Over-allotment Option" in this prospectus
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013, as amended, supplemented or otherwise modified from time to time
"PRC government" or "State"	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
"PRC Legal Advisor"	Tian Yuan Law Firm, our legal advisor as to the PRC laws
"PRC Tax Consultant"	Zhonghui (Sichuan) Certified Tax Agents Co., Ltd. (中匯(四川)稅務師事務所有限公司), our PRC tax consultant
"Pre-IPO Share Options"	options granted under the 2018 Pre-IPO Share Option Scheme
"Price Determination Agreement"	the agreement to be entered into among our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) at or about the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about July 27, 2018 (Hong Kong time) and in any event no later than August 2, 2018, on which the Offer Price is to be fixed by an agreement between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters)
"Principal Share Registrar"	Maples Fund Services (Cayman) Limited
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"QIB"	a qualified institutional buyer within the meaning of Rule 144A

"Registered Shareholders"	shareholders of Hope Education, namely, Sichuan Tequ Investment Group Limited (四川特驅投資集團有限公司), Chengdu Mayflower Investment Management Limited (成都五月花投資管理有限公司), CEL Maiming, Guangwei Qinghe and Zhuhai Maiwen
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"SAIC" or "State Administration for Industry and Commerce"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAT"	The State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SFC" or "Securities and Futures Commission"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Shanxi Department of Education"	Shanxi Department of Education* (山西省教育廳)
"Shanxi Department of Finance"	Shanxi Department of Finance* (山西省財政廳)
"Shanxi Department of Human Resources and Social Security"	Shanxi Department of Human Resources and Social Security* (山西省人力資源和社會保障廳)
"Shanghai Shurui Investment Consultant Limited"	Shanghai Shurui Investment Consultant Limited* (上海舒瑞投資諮詢有限公司), a company incorporated in PRC on February 29, 2008 and a wholly-owned subsidiary of our Group
"Share(s)"	ordinary share(s) of a nominal value of US$0.00001 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Sichuan Department of Education"	Sichuan Department of Education* (四川省教育廳)

"Sichuan Hope Automotive Vocational College"	Sichuan Hope Automotive Vocational College* (四川希望汽車職業學院), a college established by our Group under the laws of PRC in March 2013
"Sichuan Hope Automotive Technical College"	Sichuan Hope Automotive Technical College* (四川希望汽車技師學院), a college established by our Group under the laws of PRC in July 2016
"Sichuan TOP IT Vocational Institute"	Sichuan TOP IT Vocational Institute* (四川托普信息技術職業學院), a college established by Sichuan TOP Education Co., Ltd. (四川托普教育股份有限公司) in June 2000 and acquired by our Group in December 2017
"Sichuan Provincial Human Resources and Social Security Department"	Sichuan Provincial Human Resources and Social Security Department* (四川省人力資源和社會保障廳)
"Sichuan Tequ Investment"	Sichuan Tequ Investment Group Limited (四川特驅投資集團有限公司), a limited liability company established under the laws of PRC on June 28, 2005
"Sichuan Tequ Education"	Sichuan Tequ Education Management Limited* (四川特驅教育管理有限公司), a limited liability company established under the laws of PRC on November 30, 2017 following the division under reorganization, the shareholding of which largely mirrors that of Hope Education and is indirectly controlled by Wang Huiwu
"Sichuan Tianyi College"	Sichuan Tianyi College*, a college established and named as Sichuan Tianyi Open College (四川天一開放函授進修學院) in 1991, approved by the State Education Commission (currently, the MOE) to be a formal junior-college-level higher education institution in 1994 and acquired by our Group in September 2011
"Sichuan Vocational College of Culture & Communication"	Sichuan Vocational College of Culture & Communication* (四川文化傳媒職業學院), a college established as a higher vocational college in 2005 and acquired by our Group in March 2014
"Southwest Jiaotong University Hope College"	Southwest Jiaotong University Hope College* (西南交通大學希望學院), a college approved by the MOE to be established under the cooperation between Southwest Jiaotong University, West Hope and our Group in April 2009
"Stabilization Manager"	Citigroup Global Markets Asia Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Subsidiary(ies)"	has the meaning ascribed to it in the Listing Rules

"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"The College of Science and Technology of Guizhou University"	The College of Science and Technology of Guizhou University* (貴州大學科技學院), a college established under the laws of PRC in May 2001, approved by the MOE to be operated under the cooperation between Guizhou University and a third party in December 2014 and acquired by our Group in September 2016. We disposed The College of Science and Technology of Guizhou University on March 19, 2018. For further details of the disposal, see "History, Reorganization and Corporate Structure"
"Track Record Period"	the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollar(s)" or "US$" or "USD"	United States dollars, the lawful currency for the time being of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"VIE" or "VIEs"	variable interest entity or variable interest entities
"West Hope"	Chengdu West Hope Group Limited* (成都華西希望集團有限公司), a company established in the PRC with limited liability on September 1, 1997, which holds 55% of the shares of Sichuan Tequ Investment Group Limited* (四川特驅投資集團有限公司)
"WFOE"	Horgos Tequ Mayflower Information Technology Co., Ltd. (霍爾果斯特驅五月花信息科技有限公司), a company established in the PRC with limited liability on January 19, 2018 and a wholly-owned subsidiary of our Company
"White Form eIPO"	the application for Public Offer Shares to be issued in the applicant's own name, submitted online through the designated website of the **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor 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 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 changes)
"Yixing CEL"	Yixing CEL Investment Co., Limited (宜興光控投資有限公司), a limited liability company established under the laws of PRC on September 26, 2008
"Zhuhai Maiwen"	Zhuhai Maiwen Investment Centre (Limited Partnership) (珠海麥玟投資中心(有限合夥)), a limited partnership established under the laws of PRC on May 19, 2017
"%"	per cent

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

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

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

This glossary contains definitions of certain terms used in this prospectus in connection with our Company and our business. Some of these may not correspond to standard industry definitions.

"adult education"	a format of formal education, which includes a series of education from primary education to higher education for adults. While adult education is also a part of formal education according to MOE's classification, the higher education for adults is not covered in the discussion of higher education in this prospectus
"compulsory education"	grade one to grade nine 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)
"dual-qualified teachers"	teachers who possess both adequate academic background and teaching skills along with relevant industry experience and practicable knowledge
"formal education"	a format of education in the PRC for which the curriculum is designed and delivered based on the predetermined teaching program of administrative authorities on education. After graduation, students will be granted with official certificates or diplomas
"fundamental education"	a sub-sector of formal education which includes four stages, namely, pre-school education, primary education, middle school education and high school education
"high schools"	schools that provide education for students in grade ten through grade twelve
"higher education"	an optional final stage of formal learning that occurs after secondary education, which is delivered at undergraduate institutions or junior colleges that are able to award official academic degrees or diplomas. The discussion of higher education in this prospectus does not cover self-study examination services, adult education services and technical education services, which are categorized as other education services
"independent college"	a PRC higher education institution that is run by non-government institution(s) or individual(s) based on cooperation with a public university or college
"informal education"	a format of education in PRC which enables students to obtain completion certificates for the training and learning courses they take, which may not be officially recognized in China

"initial employment rate"	generally refers to the total number of graduates getting employed in business entities and government institutions, pursuing further studies and becoming self-employed, divided by the total number of graduates as of August 31 during the year in which they graduated. For Jinci College of Shanxi Medical University, the students need to pass the doctor/nurse qualification examination in March of the following year after their graduation and may obtain the relevant qualification license in July of the following year, and the qualification license is a prerequisite for entering into employment contracts with hospitals. As a result, the calculation of the initial employment rate may be done in July of the following year after their graduation
"junior college"	colleges providing three-year post-high school formal education upon completion of which, a junior college degree will be granted. Junior college students may continue their education by enrolling in a two-year program and transferring some or all of the credits earned at the junior college toward the degree requirements of the undergraduate degree
"middle schools"	schools that provide education for students in grade seven through nine
"National Higher Education Entrance Exam"	also known as the National Higher Education Entrance Examination, or "Gaokao," is an academic examination held annually in the PRC. It is a prerequisite for entrance into almost all higher education institutions at the undergraduate level in the PRC
"public schools"	schools administered by local, provincial or national governments
"private schools"	schools which are not administered by local, provincial or national governments
"private education"	the term "private education" used in this prospectus refers to private formal education
"private higher education institution"	a PRC higher education institution that is operated by non-governmental entity(ies) or individual(s) and has open admission and enrollment to the public. It is able to offer junior college, undergraduate and graduate courses
"school year"	the school year for all of our schools, which generally starts on or around September 1 of each calendar year and ends on June 30 of the next calendar year

"school sponsor" or "sponsor of the school"	the individual(s) or group(s) that funds or holds interests in an education institution
"secondary education"	generally includes middle school education and high school education from grade seven through grade twelve
"secondary vocational education"	a sub-sector of formal education, which mainly provides three-years of vocational education. Schools offering secondary vocational education primarily recruit students with a graduation certificate from middle schools or equivalent educational records
"self-study examination education"	a format of higher education which combines self-study of students and examination administered by government agencies to grant students diplomas after meeting certain requirements in thesis defense, English test, etc.
"technical college"	a college providing technical education, which shall meet several establishment standards, such as the school scale, the total value of equipment for practice and experiment, and the educational background, the professional qualification, the work duration of the principal and the number of cooperative enterprises according to the Notice of Ministry of Human Resources and Social Security about Issuing the Establishment Standards of Technical Schools
"technical education"	a format of post-high school or post-middle school vocational education for certain school years and aiming at cultivating technicians with practical labor skills
"undergraduate institution"	an institution of higher education in China providing undergraduate and/or postgraduate education to over 5,000 full-time students, including universities, colleges and independent colleges
"university"	an institution of higher education in China providing undergraduate education and postgraduate education to over 8,000 full-time students, more than 5% of which are postgraduate students

Certain statements in this prospectus are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will", "expect", "anticipate", "estimate", "believe", "going forward", "ought to", "may", "seek", "should", "intend", "plan", "projection", "could", "vision", "goals", "aim", "aspire", "objective", "target", "schedules" and "outlook") are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this prospectus), uncertainties and other factors some of which are beyond our Company's control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- 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 schools;
- 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;
- competition for, among other things, capital, technology and skilled personnel (including teaching staff);
- our ability to control costs;
- our dividend policy;
- general economic conditions;
- the actions and developments of our competitors;

- changes to regulatory and operating conditions in the industry and geographical markets in which we operate; and

- all other risks and uncertainties described in the section headed "Risk Factors" in this prospectus.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

All forward-looking statements in this prospectus are expressly qualified by reference to this cautionary statement.

An investment in our Shares involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-looking Statements" in this prospectus.

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 Contractual Arrangements; (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 depend on the level of tuition and boarding fees we are able to charge and our ability to maintain and raise tuition and boarding fee levels.

One of the most significant factors affecting our profitability is the tuition and boarding fees we charge at our schools. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, tuition fees represented 82.2%, 81.7%, 82.5% and 81.3% of our total revenue, respectively, and boarding fees represented 8.4%, 8.2%, 8.4% and 9.4% of our total revenue, respectively. Our tuition and boarding fee rates are primarily determined based on, among other things, the regulation and guidance of local educational authority as well as relevant governmental pricing authority, the demand for our educational programs, the cost of our operations, the geographic markets where we operate our schools, our pricing strategy and general economic conditions in China and the areas in which our schools are located.

Our tuition rates are also generally subject to the approval from the relevant government pricing authorities in the areas where we operate. Under the Interim Measures for the Fees Collection Management of Private Education (《民辦教育收費管理暫行辦法》) promulgated by the PRC government authorities on March 2, 2005, and implementation rules in terms of collection of fees issued by relevant government authorities in Sichuan and Shanxi, the types and amounts of fees charged by a private school providing educational qualifications must be approved by the relevant governmental pricing authority.

There is no assurance that we will be able to maintain or raise the tuition and boarding fee level we charge at our schools in the future due to various reasons, including the failure to obtain necessary approvals, or even if we are able to maintain or raise the tuition and boarding fee level, we cannot assure you that we will be able to attract prospective students to apply for our schools at such increased fee rates. Our business, financial position and results of operations may be materially and adversely affected if we fail to maintain or raise the tuition and boarding fee level or attract sufficient prospective students.

Furthermore, some of our students may experience financial difficulties in paying tuition and boarding fees. If such students are unable to make full payments in a timely manner, we may have to recognize impairment losses on trade receivables, which could have a material and adverse impact on our results of operations and financial condition.

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

Our future success is highly dependent on the acceptance, development and expansion of the market for private education services in China. The private educational services market began to develop in the early 1990s and has grown significantly due to favorable policies enacted by the PRC government. In 1997, the State Council of the PRC promulgated the first regulation to promote the private education industry in China. However, providing private education services for the purpose of seeking reasonable returns was only permitted in China until 2003 when the Law for Promoting Private Education of the PRC《(中華人民共和國民辦教育促進法》) became effective.

The development of the private education industry has been accompanied by significant press coverage and public debate concerning the management and operations of private schools and institutions. Despite the penetration rate of private higher education as a whole in China has reached 22.8 % in 2017, we believe there remains considerable uncertainty as to acceptance of private higher education in the PRC. At the school operation level, we need to compete for quality students and teachers with government-operated education institutions. These institutions in general have traditionally enjoyed better acceptance and preferential government policies than private education institutions in China. Recent education reforms have enabled private education institutions to compete on a more level playing field with government-operated institutions. For further details, see "Regulations — Regulations on Private Education in the PRC." We cannot assure you that further policy reforms will continue to be conducive to the development of private education in the PRC. If the private education business model fails to gain attraction or wide acceptance among the general public in China, especially among students and their parents, or if the regulatory environment otherwise becomes less favorable in the future, we may be unable to grow our business.

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

The higher education sector in China is rapidly evolving, highly fragmented and competitive, and we expect competition in this sector to persist and intensify. We compete with other public and private undergraduate institutions and junior colleges that offer higher education programs. We compete with these schools in a range of aspects, including the quality of program and curriculum offerings, expertise and reputation of teachers, tuition and boarding fee levels, future employment rate, as well as school location and condition of facilities.

Our competitors may offer similar or superior curriculums, school support and marketing approaches, with different pricing and service packages that may have greater appeal than our offerings. In addition, some of our competitors may have more resources than we do and may be able to devote greater resources than we can to the development and promotion of their schools and respond more quickly than we can to changes in student demands, testing materials, admissions standards, market needs or new technology. In particular, public schools may enjoy preferential treatments from governmental authorities, such as government subsidies and tax exemptions, and may be able to offer quality educational programs at lower prices than we do. In addition, the PRC public education system continues to improve in terms of resources, admission policies and teaching quality and approaches, which may lead to increased competition for us. If public schools relax their admission limitations, offer more diversified curriculums or improve their campus facilities, they may become more attractive to students and student enrollment in our schools may decrease.

As a result, we may be required to increase capital expenditure in response to competition in order to retain or attract students or pursue new market opportunities. If we are unable to successfully compete for new students, maintain or increase our tuition or boarding fee level, generate sufficient revenue to support our operations, attract and retain competent teachers or other key personnel, enhance the quality of our educational services or control costs of our operations, our business and results of operations may be materially and adversely affected.

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

We have experienced steady growth and expansion since our inception. We plan to leverage our existing operations and resources to further expand our school network in China by acquiring and establishing additional schools. In addition, we plan to further increase the capacity and improve the utilization rate of our existing schools. For more information, see "Business — Our Business Strategies." We may not succeed in executing our growth strategies due to a number of factors, including failure to do the following:

- increase student enrollment in our existing schools;
- admit all qualified students who would like to enroll in our 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;
- effectively execute our expansion plans;
- acquire or lease suitable land sites in the cities to which we plan to expand our operations;
- obtain the licenses and permits from government authorities that are required to open new schools at our desired locations;

- obtain government support or to partner with local governments in the cities where we already have schools or in the cities or areas to which we plan to expand our operations;
- further promote ourselves in existing markets or effectively market our schools or brand in new markets;
- replicate our successful growth model in new regions or markets;
- effectively integrate any future acquisitions into our Group;
- 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 acquisition and development of new schools; and
- achieve the benefits we expect from our expansion.

Our expansion plans and the increase in student enrollment may result in substantially higher demands for resources such as teachers, facilities and management personnel, make it more difficult for us to maintain the teaching quality and study environment of our schools and require our management to devote significantly more time and resources to manage our operations. To support our growth, we may also need to incur significant expenditures for, among other things, management and staff recruitment, facilities maintenance and expansion, and the construction and operation of new schools. We may not be able to secure adequate funding to fund our planned operations. See "— We may not be able to secure additional funding to fund our planned operations."

Furthermore, we may evaluate and consider strategic investments, combinations, acquisitions or alliances with other businesses. These transactions could have a material impact on our financial condition and results of operations if consummated and we may be unable to obtain the benefits or avoid the difficulties and risks of such transactions, which may result in investment losses. For example, our investment in a joint venture was RMB142.8 million as of December 31, 2017, representing our indirect investment in College of Science and Technology of Guizhou University, and we had share of loss of the joint venture of RMB1.8 million. See "Financial Information — Discussion of Key Balance Sheet Items — Assets — Investment in a Joint Venture." In March 2018, we disposed of such investment. For details of such acquisition and disposal, see "History, Reorganization and Corporate Structure — Our Consolidated Affiliated Entities — Our Education Investment Platforms — Jiexing Huilv."

If we fail to successfully execute our growth strategies and effectively manage our growth, 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.

We may not be able to successfully execute our plan to establish a university in the United States.

We plan to establish a residential university authorized to grant undergraduate degrees in computer science and business management in the State of California, the United States. For details of the proposed university, see "History, Reorganization and Corporate Structure — Schools to be Established — California Hope University of Science and Technology."

We have no prior experience establishing and/or operating schools in the United States and may encounter barriers upon entry, including failure to obtain relevant regulatory approvals, which may result in delay or inability to carry out our overseas expansion plan. We plan to hire local administrators but we cannot assure you we will be able to identify suitable candidates or that we will be able to work effectively with them. It may also prove more difficult than expected to attract students due to our lack of market recognition in the region.

Furthermore, costs incurred may exceed our expectations and we may need to make additional investment. We may not be able to generate sufficient revenue to justify the investment made and we cannot ensure you that establishment of such university abroad will be successful.

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

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

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

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

We may not be able to successfully establish new schools pursuant to our proposed timeline or at all.

We intend to continue to expand our school network by establishing new schools in China. For example, we entered into an agreement to establish a new school, Guangdong Agricultural Science and Technology Vocational College in May 2018. Successful establishment of a new school depends on various factors, including obtaining financing, completing the construction of school campus, buildings and facilities, receiving government approvals, licenses and permits, recruitment of qualified teachers and staff and recruitment of students, many of which are out of our control. We may be unable to establish new schools according to our proposed timeline or at all if we encounter difficulties with any of the factors affecting the establishment of a new school and our business, financial condition and results of operations may be materially and adversely affected.

We are subject to uncertainties brought by the Amendment of Law for Promoting Private Education of the PRC.

Our business is regulated by, among others, the Law for Promoting Private Education of the PRC. On November 7, 2016, the Decision of the Standing Committee of the National People's Congress on Amending the Law for Promoting Private Education of the PRC (《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 "Amendment") was promulgated by Order No. 55 of the President of the PRC and came into force on September 1, 2017. The Amendment classifies private schools into non-profit schools and for-profit schools by whether they are established and operated for profit-making purposes. The school sponsors of private schools may in their own discretion choose to establish non-profit or for-profit private schools, but it is not allowed to establish for-profit private schools that are engaged in compulsory education.

As of the date of this prospectus, two general regulations regarding the registration of private schools in Sichuan have been issued by relevant government authorities, which became effective on June 1, 2018 and will be valid for five years. For details of such regulations, see "Regulations — Regulations on Private Education in the PRC — The General Regulations of Sichuan Province for the Amendment." As of the date of this prospectus, the implementation rules for the Amendment or the relevant regulations adopted by competent government authorities in Guizhou and Shanxi for the purpose of implementing the Amendment have not been published to the public. There are uncertainties regarding the interpretation and enforcement of the Amendment and relevant regulations by government authorities. It remains uncertain as to whether new regulations could have any material adverse impact on our business. There is also significant uncertainty as to tax or other preferential treatments that our schools can enjoy (as non-profit private schools or for-profit schools which we choose to register) after the implementation rules for the Amendment and the relevant regulations come into force. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, the effective tax rate of our Group was 5.34%, 2.85%, 3.89% and 2.00%, respectively. The average effective tax rate, which is calculated by averaging the effective tax rate during the Track Record Period, was 4.06%. On the assumption that such average effective tax rate continues to apply, to the extent all of our schools would be subject to the corporate tax rate of 25.0%, our net profit would be expected to decrease by approximately 45%, 27%, 15% and 34% for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, respectively. Should we fail to fully comply with the Amendment or any relevant regulations as interpreted by the relevant government authorities, we may be subject to administrative fines or penalties or other negative consequences which could materially and adversely affect our brand name and reputation, and our business, financial condition and results of operations.

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. According to the Classification Registration Rules, the existing private schools are required to choose to register either as non-profit or for-profit private schools with competent government authorities. If our schools elect to register as for-profit schools, we are required to (i) undertake financial liquidation, (ii) clarify the ownership of land, school premises and properties we accumulated during our operations, (iii) pay relevant taxes and fees, and (iv) obtain a new private school operation permit and re-register with relevant authorities. As of the Latest Practicable Date, the relevant regulations in Sichuan have been issued by relevant government authorities, which became effective on June 1, 2018 and will be valid for five years. For details of such regulations, see "Regulations — Regulations on Private Education in the PRC — The General Regulations of Sichuan Province for the Amendment." As of the date of this prospectus, the relevant regulations in Guizhou and Shanxi for the purpose of implementing in Classification Registration Rules had not yet published. On April 20, 2018, MOE published a Draft Revision of the Implementation Rules on the Law for Promoting Private Education of the PRC (the Draft for Comments) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(徵求意見稿)》) (the "MOE Draft for Comments") to seek public comments. The MOE Draft for Comments promotes private education by providing that a private school shall enjoy the equal right or preferential policies stipulated by laws as those in a public school in such matters, which mainly includes that: (1) private schools shall enjoy unified tax preferential policies of the state, among which non-profit private schools shall enjoy the same tax preferential policies as enjoyed by public schools and for-profit schools shall enjoy tax preferential treatment and other preferential policies applied to the industries encouraged by the state for development, of which the specific provisions shall be formulated jointly by the administration of finance, taxation and other relevant administrations of the State Council; and (2) the local governments shall grant preferential treatment in terms of land use by means of allocation in accordance with the principle of treating non-profit private schools and public schools equally, and shall provide land to private schools providing academic qualifications education by means of, among other things, assigning contracts, long-term lease or sale as well as rental, giving proper discount on charges for the assignment or rental of land, and allowing payment by installments. The MOE solicited comments from the public on the MOE Draft for Comments, if any, to be summited prior to May 20, 2018, but does not provide the timeframe for the promulgation of the implementation rules on the Law for Promoting Private Education of the PRC. As of the date of this prospectus, no implementation rules on the Law for Promoting Private Education of the PRC has been promulgated. Uncertainties exist with respect to the interpretation and enforcement of new and existing laws and regulation. 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 are required to complete the re-registration process, which may materially and adversely affect our business, financial condition and results of operations. We cannot assure you that the implementation of the relevant rules and regulations by the competent authorities will not deviate from we were given to understand.

We may not be able to register the independent colleges as for-profit private schools or complete relevant procedures or obtain the government registrations under the current form of the MOE Draft for Comments.

Pursuant to the MOE Draft for Comments, public schools shall not invest or participate in investing for-profit private schools while public schools are permitted to participate in investing non-profit private schools subject to the satisfaction of certain requirements. See "Risk Factors — Risks Relating to Our Business and Our Industry — We are subject to uncertainities brought by the Amendment of Law for Promoting Private Education of the PRC."

If the Revision of the Implementation Rules on the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例 (修訂草案)》) are eventually adopted in the current form of the MOE Draft for Comments, and if our independent colleges choose to register as for-profit private schools after relevant regulations and rules are promulgated, we may be required to (i) undertake financial liquidation, (ii) clarify the ownership of land, school premises and properties we accumulated during our operations, (iii) pay relevant taxes and fees, and (iv) obtain a new private school operation permit and re-register with relevant authorities. In addition, we may be required to terminate the cooperation with the public schools currently in effect before certain procedures and registration are made.

However, there exists the risks that each of our three independent colleges may not be able to choose to register as a for-profit private school as a result of the regulatory restrictions. During the Track Record Period, the revenue of the three independent colleges representing approximately 61.2%, 60.3%, 60.4% and 50.6% of our total revenue for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, respectively. If we choose to register the schools as non-profit private schools with current public schools remained as the sponsors, we will be required to satisfy certain requirements in accordance with the MOE Draft for Comments, including not to (i) make use of state financial fund, (ii) recruit teachers employed by public schools or (iii) conduct any activity that may adversely impact the educational activities and qualities of public schools. We will be required to use separate campus and basic educational facilities from those of public schools and to recruit full-time teachers, to implement independent finance and accounting system, to independently enrol students and award academic degrees and diplomas. Under the current MOE Draft for Comments, we are in compliance with substantially all of the above-mentioned requirements except that each of our independent colleges employs certain teachers employed by relevant public schools and such number is decreasing year by year. Uncertainties exist with respect to the interpretation of the MOE Draft for Comments and we cannot assure you that the implementation of the MOE Draft for Comments by the competent authorities will not deviate from what we were given to understand. We will establish and assign the responsibility to a special committee led by Mr. Wang Huiwu, our chief executive officer and executive Director, to pay close attention to the MOE Draft for Comments and will consult with our PRC Legal Advisor for the developments of the MOE Draft for Comments.

Based on consultations with the competent authorities, our PRC Legal Advisor is of the view that our schools will not be prohibited from paying service fees to the WFOE as consideration for services rendered under the Contractual Arrangements and the Company's ability to declare and pay dividends will not be restricted, irrespective of whether our schools are being operated as for-profit schools or non-profit schools. For further details regarding our PRC legal advisor's view on the legality of the payment of service fees under the Contractual Arrangements, see "Contractual Arrangements — PRC Laws and Regulations Relating to Foreign Ownership in the Higher Education Industry."

We cannot assure you that we will be able to register the independent colleges as for-profit private schools or complete relevant procedures or obtain the government registrations on a timely basis, if at all. As a result, our business, financial condition, future prospects and results of operations may be adversely affected.

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

We rely substantially on our teachers to provide educational services to our students. Our teachers are therefore critical to maintaining the quality of our programs and curriculum and to upholding our reputation. As of March 31, 2018, we had a team of 5,527 teaching staff. We need to retain and attract qualified teachers who share our educational philosophy and meet our high standards. We seek to hire teachers who have expertise in their respective subject areas and are capable of delivering innovative and inspirational classroom instructions focused on the applicability of knowledge. There are a limited number of qualified teachers with the necessary experience and subject matter expertise to teach our courses. Similarly, the pool of qualified school personnel, such as principals, vice principals and other school administrators, all of whom are crucial to the efficient and smooth operations of our school, is limited in China. There is no guarantee that we can recruit and retain such personnel in the future. As a result, we must provide competitive compensation and benefits packages to attract and retain qualified teachers and other school personnel. In addition, criteria such as commitment and dedication are difficult to ascertain during the recruitment process, particularly as we continue to expand and recruit additional teachers and other school personnel quickly in order to meet rising student enrollment. We must also provide on-going training to our teachers so that they can stay abreast of changes in student demands, admissions and assessment test requirements, demand of job markets and other key trends necessary to effectively teach their courses.

We may not be able to hire and retain a sufficient number of qualified teachers and school personnel to keep pace with our anticipated growth while maintaining consistent teaching quality and the overall quality of our education programs across different schools. If we are unable to recruit and retain an appropriate number of qualified teachers and school personnel, the quality of our services or overall education programs may decrease or be perceived to decrease in one or more of our schools, which may have a material and adverse effect on our reputation, business and results of operations.

Our graduates' employment rate may decrease and satisfaction with our schools may otherwise decline.

Our schools are positioned as private higher education institutions that equip our graduates with the practical skills desired by employers in industries with significant recruiting demands, which enhances the competitive advantages of our students in the job market as they are able to smoothly settle into the working environment and embark on new tasks after graduation. Accordingly, the graduates of our schools have achieved relatively high employment rates. During the Track Record Period, our initial employment rate for higher education programs reached approximately 90%, significantly higher than the average level in the private higher education industry, which, in turn, attract an increasing number of applications for our schools.

However, we cannot guarantee that our schools will continue to be able to design or modify our curriculum to meet the expectations of the students enrolled in our schools, prospective employers or trends in the job market. We might not be able to devote the same amount of resources in training our students, setting up simulation training facilities, enhancing their practical skills and helping them secure jobs as we did in the past, or our efforts may not be so effective as they used to be. The graduates of our schools may therefore be unable to obtain satisfactory jobs and the employment rates of our graduates may decrease. Any negative development of our graduates' employment rate may harm the reputation of our schools and the future student enrollment in our schools may decrease, which may have a material and adverse impact on our business, financial condition and results of operations.

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

We are required to obtain and maintain various approvals, licenses and permits and to fulfill registration and filing requirements in order to conduct and operate our education and related services. For example, to establish and operate a private school, we are required to obtain, among others, a private school operation permit from the local education bureau and to register with the local civil affairs bureau to obtain a certificate of registration for a privately-run non-enterprise unit, or legal entity. In addition, we need to pass annual inspections conducted by the local civil affairs bureau and local education bureau, file regularly with the local tax bureau and obtain approval from the local pricing administrative bureau for schools providing formal education. We also need to obtain approvals from the local education authorities as to the scale and scope of our student recruitment activities. While we intend to obtain, using our best efforts, all requisite permits and complete the necessary filings, renewals and registrations on a timely basis for our schools, there is no assurance that we will be able to obtain all required permits given the significant amount of discretion the local authorities may have in interpreting, implementing and enforcing relevant rules and regulations, as well as other factors beyond our control and anticipation. With respect to our proposed establishment of a resident university in the State of California, the United States, foreign authorities, may have in interpreting, implementing and enforcing relevant rules and regulations, as well as other factors beyond our control and anticipation. If we fail to receive required permits in a timely manner or obtain or renew any permits and certificates, we may have to postpone our operations of new schools, be subject to penalties (including fines, confiscation of any gains due to noncompliant operations, suspension of operations), or compensate any economic loss suffered by our students or other relevant parties, which may materially and adversely affect our business and results of operations.

Our business is heavily dependent on the market recognition of reputation and any damage to our reputation would materially and adversely affect our business. Negative publicity concerning our schools or our Group may adversely affect our reputation, business, growth prospect and our ability to recruit qualified teachers and staff.

We are the second largest private higher education group in China in terms of the number of students enrolled for higher education as of December 31, 2017, according to the Frost & Sullivan Report. We believe that our success greatly depends on the market recognition of the brand and reputation of our schools and our Group. We own the key brand names and tradenames with respect to our operations, including the "Hope Education" brand of our Group and the tradenames of the nine schools we own and operate. 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 curriculum offerings, it may become difficult to maintain the quality and consistency of the services we offer, which may result in diminishing confidence in our brand name.

Numerous factors can potentially impact our reputation, including, but not limited to, students' and parents' satisfaction levels with our curriculums, teachers and teaching quality, the academic performance achieved by our students, the number of our graduates being able to secure satisfactory employment, accidents on campus, teacher or student scandals, negative press, disruptions to our educational services, failure to pass an inspection by a government education authority, loss of certifications and approvals that enable us to operate our schools and unaffiliated parties using our brand without adhering to our standards of education. If we are unable to sustain or strengthen our reputation and brand recognition or our reputation is damaged, we may not be able to maintain or increase student enrollment, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We apply a variety of marketing methods to promote our brand, including school websites, promotional materials and online platforms such as Weibo, QQ and WeChat, as well as local newspaper publications. However, there is no assurance that our marketing efforts will be successful or sufficient in further promoting our brand or in helping us to maintain our competitiveness. If we are unable to further enhance our reputation and increase market awareness of our programs and services, or if we are required to incur excessive marketing and promotional expenses in order to remain competitive, our business, financial condition and results of operations may be materially and adversely affected. There was negative publicity about our schools in the past. For example, in 2014, certain students complained the high price of electricity. We may also be subject to additional negative publicity in the future, which, even if untrue, may damage our brand image and reputation, deter prospective students and teachers and take up excessive time of our management and other resources. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We face risks arising from name confusion with the universities we cooperate with to operate our independent colleges or the termination of our cooperation agreements with such universities.

We entered into cooperation agreements with three public universities to operate our independent colleges, namely Southwest Jiaotong University Hope College, Business College of Guizhou University of Finance and Economics and Jinci College of Shanxi Medical University. Pursuant to the cooperation agreements, the universities use their names, intellectual properties, management and educational resources for cooperation and each cooperation university receives a portion of the total tuitions from students enrolled in the respective independent college each year, ranging from 15% to 30%. The cooperation agreements have a term of 20 years or 30 years. As of March 31, 2018, our cooperation agreement with Southwest Jiaotong University Hope College, Business College of Guizhou University of Finance and Economics and Jinci College of Shanxi Medical University had a remaining term of approximately 21 years, 26 years and 16 years, respectively. See "Business — Our Higher Education Services — Existing Schools" for more information.

Our independent colleges are legal entities separate and independent from the universities we cooperate with to establish and operate such schools. We include information about the relationship between our independent colleges and the cooperation universities in our student recruitment and admission guide. However, as the names of our independent colleges include the universities' names, we cannot assure you that students and parents do not consider our independent colleges being operated by the universities. Any negative publicity concerning those universities may be wrongly associated with our independent colleges which could adversely affect our reputation, business, growth prospect and our ability to recruit qualified teachers and staff.

If our cooperation with these universities terminates prior to the expiration of the cooperation agreements or such agreements are not renewed by these universities and us upon the expiration, we will not be able to use the universities' names and have to change the names of our independent colleges, subject to local authority's approval. Termination of our cooperation with these cooperative universities or operation of our schools under new names may result in a diminished interest in attending our schools from potential students and their parents. We cannot guarantee we will be able to achieve the same level of growth, if at all, in student enrollment in the future. In addition, the enrolled students of our schools may lose confidence in our education quality and brand awareness and choose to transfer to other public or private schools. If we are not able to effectively market our schools and increase the brand awareness, we may not be able to maintain or increase our student enrollment, which may have an adverse effect on our business, financial condition and results of operations. Moreover, if our cooperation with them is terminated, we may need to negotiate with these universities on the termination terms, including the amount of termination fees, which may have an adverse effect on our cash flows.

We may not be able to successfully increase student enrollment at our schools due to the constraint of our school capacity and approvals from government authorities.

One of the most significant factors affecting our profitability is the number of students enrolled at our schools. For the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school years, the number of our full-time students enrolled for higher education programs were 33,654, 40,047, 50,307, and 73,573, respectively.

Our student enrollment may be restrained by the capacity of our schools. For the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school years, our schools had the total capacity to accommodate 48,976, 57,766, 69,893 and 95,776 students, respectively. Our schools' educational facilities 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 building additional facilities such as classrooms and dormitories, we may not be able to expand our capacity at our current campuses unless we relocate to other facilities in the local area with more space or capacity. If we fail to expand our capacity as quickly as the demand for our services grows, or if we otherwise fail to grow by establishing or acquiring additional schools or campuses, we might not be able to admit more potential students, and our results of operations and business prospects could be adversely affected.

The number of students our schools are able to admit each school year is set and approved by the relevant PRC education authorities. According to the Opinions of the Ministry of Education on Further Regulating Higher Education Enrollment Program (《教育部關於進一步規範高等教育招生計劃管理工作的意見》), student enrollment for graduate and undergraduate programs is subject to the approval of the MOE, while student enrollment for junior college programs is subject to the approval of the relevant provincial education authorities. In the spirit of further promoting equal access to education in urban and rural areas, the Notice of the Ministry of Education on Enrollment of Higher Education Institutions issued in 2017 (《教育部關於做好2017年普通高校招生的通知》) encourages schools to continue to expand the implementation of the "Support for the Midwest Admissions Program" and to further increase student enrollment quota in the provinces in the central and western regions of China where the enrollment rate is currently relatively low compared to other more developed regions. However, we cannot assure you that we are able to successfully increase student enrollment capacity at our schools, which is subject to the approvals of the relevant government authorities, and which is beyond our control.

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, or if we otherwise fail to grow by establishing or acquiring additional schools or campuses, we might not be able to admit more potential students, and our results of operations and business prospects could be adversely affected.

During the Track Record Period and up to the Latest Practicable Date, our three independent colleges and five junior colleges have been subject to regulatory guidance in relation to the ratio between our school's site/building area and the number of students enrolled. Our PRC Legal Advisor advised us that, according to the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標(試行)》), (i) the teaching and administrative building area per student for Southwest Jiaotong University Hope College and our junior colleges should not be less than 14 sq.m.; (ii) the teaching and administrative building area per student for Jinci College of Shanxi Medical University should not be less than 16 sq.m.; (iii) the teaching and administrative building area per student for Business College of Guizhou University of Finance and Economics should not be less than 9 sq.m.; (iv) the site area per student for our independent colleges (excluding Jinci College of Shanxi Medical University) and junior colleges should not be less than 54 sq.m.; (v) the site area per student for Jinci College of Shanxi Medical University should not be less than 59 sq.m.

On May 3, 2018, April 23, 2018 and May 3, 2018, we consulted with the relevant officers of the Sichuan Department of Education, Guizhou Department of Education and Shanxi Department of Education, being the competent authorities as advised by our PRC Legal Advisor to confirm the matters relating to the basic conditions for the higher education institutions which were applicable to us. Based on the consultations, we were advised, (i) it was common that private higher education institutions could not fully meet the regulatory requirements in terms of the teaching and administrative building area per student or the site area per student for a period of time, and (ii) we had been actively making efforts, such as the construction of new buildings or expansion of campus for certain schools, to meet the regulatory requirements and the education authorities will not impose penalties against us, or impose restrictions on the students admission of our schools. Although we obtained confirmations from such officers, we cannot assure you that the regulations relating to the ratio between school site area/building area and the number of students enrolled will not change in the future or that the relevant education authorities will not impose any fines or penalties on us for not reaching the regulatory requirements in the future. If the regulations changed, or the relevant education authorities had different interpretations which resulted in any fines or penalties on us, our business, financial condition, future prospects and results of operations may be adversely affected.

We generate all of our revenue from a limited number of provinces and from a limited number of schools.

As of March 31, 2018, we operated nine schools in three provinces in China, namely, Sichuan, Guizhou and Shanxi. Sichuan is of particular importance to our overall business. For the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school years, students enrolled in higher education programs in five schools located in Sichuan, namely, Southwest Jiaotong University Hope College, Sichuan Tianyi College, Sichuan Hope Automotive Vocational College, Sichuan Vocational College of Culture & Communication and Sichuan TOP IT Vocational Institute, accounted for approximately 83.6%, 76.4%, 69.3% and 69.9%, respectively, of our total students enrolled in higher education programs. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, we generated approximately 76.5%, 69.9% and 63.3% and 66.1%, respectively, of our tuition fees from higher education services from these schools. We expect that our schools in Sichuan will continue to generate a substantial portion of our revenue from higher education services for the foreseeable future.

Consequently, we are highly susceptible to factors adversely affecting the PRC private education industry, or us, in any of the limited geographic areas in which our schools are located. If any of the provinces in which we operate experiences an event that materially and negatively affects its education industry or our schools, such as an economic downturn, a natural disaster or an outbreak of a contagious disease, or if any governmental authorities of the provinces in which we operate adopt regulations that place additional restrictions or burdens on our schools or on the education industry in general, our business, financial condition, results of operations and prospects may be materially and adversely affected.

For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, we generated 44.0%, 37.6%, 32.6% and 26.7%, respectively, of our tuition fees from higher education services from Southwest Jiaotong University Hope College. Though the proportion of revenue generated by this school in our total revenue from higher education services would decrease as the number of our schools continues to increase, we expect that this school will continue to generate a substantial portion of our revenue from higher education services in the foreseeable future. If any of our schools, especially Southwest Jiaotong University Hope College, experiences an event that materially and negatively affects its student enrollment, tuition, school operations or reputation in general, our business, financial condition and results of operations may be materially and adversely affected.

We had net current liabilities as of December 31, 2015, 2016 and 2017, March 31, 2018 and May 31, 2018 and net cash outflow from operating activities for the three months ended March 31, 2017 and March 31, 2018. We may be exposed to liquidation risks, and our business, financial condition and results of operation may be materially and adversely affected as a result.

As of December 31, 2015, 2016 and 2017, March 31, 2018 and May 31, 2018, we had net current liabilities of RMB537.3 million, RMB804.4 million, RMB1,054.2 million, RMB481.5 million and RMB932.6 million, respectively. We had net current liabilities as of each of these dates primarily because (i) we used a large amount of cash to finance, among others, the expansion of our school networks. These capital expenditures and prepayments, which are recorded as noncurrent assets were partially financed by non-current liabilities, such as long-term interest-bearing bank loans and other borrowings and equity, and partially financed by current liabilities, such as short-term interest-bearing bank loans and other borrowings; and (ii) tuition fees and boarding fees from our schools were generally paid in advance at the beginning of each school year, and we record payments of tuition fees and boarding fees initially as a current liability under contract liabilities and recognize tuition fees as revenue over a nine-month period and boarding fees over a 12-month period. We had net cash used in operating activities of RMB17.0 million for the three months ended March 31, 2018, which was primarily attributable to negative net working capital adjustments of RMB122.2 million. Our negative net working capital adjustments primarily consisted of a decrease in contract liabilities of RMB202.4 million which was primarily due to the recognition of tuition fees and boarding fees as revenue. For additional information on our liquidity position, see "Financial Information — Current Assets and Current Liabilities." We may be exposed to liquidation risks, and our business, financial condition and results of operation may be materially and adversely affected as a result of our net current liability positions.

We cannot assure you that we will be able to obtain adequate financing to meet our future working capital requirements and we may have net current liabilities in the future. The inability to obtain additional short-term bank loans, loans or other additional financing on a timely basis, on acceptable terms or at all would materially and adversely affect our ability to satisfy our working capital requirements. In addition, we cannot assure you that we will be able to obtain additional working capital to execute our growth strategies, or that future expansion of our school network will not materially and adversely impact the current or future level of working capital. Furthermore, if a large number of students withdraw from our schools, our financial position may be adversely impacted.

We plan to expand our school network by establishing new school campuses and enlarging existing school campuses, and such expansion may result in increase in depreciation costs and may adversely affect our operating results and financial position.

Historically and during the Track Record Period, we have partly expanded our school network by establishing our own schools, constructing new school buildings and upgrading school facilities. The depreciation expenses related to our school buildings and facilities recorded under cost of sales amounted to approximately RMB51.4 million, RMB60.7 million, RMB74.6 million and RMB25.4 million, respectively, for the year ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018.

As part of our business strategies to further expand our school network, we intend to construct new buildings, purchase new equipment and upgrade the existing facilities and establish new campuses for the acquired schools. See “Business — Our Business Strategies — Continue to expand our School Network and Strengthen our leading market position” for more information. With the intended constructions, it is expected that we would incur higher capital expenditure over the construction period. Therefore, additional depreciation costs will be reflected in our profit and loss, which may adversely affect our operating results and financial position.

The goodwill arising from business combination represents a significant portion of the assets on our consolidated balance sheet. If we determine our goodwill to be impaired, our results of operations and financial condition may be adversely affected.

We had goodwill acquired through business combination of RMB53.2 million, RMB53.2 million, RMB481.1 million and RMB481.1 million as of December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, respectively, representing a significant portion of the assets of our consolidated balance sheet. The significant increase in our goodwill from December 31, 2016 to December 31, 2017 was primarily due to goodwill of RMB427.9 million arising from our acquisition of Sichuan TOP Education Co., Ltd. in 2017.

The value of goodwill arising from our obtaining control of Sichuan TOP Education Co., Ltd. and Sichuan TOP IT Vocational Institute is based on forecasts, which are in turn based on a number of assumptions, including the benefits in connection with the expected synergies, student roster and the assembled workforce of Sichuan TOP IT Vocational Institute. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our goodwill and intangible assets and record an impairment loss, which could in turn adversely affect our results of operations.

We will determine whether goodwill are impaired 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. See “Financial Information— Discussion of Key Balance Sheet Items—Assets—Goodwill” for details of 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 the goodwill as of December 31, 2017. If we record an impairment loss as a result of our amendment of any assumption used in our impairment test, our results of operations and financial condition may be adversely affected. Impairment loss could also negatively affect our financial ratios, limit our ability to obtain financing and adversely affect our financial position.

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

We have experienced growth in revenue during the Track Record Period. Our revenue increased from RMB486.7 million for the year ended December 31, 2015 to RMB614.4 million for the year ended December 31, 2016 and further increased to RMB752.4 million for the year ended December 31, 2017, and our revenue increased 33.6% from RMB165.9 million for the three months ended March 31, 2017 to RMB221.7 million for the same period of 2018. Our historical growth was driven by the increases in the number of students enrolled at our schools and the addition of more schools in our school network. Our financial condition and results of operations may fluctuate due to a number of factors, many of which are beyond our control, including: (i) our ability to maintain and increase student enrollment at our schools and maintain and raise tuition and boarding fees; (ii) general economic and social conditions in China and regions where we operate our schools and the PRC government regulations or actions pertaining to private higher education; (iii) increased competition; (iv) expansion and related costs in a given period; (v) perception and acceptance of private higher education in China by students and their parents; and (vi) our ability to control our cost of revenue and other operating costs, and enhance our operational efficiency. In addition, we may not be successful in continuing to increase the number of students admitted to the schools we operate due to, among other things, student enrollment quota assigned by the relevant local PRC educational authorities and our limited capacity, and we may not be as successful in carrying out our growth strategies and expansion plans.

Moreover, we may not sustain our past growth rates in future periods, and we may not sustain our profitability on an interim or annual basis in the future. We generally require students to pay tuition fees and boarding fees for the entire school year upfront prior to the commencement of the school year, and recognize tuition fees as revenue over a nine-month period and boarding fees over a 12-month period. However, our costs and expenses do not necessarily correspond with our recognition of revenue. Our interim results, growth rates and profitability may not be indicative of our annual results or our future results, and our historical interim and annual results, growth rates and profitability may not be indicative of our future performance for the corresponding periods. See "Financial Information" for further details. The market price and trading volume of our Shares could be subject to significant 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 other income and gains is subject to fluctuations due to factors that are beyond our control.

During the Track Record Period, our other income and gains consisted primarily of service income, rental income, government grants, interest income, gain on disposal of items of property, plant and equipment, fair value gains on conversion rights of convertible bonds, gains on disposal of subsidiary and others. We have experienced fluctuations in our other income and gains. In 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, our other income and gains was RMB50.1 million, RMB55.4 million, RMB136.4 million, RMB41.0 million and RMB58.4 million, respectively. See "Financial Information — Key Components of Our Results of Operations — Other Income and Gains" for further details.

Our other income and gains is subject to fluctuations due to certain factors that are beyond our control. For example, the amount of government grants we can receive is in the relevant government authorities' sole and absolute discretion, subject to relevant PRC laws, regulations and policies. In addition, non-recurring events like disposal of items of property, plant and equipment also contribute to the fluctuations of our other income and gains. For example, the increase in our other income and gains from RMB55.4 million in 2016 to RMB136.4 million in 2017 was partly due to the gains of RMB32.4 million on a one-off disposal of certain commercial properties by Business College of Guizhou University of Finance and Economics. The increase in our other income and gains from RMB41.0 million for the three months ended March 31, 2017 to RMB58.4 million for the three months ended March 31, 2018 was partly due to fair value gains on conversion rights of convertible bonds of RMB13.3 million and the gains of RMB8.3 million on a one-off disposal of the then subsidiary Jiexing Huilv. We cannot assure you that we are able to effectively control the fluctuations in our other income and gains. These fluctuations could result in volatility in our results of operations and may adversely affect our profitability.

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

We generally require tuition fees and boarding fees for a full school year to be paid by students to our schools prior to the commencement of each school year. We usually recognize revenue from the tuition fees and boarding fees proportionately over the relevant school year, which generally commences from September of the current year to June of the following year, excluding the winter break. Accordingly, we have experienced, and expect to continue to experience, seasonal fluctuations in our results of operations, primarily due to seasonal changes in service days. However, our costs and expenses vary significantly and do not necessarily correspond with our recognition of revenue. We expect fluctuations in our revenue and results of operations to continue. These fluctuations could result in volatility and adversely affect the price of our Shares.

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

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

We had high gearing ratio during the Track Record Period and macro-economic and other market conditions may affect our ability to obtain external financing, which may reduce our ability to implement our expansion plans.

We had high gearing ratio primarily due to the high level of debt financing to fund our acquisition and constructions of school premises and supplement working capital during the Track Record Period. As of December 31, 2015, 2016 and 2017 and March 31, 2018, we had total debt of RMB1.6 billion, RMB1.6 billion, RMB1.9 billion and RMB2.6 billion, respectively, consisting of interest-bearing bank and other borrowings and convertible bonds. We acquired three schools in 2014 and one school in 2017 and also established two schools in 2016. We expect to improve our high gearing position by (i) receivables due from related parties of RMB457.5 million that are non-trade in nature as of May 31, 2018 before Listing, (ii) receiving the net proceeds from the Global Offering, and (iii) receiving funds generated from our business operations, including tuition fees and boarding fees to be received from our students for the 2018/2019 school year. See "Financial Information — Financial Ratios — Gearing Ratio" for more details. General economic factors and conditions in China or worldwide, including the general interest rate environment, may have a negative impact on our business, results of operations and financial conditions. Economic conditions in China are sensitive to global economic conditions. The global financial markets have experienced significant disruptions since 2008 and the recovery from the lows of 2008 and 2009 has been uneven with new challenges coming up. It is unclear whether the Chinese economy will resume its high growth rate. Besides, there is considerable uncertainty over the long-term effects of the monetary policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States. Since the start of 2018, the Federal Reserve has recently lifted fed funds rate twice, in March and June, to a target range of 1.75% to 2.00%. The higher interest rate environment is set to increase the borrowing costs and to make the refinancing of maturing debt more difficult, which is reflected by higher default rate of Chinese corporate bonds. Specifically, in the same period, there are 11 Chinese companies failing to pay the principal or interest on 20 bonds worth a total of RMB19.9 billion, compared with 26 defaults worth RMB26.0 billion in 2017, which may further turn down investors' confidence and raise our financing costs in the future. Significant uncertainty also exists regarding the effects of UK's withdrawal from the EU and the policy changes by the government in the United States and the subsequent impact on world economy, which may adversely affect us in various perspectives, including the difficulty in obtaining funding from foreign investors to make further investment and expansions.

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

We provide higher education to our students. Our future success heavily depends on the continuing services of our executive Directors, senior management team and qualified personnel including teachers and school personnel.

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

Accidents or injuries suffered by our students or our employees on or outside our school campuses or by other personnel on our school campuses may adversely affect our reputation and subject us to liabilities.

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

We could be liable and suffer reputational harm if a third-party service provider provides inferior food or medical care services or harm our students, which may have a material adverse effect on our business and reputation.

We outsource certain food and medical services at our schools to Independent Third Parties which operate canteens or on-campus medical rooms for our students. We require these Independent Third Parties to possess the licenses and qualifications, as well as qualified personnel, which are required for their operations. We monitor the meal preparation process and require the food service provider(s) to adhere to our food quality standards and regularly solicit feedback from our students. We also require the third-party medical care providers to adhere to professional standards with due care and diligence and provide quality services to our students. However, we cannot assure that food quality incidents or medical malpractice will not occur in the future and we could be exposed to reputational harm and possible legal liability as a result of such incidents, which could materially and adversely affect our business and reputation.

We are subject to extensive governmental approvals and compliance requirements for the construction and development of our schools and in relation to the land and buildings that we own.

For campuses and school facilities constructed and developed for our schools, we are required to obtain various permits, certificates and other approvals from the relevant authorities at various stages of property development, including the land use right certificates, planning permits, construction permits, certificates for passing environmental assessments, certificates for passing fire control assessments, certificates for passing construction completion inspections, as well as building ownership certificates. If we encounter difficulties in obtaining any required permits, certificates and approvals for the construction and development of our new schools, the time of new campus being put into use and the student recruiting of new schools may be delayed, which may materially and adversely affect our growth strategies.

As of the Latest Practicable Date, we had not yet obtained (i) building ownership certificates or certain other requisite certificates or permits for 101 of our 169 owned buildings, (ii) land use right certificates for three of 27 parcels of land used by our schools and (iii) certain requisite certificates or permits for three of our buildings under constructions. See "Business — Properties — Owned Properties" for further details. As a result, our rights to these buildings or groups of buildings and land may be limited or challenged by the relevant government authorities or third parties. We may also be subject to administrative fines or other penalties due to the lack of therequisite permits, certificates and approvals, which may materially and adversely affect our business operations, divert management attention and other resources and incur significant costs. In particular:

- for the properties that we have put into use without obtaining the land use right certificates, our rights to the land may be challenged by third parties, and the relevant government may confiscate or require us to relocate or demolish, such properties;

- for the properties that we have put into use or started construction activities without obtaining the planning certificates, we may be required to demolish the relevant buildings or groups of buildings, be subject to fines of up to 10% of the construction costs of the buildings or groups of buildings, respectively, or be subject temporary suspension of the usage of the buildings or groups of buildings before we obtain the relevant certificates;

- for the properties that we have put into use or started construction activities without obtaining the construction certificates, we may be subject to fines ranging between 1% to 2% of the total price of the construction contract of the buildings, and temporary suspension of the usage of the buildings before we obtain the relevant certificates;

- for the properties that we have put into use without obtaining the certificates for passing construction completion inspections, we may be subject to a fine ranging between 2% to 4% of the total price of the construction contract of the affected premises and be ordered to rectify the incident;

- for the properties that we have put into use without obtaining the certificates for passing environmental assessments, we may be subject to a fine no more than RMB100,000 and/or temporary suspension of the usage of the relevant properties before the incident is rectified; and

- for the properties that we have put into use without obtaining the certificates for passing fire control assessments, we may be subject to a fine ranging between RMB30,000 to RMB300,000 and temporary suspension of the usage of the relevant properties before the incident is rectified.

In the event that we lose the rights to any of our land, buildings or groups of buildings, our use of such land, buildings or groups of buildings may be limited, or we may be forced to relocate our schools and incur additional costs, which may result in disruptions to our school operations and materially and adversely affect our business, financial condition and results of operations. Although our PRC Legal Advisor is of the view that the risk that we are forced to relocate our schools is remote, we cannot assure you that it will not, in aggregate or in part, materialize. We are in the process of applying to the relevant government authorities for the relevant outstanding certificates. However, we cannot guarantee you that we will be able to obtain such certificates in a timely manner, or at all. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We lease several of our school premises and may not be able to control the quality, maintenance and management of these school premises, nor can we ensure we will be able to find suitable premises to replace our existing school premises if our leases are terminated.

As of the Latest Practicable Date, we, as the tenant, leased six buildings used for office and education related purposes. Such school premises and school buildings and facilities were developed and are maintained by our landlords. Accordingly, we are not in a position to effectively control the quality, maintenance and management of such premises, buildings and facilities. In the event 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 operations of our schools could be materially and adversely affected. In addition, if any of our landlords terminates the existing lease agreements, refuses to continue to lease the premises to our schools when such lease agreements expire, or increase rent to the level not acceptable to us, we will be forced to relocate our schools to other locations. We may not be able to find suitable premises for such relocation without incurring significant time and costs, or at all. If this occurs, our business, financial condition and results of operations could be materially and adversely affected.

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

Under relevant PRC laws and regulations, an executed lease is required to be registered and filed with relevant government authorities. According to our PRC Legal Advisor, failure to complete the registration does not affect the validity and enforceability of the lease agreement. However, a fine ranging from RMB1,000 to RMB10,000 may be imposed on the parties to an unregistered lease. As of the Latest Practicable Date, we leased six buildings used for office and education related purposes and the relevant lease agreements we have entered into with our landlords had not been registered with relevant government authorities. See "Business — Properties — Leased Properties" for details. As of the Latest Practicable Date, we have not been imposed any fine or penalty by the relevant PRC authorities. However, if the relevant government authorities require us to register our lease agreements or impose fines on us, it may materially and adversely affect our business, financial condition and results of operations.

The appraisal values of our properties may be different from their actual realizable values 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 is based on various assumptions, which are subjective and uncertain in nature. The assumptions that Jones Lang LaSalle Corporate Appraisal and Advisory Limited used in the property valuation report include, among others: 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 Jones Lang LaSalle Corporate Appraisal and Advisory Limited in reaching the appraised values of our properties may be inaccurate. 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 Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

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

We adopted the 2018 Pre-IPO Share Option Scheme in March 18, 2018, under which we may issue options to purchase up to a total of 500,000,000 Shares to certain grantees, including amongst others, our Directors, senior management, employees, advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners and service providers for their contribution to our Group and to attract and retain key personnel. As of the date of this prospectus, the options to subscribe for an aggregate 464,723,519 Shares had been granted and were outstanding, as adjusted pursuant to the Capitalization Issue. The fair value of the share options granted during the three months ended March 31, 2018 was approximately RMB150.0 million, of which the Group recognised a share option expense of approximately RMB5.9 million for the three months ended March 31, 2018. The fair value of the Pre-IPO Share Options will be amortized over the relevant vesting period of respective grantees and recognized as expenses, which may increase our staff cost in the future. Our financial results might be materially and adversely affected by an increase in staff costs as a result of the grant of Pre-IPO Share Options. Moreover, exercise of the share options we have granted or plan to grant will increase the number of our Shares in circulation. Any actual or perceived sales of additional Shares acquired upon the exercise of the share options we have granted or plan to grant may adversely affect the market price of our Shares.

Failure to make adequate statutory social welfare payments for our employees may subject us to penalties.

PRC laws and regulations require us to pay several statutory social welfare benefits for our employee, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund. The amounts of our contributions for our employees under such benefit plans are calculated based on certain percentage of salaries, including bonuses and allowances, up to a maximum amount specified by the local government from time to time at locations where we operate.

During the Track Record Period and up to the Latest Practicable Date, we had not made full contributions to the social insurance plan and housing provident fund based on the actual salary level of some of our employees as prescribed by relevant laws and regulations. As of the Latest Practicable Date, we had not received any notice from the local authorities or any claim or request from the relevant employees that require us to make payments for insufficient contributions. We made the under-provision for social insurance contributions of RMB2.9 million, RMB5.4 million, RMB10.8 million and RMB3.4 million for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, respectively, and the under-provision for housing provident fund contributions of RMB1.8 million, RMB2.7 million, RMB4.1 million and RMB1.5 million for the same periods, respectively. For more information, see "Business — Employees."

We cannot assure you that the relevant government authorities will not require us to pay the outstanding amount within a prescribed time and impose late charges or fines on us, which may materially and adversely affect our business, financial condition and results of operations.

We maintain limited insurance coverage.

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

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

Unauthorized use of any of our intellectual property may adversely affect our business and reputation. We rely on a combination of copyrights, trademarks and trade secrets laws to protect our intellectual property rights. Nevertheless, third parties may obtain and use our intellectual property without due authorization. Infringement of our intellectual property by third parties, and the expenses incurred in protecting our intellectual property rights, may materially and adversely affect our business.

The practice of intellectual property rights enforcement action by Chinese regulatory authorities is in its early stage of development and is subject to significant uncertainty. There is no assurance that we will be able to enforce our intellectual property rights effectively or otherwise prevent others from the unauthorized use of our intellectual property. We may enforce our intellectual property rights through litigation and other legal proceedings to, which could result in substantial costs, divert our management's attention and resources and disrupt our business. The validity and scope of any claims relating to our intellectual property may involve complex legal and factual questions and analyses and, as a result, the outcome may be highly uncertain. Failure to effectively protect our intellectual property rights could harm our brand name and reputation, and materially and adversely affect our business, financial condition and results of operations.

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

According to the PRC Security Law (《中華人民共和國擔保法》) and the PRC Property Law (《中華人民共和國物權法》), mortgages, pledges or other encumbrances may not be created on properties which are used for public welfare facilities. The buildings or groups of buildings that certain of our schools own and occupy may be deemed as "public welfare facilities" under the Law for Promoting Private Education (2003), which provides that private education is considered in the nature of "public welfare". Accordingly, educational facilities of schools may not be mortgaged, which to a certain extent limit such schools' ability to obtain financing to fund their operations. As of the Latest Practicable Date, none of our properties for educational purpose was mortgaged. Even if security interests are intended to be created based on such properties under any loan agreement to be entered into between any of our schools and potential lenders, such security interests may not be valid or enforceable under the PRC laws and regulations. In addition, it is possible that a government authority, including any PRC court or administrative authority, may consider the security interests 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 the applicable loan agreements or if the validity of the pledges is otherwise challenged. In such case, it is likely that such security interests will not be enforceable and we may be requested by our lenders to provide other forms of guarantees or prepay the outstanding balance of the loans immediately, which may materially and adversely affect the business operations of the relevant schools and our financial condition.

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

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

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

We enjoy certain favorable regulatory treatment, particularly government grants, which are offered primarily for the purpose of promoting the development of private higher education institutions. For the years ended December 31, 2015 , 2016 and 2017 and the three months ended March 31, 2018, we recorded government grants in the total amount of approximately RMB7.2 million, RMB10.4 million, RMB16.7 million and RMB3.0 million, respectively. See "Financial Information — Key Components of Our Results of Operations — Other Income and Gains" for further details. However, it is in the relevant government authorities' sole and absolute discretion, subject to relevant PRC laws, regulations and policies, to determine whether and when to provide government grants to us, if at all. We cannot assure you that we will be able to receive government grants in the future. Furthermore, any unexpected changes in the PRC laws, regulations and policies may result in uncertainty in the availability of government grants or any other favorable treatment to us. If we are unable to obtain or maintain government grants or any other favorable treatment in the future in the same amount or at all, the reduction in the amount of government grants or other favorable treatment received by us may impact our Group's results of operations and cash flows and we may experience decreases in profitability, and our business, financial condition and results of operations could be adversely affected.

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

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

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

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

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

The PRC government may find that the agreements that establish the structure for operating our business in China do not comply with applicable PRC laws and regulations, which may subject us to severe penalties and our business may be materially and adversely affected.

We are a Cayman Islands company and as such we are classified as a foreign enterprise under PRC laws. Foreign investment in the education industry in China is extensively regulated and subject to numerous restrictions. Under the Foreign Investment Industries Guidance Catalogue (2017 version) (《外商投資產業指導目錄》(2017年修訂)), higher education is a restricted industry for foreign investors. Foreign investors are allowed to invest in the higher education industry only in the form of cooperative joint venture in which the PRC party must play a dominant role. On June 28, 2018, the NDRC and MOFCOM jointly promulgated the Foreign Investment Access Special Management Measures (Negative List) (2018 Version) (《外商投資准入特別管理措施(負面清單) (2018年版)》) (the "**Negative List**"), which will become effective on July 28, 2018 and will replace the Foreign Investment Industries Guidance Catalogue (2017 Version). Under the Negative List, the restriction on foreign investments in higher education remain unchanged. Furthermore, under the Implementation

Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education issued by the MOE on June 18, 2012 (《關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), the foreign portion of the total investment in a Sino-foreign joint venture education institution is limited to 50%. According to the Regulation on Operating Sino-foreign Schools of the PRC (《中華人民共和國中外合作辦學條例》), which was promulgated by the State Council on March 1, 2003 and became effective on September 1, 2003, foreign investors invested in higher education must be foreign education institutions with relevant qualifications and experience. For more details, see "Regulations — PRC Laws and Regulations Relating to Foreign Investment in Education." In light of these restrictions, we are ineligible to independently operate higher education institutions or control them through holding equity interests.

Our wholly-owned subsidiary WFOE entered into the Contractual Arrangements pursuant to which it is entitled to receive substantially all of the economic benefits from our Consolidated Affiliated Entities. For a description of such Contractual Arrangements, see "Contractual Arrangements." We have been and are expected to continue to be dependent on our Contractual Arrangements to operate our education business. If the Contractual Arrangements that establish the structure for operating our China business are found to be in violation of any existing or future PRC laws, rules or regulations or fail to obtain or maintain any of the required permits or approvals, we may not be able to consolidate the results of operations of our Consolidated Affiliated Entities. The relevant PRC regulatory authorities, including the MOE, would have broad discretion in dealing with such violations, including:

- revoking the business and operating licenses of our PRC subsidiary or Consolidated Affiliated Entities;
- discontinuing or restricting the operations of any related-party transactions among our PRC subsidiary or Consolidated Affiliated Entities;
- imposing additional conditions or requirements with which we, our PRC subsidiary or Consolidated Affiliated Entities may not be able to comply;
- requiring us to undergo a costly and disruptive restructuring such as forcing us to establish new entities, re-apply for the necessary licenses or relocate our businesses, staff and assets;
- restricting or prohibiting our use of proceeds from public offering or other financing activities to finance our business and operations in China; or
- taking other regulatory or enforcement actions, including imposing fines, which could be harmful to our business.

The imposition of any of these penalties may result in a material and adverse effect on our ability to conduct our business in China and a loss of our economic benefits in the assets and operations of our Consolidated Affiliated Entities. In addition, if the imposition of any of these penalties causes us to lose the rights to direct the activities of the Consolidated Affiliated Entities or our right to receive its economic benefits, we would no longer be able to consolidate such entity. Such entity contributes substantially all of our consolidated net revenues.

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

On January 19, 2015, the MOFCOM published the Foreign Investment Law of the PRC (Draft for Comment) (《中華人民共和國外國投資法(草案徵求意見稿)》) , or the Draft Foreign Investment Law. The Draft Foreign Investment Law is intended to replace the current laws and implementing rules governing the foreign investments in China. The Draft Foreign Investment Law proposes significant changes to the existing PRC foreign investment legal regime and introduced the concept of "actual control" determined by the identity of the ultimate natural person or enterprise that controls the domestic enterprise. If an enterprise is actually controlled by a foreign investor through contractual arrangements, it may be regarded as a FIE and be restricted or prohibited from investment in certain industries listed on the negative list as published by the PRC government unless permission from the competent authority is obtained. According to the negative list published by the PRC government on July 28, 2017, the higher education business that we operate is classified as a "restricted business". Pursuant to the negative list published by the PRC government on June 28, 2018, which will become effective on July 28, 2018 and will replace the negative list published in 2017, the higher education business remains a "restricted business". In addition, the Draft Foreign Investment Law also provides that the FIEs operating in the industries on the negative list are required to complete the entry clearance procedure and obtain other approvals that are not required for PRC domestic entities. As a result, certain FIEs in the industries on the negative list may not be able to continue to conduct their business through contractual arrangements.

Although the Draft Foreign Investment Law has been released for consultation purposes, there remain substantial uncertainties regarding its final content, adoption timeline or effective date. Furthermore, several issues are yet to be clarified at current stage, including, among others, (i) the level of "actual control" for being qualified as a domestic enterprise, and (ii) how existing domestic enterprises that are operated by foreign investors through contractual arrangements are to be handled. Accordingly, since the Draft Foreign Investment Law has not been finalized and the requirements under the final Draft Foreign Investment Law may be different from those set out in the Draft Foreign Investment Law, measures adopted by us to maintain control over and receive economic benefits from our Consolidated Affiliated Entities alone, as further described in the section headed "Contractual Arrangements", may not be effective in ensuring compliance with the Draft Foreign Investment Law. Furthermore, due to these uncertainties, we cannot determine whether the new foreign investment law, when it is adopted and becomes effective, will have a material impact on our corporate structure and business. In the event that the Contractual Arrangements through which we operate our education business are not treated as a domestic investment under the new foreign investment law as finally enacted, such Contractual Arrangements may be deemed invalid and illegal and we may be required to unwind the Contractual Arrangements and/or dispose of such education business. As we primarily conduct our education business and operate in the PRC, any such event could have a material and adverse effect on our business, financial condition, results of operations, and the trading of our Shares.

We may no longer be able to consolidate the financial results of our Consolidated Affiliated Entities and we would have to derecognize their assets and liabilities according to the relevant accounting standards and, as a result, recognize an investment loss. In such case, the Stock Exchange may also consider us to be no longer suitable for listing on the Stock Exchange and delist our Shares. For details of the Draft Foreign Investment Law and the negative list and its potential impact on our Company, and our potential measures to maintain control over and receive economic benefits from our Consolidated Affiliated Entities, please see "Contractual Arrangements — Development in PRC Legislation on Foreign Investment" in this prospectus.

The Contractual Arrangements may not be as effective in providing us with control over our Consolidated Affiliated Entities as direct ownership.

We have relied and expect to continue to rely on the Contractual Arrangements to operate our education business in China. For a description of these Contractual Arrangements, see "Contractual Arrangements." These Contractual Arrangements may not be as effective in providing us with control over our Consolidated Affiliated Entities as equity ownership. If we were the controlling shareholder of our Consolidated Affiliated Entities with direct ownership, we would be able to exercise our rights as shareholder, rather than our rights under the powers-of-attorney, to effect changes to its board of directors, which in turn could implement changes at the management and operational level. However, under the current Contractual Arrangements, as a legal matter, if our Consolidated Affiliated Entities or their shareholders fail to perform their respective obligations under these Contractual Arrangements, we cannot direct the corporate action of our Consolidated Affiliated Entities as the direct ownership would otherwise entail, and therefore we will be unable to maintain an effective control over the operations of our Consolidated Affiliated Entities. If we were to lose effective control over our Consolidated Affiliated Entities, we would no longer be able to consolidate their results of operations, which would materially and adversely affect our financial condition and results of operations. In addition, losing effective control over our Consolidated Affiliated Entities may negatively impact our operational efficiency and brand image.

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

The Registered Shareholders are the beneficial owners of our Consolidated Affiliated Entities and their interests may differ from the interests of our Company as a whole. We cannot assure you that when conflicts of interest arise, the Registered Shareholders will act in the best interests of our Company or that such conflicts will be resolved in our favor. In addition, the Registered Shareholders may breach, or cause our Consolidated Affiliated Entities to breach, or refuse to renew, the existing Contractual Arrangements with us. If we cannot resolve any conflict of interest or dispute between us and the Registered Shareholders, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings. These uncertainties may impede our ability to enforce the Contractual Arrangements. If we are unable to resolve any such conflicts, or if we experience significant delays or other obstacles as a result of such conflicts, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation.

In addition, although the equity pledge agreements we entered into with the Registered Shareholders provide that the pledged equity interests constitute continuing security for any and all of the indebtedness, obligations and liabilities under all of the principal service agreements, it is possible that a PRC court could take the position that the amounts listed on the equity pledge registration forms or estimated in the equity pledge agreements represent the full amounts of the collateral that have been registered and perfected. If this were to happen, the obligations that are supposed to be secured in the equity pledge agreements in excess of the amounts listed on the equity pledge registration forms or estimated in the equity pledge agreements could be deemed unsecured debts by the PRC court, which take the last priority among creditors.

Our exercise of the option to acquire the equity interest of our Consolidated Affiliated Entities may be subject to certain limitations and we may incur substantial costs.

We may incur substantial cost in the exercise of the option to acquire the equity interests in our Consolidated Affiliated Entities. Pursuant to the Contractual Arrangements, WFOE has the exclusive right to require the shareholders of our Consolidated Affiliated Entities to transfer their equity interests in our Consolidated Affiliated Entities, in whole or in part, to WFOE or a third party designated by WFOE 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 Consolidated Affiliated Entities are below the market value, they may require WFOE to pay enterprise 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.

Any failure by our Consolidated Affiliated Entities or their respective shareholders to perform their obligations under our Contractual Arrangements would potentially lead to the incurrence of additional costs and the expending of substantial resources on our part to enforce such arrangements, temporary or permanent loss of control over our primary operations or loss of access to our primary sources of revenue.

Under the current Contractual Arrangements, if any of our Consolidated Affiliated Entities or their respective shareholders fails to perform their respective obligations under these Contractual Arrangements, we may incur substantial costs and resources to enforce such arrangements and rely on legal remedies under PRC laws, including seeking specific performance or injunctive relief and claiming damages.

The Contractual Arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts will be interpreted in accordance with PRC laws and any disputes will be resolved in accordance with PRC legal procedures. Under PRC laws, rulings by arbitrators are final and the parties to a dispute cannot appeal the arbitration results in any court based on the substance of the case. The prevailing party may enforce the arbitration award by instituting arbitration award recognition proceedings with a competent PRC court. The legal environment in the PRC is not as developed as in other jurisdictions, such as Hong Kong and the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these Contractual Arrangements. If we are unable to enforce these Contractual Arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entities and their shareholders. As a result, our business and operations could be severely disrupted, which could damage our reputation and materially and adversely affect our business, financial condition, results of operations and prospects.

The Contractual Arrangements may be subject to the scrutiny of the PRC tax authorities and additional tax may be imposed, which may materially and adversely affect our results of operations.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the exclusive management consultancy and business cooperation agreement we have with our Consolidated Affiliated Entities 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. As WFOE has the right to receive service fees under the Contractual Arrangements, our Group as a whole would pay a higher effective tax rate as the service fees received by WFOE under the Contractual Arrangements are subject to the PRC enterprise income tax and value-added tax. See "Contractual Arrangements — Legality of the Contractual Agreements" for more details. In addition, PRC tax authorities may take the view that our subsidiaries or Consolidated Affiliated Entities have improperly minimized their tax obligations, and we may not be able to rectify any such incident within the limited timeline required by PRC tax authorities. As a result, the PRC tax authorities may impose late payment fees and other penalties on us for under-paid taxes, which could materially and adversely affect our business, financial condition and results of operations.

Furthermore, following the implementation of a "variable interest entity" structure with the execution of the Structured Contracts on March 14, 2018, we are subject to additional amounts of PRC income tax and value-added tax. If the Contractual Arrangements had been in effect during the Track Record Period, at least 25% of our schools' net profit would be required to be retained for the schools' working capital as development fund and statutory surplus reserve, and profit attributable to the WFOE would only be 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 35%, 21% and 15% and 26% for the years ended December 31, 2015, 2016 and 2017 and for the three months ended March 31, 2018, respectively. See "Contractual Arrangements — Legality of the Contractual Arrangements" for more details.

Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

The Contractual Arrangements 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 Contractual Arrangements provide that the arbitral body may award remedies over the equity interests and/or assets of our Consolidated Affiliated Entities, injunctive relief and/or winding up of our Consolidated Affiliated Entities. In addition, the Contractual Arrangements provide 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 Advisor that the above-mentioned provisions contained in the Contractual Arrangements may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final winding-up order to preserve the assets of or any equity interest in our Consolidated Affiliated Entities in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in the Contractual Arrangements. PRC laws allow an arbitral body to award the transfer of assets of or equity interests in our Consolidated Affiliated Entities in favor of an aggrieved party. In the event of noncompliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts of judicial authorities in the PRC generally do not grant injunctive relief or the winding-up order against our Consolidated Affiliated Entities as interim remedies to preserve the assets or equity interests in favor of any aggrieved party. Our PRC Legal Advisor is also of the view that, even though the Contractual Arrangements 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 any of our Consolidated Affiliated Entities or their shareholders breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our education business could be materially and adversely affected. See "Contractual Arrangements — Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — Dispute Resolution" for details regarding the enforceability of the dispute resolution provisions in the Contractual Arrangements as opined by our PRC Legal Advisor.

We rely on dividend and other payments from WFOE to pay dividends and other cash distributions to our Shareholders and any limitation on the ability of WFOE 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 WFOE, our PRC subsidiary. The amount of dividends paid to our Company by WFOE depends solely on the service fees paid to WFOE by our Consolidated Affiliated Entities. However, there are restrictions under PRC laws for the payment of dividends to us by WFOE. For example, relevant PRC laws and regulations permit payments of dividends by WFOE only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC laws and regulations, WFOE 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. Consequently, WFOE 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 WFOE to pay dividends to us and the limitations on the ability of Consolidated Affiliated Entities to pay service fees to WFOE could materially and adversely limit our ability to borrow money outside of China or pay dividends to holders of our Shares.

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

The principal regulations governing private education in China are the Law for Promoting Private Education (《中華人民共和國民辦教育促進法》), which became effective as of 2003 and was amended in 2013 and 2016, such amendment became effective in September 2017, and the Implementation Rules for the Law for Promoting Private Education (《中華人民共和國民辦教育促進法實施條例》) (the "Implementation Rules"). Under these regulations, a private school may elect to be a school that does not require reasonable returns or a school that requires reasonable returns. A private school that does not require reasonable returns cannot distribute dividends to its school sponsors. Most of our schools have elected to be private schools of which the school sponsors require reasonable returns. However, current PRC laws and regulations do not provide a formula or guidelines for determining the amount of "reasonable returns" which can be distributed. In addition, current PRC laws and regulations do not distinguish between the requirements or restrictions on a private school's ability to operate its education business based on its status as a school of which the school sponsors require a reasonable returns or a school of which the school sponsors do not require reasonable returns.

Pursuant to the Amendment, school sponsors of private school may choose to establish non-profit or for-profit private schools at their own discretion (with the exception that schools providing compulsory education can only be established as non-profit private schools), rather than to choose whether to require reasonable returns. School 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 school sponsors pursuant to the PRC Company Law and other relevant laws and regulations. School sponsors of non-profit private schools are not entitled to any distribution of profits or revenue from the non-profit schools they operate and all operation surpluses of the schools shall be used for the operation of the schools. However, the Amendment remains silent on the requirement of the development fund of the non-profit schools or for-profit schools. For further details of the Amendment, see "Regulations — Regulations on Private Education in the PRC — The Amendment to the Law for Promoting Private Education."

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 WFOE, which in turn depends on the service fees paid to WFOE from our Consolidated Affiliated Entities. Our PRC Legal Advisor advises us that WFOE's right to receive the service fees from our Consolidated Affiliated Entities does not contravene any PRC laws and regulations. For further details regarding our PRC legal advisor's view on the legality of the payment of service fees under the Contractual Arrangements, see "Contractual Arrangements — PRC Laws and Regulations Relating to Foreign Ownership in the Higher Education Industry."

However, if the relevant PRC government authorities take a different view, they may seek to confiscate any or all of the service fees that have been paid by our schools to WFOE, including retrospectively, to the extent that such service fees are tantamount to "reasonable returns" (for the period prior to the Amendment becoming effective) or demand profit distribution (after the Amendment becoming effective and if our schools elect to register as non-profit schools) taken by the school sponsors of these schools in violation of PRC laws and regulations. The relevant PRC government authorities may also seek to stop student enrollment at our schools or, in a more extreme situation, revoke the operation permits of these schools. As a result, our business, our financial position and the market price of our Shares may be materially and adversely affected.

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

Our Consolidated Affiliated Entities hold assets that are essential to the operation of our business, including operating permits and licenses, real estate leases, buildings, groups of buildings and other educational facilities related to the schools. Under the irrevocable powers of attorney, the Registered Shareholders may not unilaterally, without our consent, decide to voluntarily liquidate our Consolidated Affiliated Entities.

If any of these entities goes bankrupt and all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of our Consolidated Affiliated Entities undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

We may not be able to meet the Qualification Requirement and our plan to unwind the Contractual Arrangements may be subject to certain limitations.

Pursuant to the Regulation on Sino-Foreign Cooperation in Operating Schools (中華人民共和國中外合作辦學條例), promulgated by the State Council in 2003 and amended on July 18, 2013 (the "**Sino-Foreign Regulation**"), the foreign investor in a Sino-foreign joint venture school which provides higher education mainly for PRC students (a "**Sino-Foreign Joint Venture Private School**") must be a foreign educational institution with relevant qualification and high quality of education (the "**Qualification Requirement**"). Our PRC Legal Advisor 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 it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience or form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant education authority that it meets the Qualification Requirement.

Despite the lack of clear guidance or interpretation on the Qualification Requirement, we are committed to working towards meeting the Qualification Requirement and have adopted a specific plan to expend genuine efforts and financial resources for the purpose of being qualified as early as possible. Such steps include but are not limited to establishing a Hong Kong subsidiary which will serve as the main control hub of our overseas business, communicating and negotiating with experienced and reputable overseas education services providers in various form of potential cooperation. For details, see "Contractual Arrangements—Plan to Comply with the Qualification

Requirement". As the steps taken by us to fulfil the Qualification Requirement will be subject to the substantive examination by the relevant educational authorities at the provincial or national level, we cannot assure you that we will be able to meet the Qualification Requirement in the future and the plan we have adopted will be sufficient to satisfy the Qualification Requirement.

Notwithstanding our Group proposes to unwind the Contractual Arrangements wholly or partially as and when practicable and permissible under the prevailing PRC laws and regulations, we may be unable to do so before we are in a position to comply with the Qualification Requirement. If we otherwise attempt to unwind the Contractual Arrangements before we satisfy the Qualification Requirement, we may be considered by the regulatory authorities as ineligible for the provision of higher education services mainly for PRC students, which could have a material adverse effect on our business, financial conditional and results of operations.

RISKS RELATING TO DOING BUSINESS IN CHINA

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

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

We cannot predict whether the ongoing evolution of economic condition in China would 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 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 factors which are beyond our control.

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

As an offshore holding company of our PRC subsidiary, we may use the net proceeds from the Global Offering to (i) extend loans to our Consolidated Affiliated Entities; (ii) make additional capital contributions to our PRC subsidiary; (iii) establish new subsidiaries in China and make additional new capital contributions to them; and (iv) acquire offshore entities with business operations in China in an offshore transaction. However, most of these uses are subject to PRC regulations and approvals. For example:

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

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

Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas

Publicly-Listed Companies (the "Stock Option Rules"《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畫外匯管理有關問題的通知》). Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with the SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly-listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC employees who have been granted share options will be subject to these regulations upon the completion of the Global Offering. Failure of our PRC share option holders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute dividends to us, or otherwise materially and adversely affect our business, financial condition and results of operations.

Restrictions on currency exchange under PRC laws may limit our ability to convert cash derived from our operating activities into foreign currencies and may materially and adversely affect the value of your investment.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Substantially all of our revenue is denominated in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from WFOE, our PRC subsidiary. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiary and our Consolidated Affiliated Entities to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. Under the existing PRC foreign exchange regulations, the Renminbi is currently convertible, without prior approval from the SAFE, under current account transactions, including profit distributions, interest payments and expenditures from trade-related transactions, as long as certain procedural requirements are complied with. However, approval from and registration with the SAFE and other PRC regulatory authorities are required to convert Renminbi into foreign currencies and remit out of China for capital account transactions, which includes foreign direct investment and repayment of loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access in the future to foreign currencies for current account transactions. Any existing and future restrictions on currency exchange in China may limit our ability to convert cash derived from our operating activities into foreign currencies to fund expenditures denominated in foreign currencies. If the foreign exchange restrictions in China prevent us from obtaining Hong Kong dollars or other foreign currencies we need, we may not be able to pay dividends in Hong Kong dollars or other foreign currencies to our Shareholders in currencies other than Renminbi. Furthermore, foreign exchange control in respect of the capital account transactions could affect our PRC subsidiary's and Consolidated Affiliated Entities' ability to obtain foreign exchange or conversion into Renminbi through debt or equity financing, including by means of loans or capital contributions from us.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment.

The change in the value of Renminbi against the Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. From 1995 until July 2005, the conversion of the Renminbi into foreign currencies in the PRC, including the Hong Kong dollar and U.S. dollar, has been based on fixed rates set by the PBOC. The PRC government, however, has, with effect from July 21, 2005, reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On June 19, 2010, the PBOC announced that it intends to further reform the Renminbi exchange rate regime by enhancing the flexibility of the Renminbi exchange rate. Following this announcement, the Renminbi had appreciated from approximately RMB6.83 per U.S. dollar to RMB6.12 per U.S. dollar as of June 15, 2015. On August 11, 2015, the PBOC further enlarged the floating band for trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar to 2.0% around the closing price in the previous trading session, and Renminbi depreciated against the U.S. dollar by approximately 1.9% as compared to the previous day, and further depreciated nearly 1.6% on the next day. On November 30, 2015, the Executive Board of the International Monetary Fund (IMF) completed the regular five-year review of the basket of currencies that make up the Special Drawing Right (the "SDR") and decided that with effect from October 1, 2016, Renminbi is determined to be a freely usable currency and will be included in the Special Drawing Right basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen and the British pound. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar or the U.S. dollar in the future.

Substantially all of our revenue and costs are denominated in Renminbi and most of our financial assets are also denominated in Renminbi. We rely entirely on dividends and other fees paid to us by our PRC subsidiary and our Consolidated Affiliated Entities. Our proceeds from the Global Offering will be denominated in Hong Kong dollars. Any significant change in the exchange rates 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 and Consolidated Affiliated Entities. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

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

The economy of China has been experiencing significant growth, leading to inflation and increased labor costs. According to the National Bureau of Statistics of China, the year-over-year percent change in the consumer price index in China was 2.0% in 2016. China's overall economy and the average wage in the PRC are expected to continue to grow. Future increases in China's inflation and material increases in the cost of labor may materially and adversely affect our profitability and results of operations unless we are able to pass on these costs to our students by increasing tuition.

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

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

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

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

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

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

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

If we are classified as a PRC "resident enterprise", holders of our Shares may be subject to a PRC withholding tax on the dividends paid by us and PRC tax on gain from the sale of our Shares.

Under the Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), or the EIT Law, and its implementing regulations, an enterprise established outside China with its "*de facto* management body" within China is considered a "resident enterprise" in China and will be subject to the PRC enterprise income tax at the rate of 25% on its worldwide income. The tax authority reviews factors such as the routine operation of the organizational body that effectively manages the enterprise's production and business operations, locations of personnel holding decision-making power, location of finance and accounting functions and properties of the enterprise. The EIT Law's implementation regulations define the term "*de facto* management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise." The State Administration of Taxation, or the SAT, issued the Notice regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of *De Facto* Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or the SAT Circular 82, on April 22, 2009. The SAT Circular 82 provides certain specific criteria for determining whether the "*de facto* management body" of a Chinese-controlled offshore incorporated enterprise is located inside China, stating that only a company meeting all the criteria would be deemed to have its *de facto* management body inside China. One of the criteria is that a company's major assets, accounting books and minutes and files of its board and shareholders' meetings are located or kept in the PRC. In addition, the SAT issued a bulletin on August 3, 2011, effective from September 1, 2011, providing more guidance on the implementation of the SAT Circular 82. This bulletin clarifies matters including residence status determination, post-determination administration and competent tax authorities. Although both the SAT Circular 82 and the bulletin apply only to offshore enterprises controlled by PRC enterprises and there are currently no further rules or precedents governing the procedures and specific criteria for determining "*de facto* management body" for companies like ours, the determination criteria set forth in SAT Circular 82 and the bulletin may reflect the SAT's general position on how the "*de facto* management body" test should be applied in determining the tax residency status of offshore enterprises and how the administration measures should be implemented with respect to such enterprises, regardless of whether they are controlled by PRC enterprises or PRC individuals.

As all of our senior management members are based in China, it remains unclear as to how the tax residency rule will apply to our case. We do not believe that our Company or any of our Hong Kong or BVI subsidiaries should be qualified as a "resident enterprise" as each of our offshore holding entities is a company incorporated outside the PRC. As holding companies, each of these entities' corporate documents, minutes and files of the board and shareholders' meetings are located and kept outside of the PRC. Therefore, we believe that none of our offshore holding entities should be treated as a "resident enterprise" with its "*de facto* management bodies" located within China as defined by the relevant regulations for PRC enterprise income tax purposes. However, as the tax resident status of an enterprise is subject to determination by the PRC tax authorities, there are uncertainties and risks associated with this issue.

Under the EIT Law, non-PRC resident enterprise shareholders of a PRC resident enterprise will be subject to a 10% withholding tax on dividends received from the PRC resident enterprise and 10% tax on gain recognized with respect to the sale of shares of the resident enterprise. Accordingly, if we are treated as a PRC resident enterprise, our non-PRC resident enterprise Shareholders may be subject to a 10% withholding tax on dividends received from us and 10% tax on gain recognized with respect to the sale of our Shares, unless such tax is reduced by an applicable income tax treaty between China and the Shareholder's jurisdiction of residence. Non-PRC resident individual Shareholders, may be subject to 20% withholding tax on dividends received from us and gains realized with respect to the sale of our Shares if we are treated as a PRC resident enterprise. Any such tax on the dividends received by our Shareholders from us may be withheld at source. Any tax due as a result of us being treated as a PRC resident enterprise may reduce the returns on your investment in our Shares.

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

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The tax effect of the profits arising from schools not subject to tax for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018 amounted to approximately RMB29.3 million, RMB41.6 million, RMB31.0 million and RMB15.5 million, respectively. See Note 10 to the Accountants' Report in Appendix I to this prospectus. The school sponsors of seven of our schools have elected to require reasonable returns. Preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the relevant authorities. To date, however, no separate regulations or policies have been promulgated in this regard. We have obtained letters from, and conducted interviews with, the local tax bureaus of Southwest Jiaotong University Hope College, Sichuan Tianyi College, Sichuan Hope Automotive Vocational College, Sichuan Hope Automotive Technical College, Business College of Guizhou University of Finance and Economics, Sichuan TOP IT Vocational Institute which confirmed, among other things, that our schools are exempt from PRC enterprise income tax during the Track Record Period. However, the PRC government may promulgate tax regulations that eliminate such preferential tax treatment, or the local tax bureaus may change their policies. In each such case, we may be subject to PRC enterprise income tax going forward. Pursuant to the Amendment which came into effect on September 1, 2017, private schools are entitled to preferential tax treatments, among which non-profit private schools will be entitled to the same preferential tax treatment as public schools. The taxation policies applicable to for-profit private schools after the Amendment taking effect are still unclear as more specific provisions are yet to be introduced. Therefore, the preferential tax treatment of our schools will be subject to (i) the decision we make to operate our schools as for-profit or non-profit schools, and (ii) the tax treatment of the for-profit schools that is expected to be stipulated in the implementation regulations of the Amendment. There is no assurance that the preferential tax treatment that currently applies to our schools will not change going forward.

In addition, following the execution of the Contractual Arrangements, WFOE will initially be subject to an enterprise income tax rate of 25% and value-added tax in China and is entitled to a five-year exemption from the enterprise income tax and a further five-year tax reduction to 50% of the applicable rate. These preferential tax treatments may be subject to change and we cannot provide any assurance that the preferential tax rate applicable to WFOE will continue to apply in the future, and WFOE may therefore be required to pay a higher rate of enterprise income tax in the future. Moreover, pursuant to Notice of the Ministry of Finance and the State Administration of Taxation on Full Launch of the Pilot Program of Replacing Business Tax with Value-Added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) which came into effect on May 1, 2016, formal education services provided by schools are exempted from the value-added tax. As a result, formal educational services provided by our schools are exempted from the value-added tax. However, the discontinuation of any preferential tax treatment currently available to us or the determination of any of the relevant tax authorities that we are not eligible for any of the preferential tax treatment on which we have relied or currently rely would cause our effective tax rate to increase, which would increase our tax expenses and reduce our net profit.

RISKS RELATING TO THE GLOBAL OFFERING

No public market currently exists for our Shares; the market price for our Shares may be volatile and an active trading market for our Shares may not develop.

No public market currently exists for our Shares. The initial Offer Price for our Shares to the public will be the result of negotiations between our Company and the Joint Global Coordinators (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of the Shares following the Global Offering. We have applied to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the Shares will not decline following the Global Offering.

In addition, the trading price and trading volume of the Shares may be subject to significant volatility in responses to various factors, including:

- changes in our operating results;
- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;
- regulatory developments in China affecting us, our industry or our Contractual Arrangements;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and China;
- developments in the education market in China;
- changes in the economic performance or market valuations of other education companies;
- the depth and liquidity of the market for our Shares;
- additions to or departures of, our executive officers and other members of our senior management;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- sales or anticipated sales of additional Shares; and
- the general economy and other factors.

Moreover, shares of other companies listed on the Hong Kong Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares or other equity securities in the future, including pursuant to the 2018 Pre-IPO Share Option Scheme.

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma net tangible asset value. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may issue Shares pursuant to the 2018 Pre-IPO Share Option Scheme, which would further dilute Shareholders' interests in our Company.

Future sales or perceived sales of our Shares in the public market by major Shareholders following the Global Offering could materially and adversely affect the price of our Shares.

Prior to the Global Offering, there has not been a public market for our Shares. Future sales or perceived sales by our existing Shareholders, or issuance by us of significant amounts of our Shares after the Global Offering, could result in a significant decrease in the prevailing market prices of our Shares. Only a limited number of the Shares currently outstanding will be available for sale or issuance immediately after the Global Offering due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our Shares in the public market or the perception that these sales may occur could significantly decrease the prevailing market price for our Shares and our ability to raise equity capital in the future.

Dividend distributed in the past may not be indicative of our future dividend.

During the Track Record Period, we did not declare or distribute any dividends to our equity holders. Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and subject to our Articles of Association, the Cayman Companies Law and the PRC laws, including (where required) the approvals from our shareholders and our Directors. Our Directors will consider our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors when they determine the distribution of dividend. For details of our dividend policy, see "Financial Information — Dividend Policy." In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiary. See "— Risks relating to Our Contractual Arrangements — We rely on dividend and other payments from WFOE to pay dividends and other cash distributions to our Shareholders and any limitation on the ability of WFOE to pay dividends to us would materially and adversely limit our ability to pay dividends to our Shareholders." 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.

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

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net proceeds from the Global Offering, primarily including the expansion of our school network, the construction of new school buildings and repayment of bank loans. For details, see "Future Plans and Use of Proceeds — Use of Proceeds." However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

Our Controlling Shareholders have significant influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Immediately following the Global Offering, our Controlling Shareholders, Hope Education Investment Limited, Maysunshine Limited, Tequ BVI, Tequ Group Limited and their respective shareholders, will control in aggregate 62.11% of our Shares, assuming the Over-allotment Option is not exercised and without taking into account any Share to be issued upon the exercise of the Pre-IPO Share Options. Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and its position on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, amendment to our Memorandum and Articles of Association and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our Shares.

We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than other jurisdictions, you may have difficulties in protecting your Shareholder rights.

Our corporate affairs are governed by our Memorandum and Articles and by the Cayman Companies Law and 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 duties 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 existence in other jurisdictions. See "Summary of the Constitution of our Company and Cayman Companies Law" in Appendix IV to this prospectus.

As a result of all of the above, our public Shareholders may have difficulties in protecting their interests through actions against our management, Directors or major Shareholders.

There will be a gap of several days between pricing and trading of our Shares, and the price of our Shares when trading begins could be lower than the Offer Price.

The initial price to the public of our Shares sold in the Global Offering is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be not more than five Business Days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

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 low-end of the indicative Offer Price range per Offer Share. It is therefore possible that the final Offer Price will be set at HK$1.37 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$1.37, the estimated net proceeds we will receive from the Global Offering will be reduced to HK$2,167.6 million and such reduced proceeds will be used as described in the "Future Plans and Use of Proceeds — Use of Proceeds" section.

Facts, forecasts and statistics in this prospectus relating to the PRC economy and the education industry may not be fully reliable.

Facts, forecasts and statistics in this prospectus relating to the PRC, the PRC economy, the education industry in China, the PRC higher education market and the private education markets in the PRC and certain provinces are obtained from various sources including official government publications that we believe are reliable, as well as from a report prepared by Frost & Sullivan commissioned by us. However, we cannot guarantee the quality or reliability of these sources. Although we have taken reasonable care to ensure that the facts and statistics presented are accurately extracted and reproduced from such publications and the report prepared by Frost & Sullivan, neither we, the Joint Global Coordinators, the Joint Sponsors, the Underwriters nor our or their respective affiliates or advisors have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this prospectus relating to the PRC, the PRC economy, the education industry in China, the PRC higher education market and the private education market in the PRC and the regions where we operate our schools may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. As such, no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources is made. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurances that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case in other countries.

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

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

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Public 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 out 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 us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Jead managers and any of the Underwriters, any their respective directors, agents, employees, advisors or any other party involved in this Global Offering.

The Listing is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us (on behalf of ourselves). The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date.

The Offer Price is expected to be fixed between/among the Joint Global Coordinators (on behalf of the Underwriters) and our Company (on behalf of itself) on the Price Determination Date. The Price Determination Date is expected to be on or around July 27, 2018 and, in any event, not later than August 2, 2018 (unless otherwise determined between the Joint Global Coordinators (on behalf of the Underwriters) and our Company (on behalf of itself). If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators and our Company on or before August 2, 2018, the Global Offering will not become unconditional and will lapse immediately.

Further information about the Underwriters and the underwriting arrangements is set out in the section headed "Underwriting" in this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

The application procedures for the Hong Kong Public Offer Shares are set forth in the section headed“ How to Apply for Hong Kong Public Offer Shares” and on the relevant Application Forms.

STRUCTURES AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed “Structure of the Global Offering”.

DOWNWARD OFFER PRICE ADJUSTMENT

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 this prospectus.

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

RESTRICTIONS ON SALE OF SHARES

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

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer 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 authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of: (i) the Over-allotment Option, and (ii) any options granted under the 2018 Pre-IPO Share Option Scheme).

No part of our Shares is listed on or dealt on any other stock exchange and no such listing or permission to list is being or proposed to be sought. All Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Hong Kong Stock Exchange.

Under section 44B(1) of the Companies (WUMP) Ordinance, any allotment made in respect of an application will be invalid if the listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Hong Kong Stock Exchange.

OVER-ALLOTMENT OPTION AND STABILIZATION

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

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. 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.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

SHARE REGISTER AND STAMP DUTY

Our principal register of members in the Cayman Islands will be maintained by our Principal Share Registrar, Maples Fund Services (Cayman) Limited, and our branch register of members in Hong Kong will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong branch register of members of the Company in Hong Kong. Dealings in the Shares will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES

We have instructed the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, and it has agreed, not to register the subscription, purchase or transfer of any Shares in the name of any particular holder unless and until the holder delivers a signed form to our Hong Kong Share Registrar in respect of those Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Companies Law and our Articles;
- agrees with us and each of our Shareholders that the Shares are freely transferable by the holders thereof; and
- authorizes us to enter into a contract on his or her behalf with each of our Directors, managers and officers, whereby such Directors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, holding and dealing in the Shares or exercising any rights attached to them. None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, supervisors, employees, agents or advisors or any other party involved in the Global Offering is responsible for the tax effects on, or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares or exercising any rights attached to them.

EXCHANGE RATE CONVERSION

Solely for convenience purposes, this document includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the Renminbi amounts could actually be converted into another currency at the rates indicated, or at all. Unless otherwise indicated, (i) the translation between Renminbi and Hong Kong dollars was made at the rate of RMB0.85021 to HK$1, the exchange rate prevailing on July 13, 2018 published by the PBOC for foreign exchange transactions, (ii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK$7.8486 to US$1, being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on July 13, 2018 and (iii) the translations between U.S. dollars and Renminbi were made at the rate of RMB6.6900 to U.S.$1.00, being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on July 13, 2018.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in this prospectus which are not in the English language and their English translation, the names in their respective original languages shall prevail.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

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

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This usually means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Our headquarters and most of our business operations are based, managed and conducted in the PRC. As the executive Directors play very important roles in our Company's business operations, it is in our best interests for them to be based in the places where our Group has significant operations. Therefore, our Company does not, and in the foreseeable future will not, have sufficient management presence in Hong Kong. Currently, all of our executive Directors, namely Mr. Xu Changjun, Mr. Wang Huiwu and Mr. Li Tao, are ordinarily resident in the PRC.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules. We have made the following arrangements in order to maintain regular and effective communication between the Hong Kong Stock Exchange and us:

- we have appointed Mr. Li Tao, executive Director and Chief Strategy Officer of our Company, and Ms. Leung Wing Han Sharon ("**Ms. Leung**"), our joint company secretary, as our authorized representatives and they will serve as our Company's principal channel of communication with the Hong Kong Stock Exchange and will be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Hong Kong Stock Exchange, and if required, will be able to meet with the Hong Kong Stock Exchange to discuss any matters in relation to our Company on short notice. Their contact details (including mobile phone numbers, office phone numbers, email addresses, facsimile numbers and correspondence addresses) have been provided to the Hong Kong Stock Exchange. As and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters, each of the authorized representatives will have the means to contact all of the Directors promptly at all times. We will also inform the Hong Kong Stock Exchange promptly in respect of any change in authorized representatives;

- we have provided the authorized representatives and the Hong Kong Stock Exchange with the contact details of each Director, including mobile phone numbers, office phone numbers, email addresses and facsimile numbers. Both of our authorized representatives, the joint company secretaries and the compliance advisor have the means to contact all Directors (including the independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact the Directors for any reason;

- each of our Directors who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong to meet with the Hong Kong Stock Exchange within a reasonable period of time as and when required;

- we have appointed Guotai Junan Capital Limited as our compliance advisor (the "**Compliance Advisor**"), in compliance with Rule 3A.19 of the Listing Rules. The Compliance Advisor will, from the Listing Date to the date when our Company announces our financial results and distributes our annual report to our Shareholders for the first full financial year immediately after the Listing, serve as an additional channel of communication of our Company with the Hong Kong Stock Exchange and be available to answer enquiries from the Hong Kong Stock Exchange. The contact person of the Compliance Advisor will be fully available to answer enquiries from the Hong Kong Stock Exchange;

- we will ensure that there are adequate and efficient means of communication between us, our authorized representatives, Directors and other officers and the compliance advisor, and will keep the Compliance Advisor fully informed of all communications and dealings between the Hong Kong Stock Exchange and ourselves. We will also inform the Hong Kong Stock Exchange promptly in respect of any change in the compliance advisor;

- meetings with the Hong Kong Stock Exchange and the Directors can be arranged through our authorized representatives or the compliance advisor, or directly with the Directors with reasonable notice; and

- in addition to the Compliance Advisor's role and responsibilities after the Listing (i) to inform us on a timely basis of any amendment or supplement to the Listing Rules and any new or amended law, regulations or codes in Hong Kong applicable to the Company, and (ii) to provide advice to us on the continuing requirements under the Listing Rules and applicable laws and regulations, we will retain a Hong Kong legal advisor to advise us on the compliance with the Listing Rules and other applicable Hong Kong laws and regulations relating to securities after the Listing.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint as our company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules sets out the academic and professional qualifications considered to be acceptable by the Hong Kong Stock Exchange:

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

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

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

Note 2 to Rule 3.28 of the Listing Rules sets out the factors that the Hong Kong Stock Exchange considers when assessing an individual's "relevant experience":

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

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

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

d) professional qualifications in other jurisdictions.

We have appointed Mr. Huang Zhongcai ("**Mr. Huang**") as one of our joint company secretaries. He is currently a member of presidents' meeting (總裁辦公會) of our Company. Further biographical details of Mr. Huang are set out in "Directors and Senior Management" of this Prospectus We have appointed him as one of our joint company secretaries due to his past management experience within our Group and his thorough understanding of the internal administration, business operations and corporate culture of our Group.

Mr. Huang does not possess the qualifications set out under Rule 3.28 of the Listing Rules. Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have made the following arrangements:

- Mr. Huang will endeavor to attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations and the Listing Rules organized by our Company's Hong Kong legal advisors and seminars organized by the Hong Kong Stock Exchange from time to time, in addition to the minimum requirement under Rule 3.29 of the Listing Rules;

- we have appointed Ms. Leung who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as one of our joint company secretaries to assist Mr. Huang in the discharge of his duties as a company secretary for an initial period of three years commencing from the Listing Date, so as to enable Mr. Huang to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as company secretary and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws and regulations. Given Ms. Leung's professional qualification and experience, she will be able to explain to both Mr. Huang and us the relevant requirements under the Listing Rules and other applicable Hong Kong laws and regulations. She will also assist Mr. Huang in organizing our board meetings and shareholders' meetings as well as other matters of ours which are incidental to the duties of a company secretary. Ms. Leung is expected to work closely with Mr. Huang, and will maintain regular contact with Mr. Huang and our Directors and senior management. Furthermore, both Mr. Huang and Ms. Leung will seek and have access to advice from our Hong Kong legal and other professional advisors as and when required; and

- upon expiry of the three-year period, the qualifications and experience of Mr. Huang will be re-evaluated. Mr. Huang is expected to demonstrate to the Hong Kong Stock Exchange's satisfaction that he, having had the benefit of Ms. Leung's assistance for three years, would then have acquired the "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Listing Rules.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules. Upon the expiry of the initial three-year period, the qualifications of Mr. Huang will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied. In the event that Mr. Huang has obtained the relevant experience under Note 2 to Rule 3.28 of the Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

WAIVER IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue after the Listing, certain transactions, which will constitute non-exempt continuing connected transactions under the Listing Rules upon Listing. Our Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirements in respect of certain non-exempt continuing connected transactions. For details of the non-exempt continuing connected transactions, see "Connected Transactions".

WAIVER AND EXEMPTION IN RESPECT OF 2018 PRE-IPO SHARE OPTION SCHEME

Under Rule 17.02(l)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (WUMP) Ordinance, this prospectus is required to include, among other things, details of the number, description and amount of any of our Shares or debentures which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for Shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given, full details of all outstanding options and their potential dilution effect on the shareholdings upon the Listing as well as the impact on the earnings per share arising from the exercise of such outstanding options. Under the 2018 Pre-IPO Share Option Scheme, we have granted options to 340 persons (the "**Grantees**" and each a "**Grantee**"), including, among others, Directors, senior management and other connected persons of the Company to subscribe for 464,723,519 Shares on the terms set out in "Appendix V — Statutory and General Information — D. 2018 Pre-IPO Share Option Scheme." Except as discussed therein, no Grantees under the 2018 Pre-IPO Share Option Scheme is a Director or senior management or connected person of the Company.

We have applied for (i) a waiver from strict compliance with the requirements under Rule 17.02(l)(b) and paragraph 27 of Appendix lA to the Listing Rules; and (ii) an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (WUMP) Ordinance in connection with the disclosure of certain details relating to the options to subscribe for the Shares in the Company under the 2018 Pre-IPO Share Option Scheme on the ground that it will be unduly burdensome to disclose full details of all of these options granted under the 2018 Pre-IPO Share Option Scheme in this prospectus. In light of the requirements under the relevant regulations indicated above, we have made the following submission to the Hong Kong Stock Exchange and the SFC:

a) since the options granted under the 2018 Pre-IPO Share Option Scheme were granted to a total of 340 Grantees, strict compliance with the disclosure requirements set out above to disclose names, addresses, and entitlements on an individual basis in this prospectus will require substantial number of pages of additional disclosure that does not provide any material information to the investing public and would significantly increase the cost and timing for information compilation, prospectus preparation and printing;

b) key information of the options granted under the 2018 Pre-IPO Share Option Scheme to the Directors, members of the senior management, connected persons and those with options representing the right to subscribe for more than 4,600,000 Shares has already been disclosed in the Prospectus in "Appendix V — Statutory General Information — D. 2018 Pre-IPO Share Option Scheme";

c) the key information of the 2018 Pre-IPO Share Option Scheme as disclosed in this prospectus under the section headed "Appendix V — Statutory General Information — D. 2018 Pre-IPO Share Option Scheme" is sufficient to provide potential investors with information to make an informed assessment of the potential dilution effect and impact on earnings per share of the options granted under the 2018 Pre-IPO Share Option Scheme in their investment decision making process; and

d) the lack of full compliance of the disclosure requirements set out above will not prevent potential investors from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and will not prejudice the interest of the investing public.

The Hong Kong Stock Exchange has granted the waiver to us subject to the conditions that:

a) the grant of a certificate of exemption from strict compliance with the relevant Companies (WUMP) Ordinance requirements from the SFC exempting our Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (WUMP) Ordinance;

b) on an individual basis, full details of all the options granted under the 2018 Pre-IPO Share Option Scheme by our Company to the Directors, senior management, connected persons of our Company and those with options representing the right to subscribe for more than 4,600,000 Shares, including all the particulars required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (WUMP) Ordinance be disclosed in this prospectus;

c) in respect of the options granted by our Company to the Grantees other than those referred to in subparagraph (b) above, the following details be fully disclosed in this prospectus:

    (1) the aggregate number of Grantees;

    (2) the number of Shares subject to such options;

    (3) the consideration paid for the grant of such options;

    (4) the exercise period of the options; and

    (5) the exercise price for the options;

d) the dilution effect and impact on earnings per Share upon full exercise of the options granted under the 2018 Pre-IPO Share Option Scheme be disclosed in this prospectus;

e) the aggregate number of Shares subject to the outstanding options by the Company under the 2018 Pre-IPO Share Option Scheme and the percentage of our Company's issued share capital of which such number represents be disclosed in this prospectus;

f) a summary of the 2018 Pre-IPO Share Option Scheme be disclosed in this prospectus; and

g) the list of all the Grantees (including the persons referred to in paragraph (c) above), containing all details as required under Rule 17.02(1)(b), paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with "Appendix VI — Documents Delivered to the Registrar of Companies and Available for Inspection".

The SFC has granted a certificate of exemption under section 342A of the Companies (WUMP) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (WUMP) Ordinance subject to the conditions that:

a) on an individual basis, full details of all the options granted under the 2018 Pre-IPO Share Option Scheme to each of the Directors, senior management, connected persons of our Company and grantees with options representing the right to subscribe for more than 4,600,000 Shares are disclosed in this prospectus, such details to include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (WUMP) Ordinance;

b) in respect of the options granted by our Company under the 2018 Pre-IPO Share Option Scheme to the participants other than those referred to in sub-paragraph (a) above, the following details are disclosed in this prospectus:

    (1) the aggregate number of Grantees;

    (2) the aggregate number of Shares subject to such options;

    (3) the consideration paid for the grant of such options;

    (4) the exercise period of the options; and

    (5) the exercise price for the options;

c) a full list of all the Grantees (including the persons referred to in sub-paragraph (a) above) who have been granted options to subscribe for Shares under the 2018 Pre-IPO Share Option Scheme, containing all the details as required under paragraph 10 of Part I of the Third Schedule to the Companies (WUMP) Ordinance be made available for public inspection in accordance with "Appendix VI — Documents Delivered to the Registrar of Companies and Available for Inspection";

d) the particulars of the exemption will be disclosed in this prospectus; and

e) this prospectus will be issued on or before July 24, 2018.

For further details of the 2018 Pre-IPO Share Option Scheme, see "Appendix V — Statutory and General Information — D. 2018 Pre-IPO Share Option Scheme".

DIRECTORS

Name	Address	Nationality
Executive Directors		
Xu Changjun (徐昌俊)	No. 602, Unit 8, Building 38, 276 South Avenue, Tianpeng Town, Pengzhou City, Sichuan, China	PRC
Wang Huiwu (汪輝武)	Building 7, Oversea Chinese Town, Jinniu District, Chengdu, Sichuan, China	PRC
Li Tao (李濤)	No.19, Building 7, 9 Zongnanzheng Street, Wuhou District, Chengdu, Sichuan, China	PRC
Non-executive Directors		
Tang Jianyuan (唐健源)	No.107, Unit 8, Xinhua Community, Xinpu Town, Honghuagang District, Zunyi City, Guizhou Province, China	PRC
Lu Zhichao (呂志超)	Room 302, No. 8, 717 Alley, Huangjincheng Road, Changning District, Shanghai, China	Canada
Wang Degen (王德根)	No. 1, First Floor, Building 17, 1 Hebin Street, Jinjiang District, Chengdu, Sichuan, China	PRC
Independent non-executive Directors		
Zhang Jin (張進)	Room 1, Unit 1, Block 3, No.2 Yulin South Street, Wuhou District, Chengdu City, China	PRC
Chen Yunhua (陳雲華)	Room 1, 1st Floor, Unit 3, Block 3, No.2 Xinxiwang Road, Wuhou District, Chengdu City, China	PRC
Gao Hao (高皓)	1203, #6 Building, 5 Shuguang Xili Jia, Chaoyang District, Beijing, China	PRC

See "Directors and Senior Management" for further information with respect to our Directors.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	Citigroup Global Markets Asia Limited 50/F Champion Tower Three Garden Road Central Hong Kong
	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square Central Hong Kong
Joint Global Coordinators	Citigroup Global Markets Asia Limited 50/F Champion Tower Three Garden Road Central Hong Kong
	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square Central Hong Kong
Joint Bookrunners	Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering) 50/F Champion Tower Three Garden Road Central Hong Kong
	Citigroup Global Markets Limited (in relation to the International Offering) 33 Canada Square Canary Wharf London E14 5LB United Kingdom
	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square Central Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
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Company's Website	www.hope55.com **(the contents of this website do not form part of this prospectus)**
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Nomination and Remuneration Committee	Mr. Chen Yunhua (陳雲華) (Chairman) Mr. Wang Huiwu (汪輝武) Dr. Gao Hao (高皓)
Audit Committee	Mr. Zhang Jin (張進) (Chairman) Mr. Lu Zhichao (呂志超) Mr. Tang Jianyuan (唐健源) Mr. Chen Yunhua (陳雲華) Dr. Gao Hao (高皓)
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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 Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

SOURCES OF INFORMATION

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

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

The Frost & Sullivan Report was compiled based on the following assumptions: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic and political environment is likely to remain stable during the forecast period from 2018 to 2021; and (iii) the market drivers, such as the attention on children's education by the Chinese households, support from the PRC central and local governments, improved investment on private education of the entire Chinese society, and the increase of income and personal wealth, are likely to drive China's private higher education market.

Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. It has over 40 offices worldwide with over 2,000 industry consultants, market research analysts and economists. We are contracted to pay a fee of RMB850,000 to Frost & Sullivan in connection with the preparation of the Frost & Sullivan Report. We have extracted certain information from the Frost & Sullivan Report in this section, as well as in the sections of "Summary," "Risk Factors," "Business," "Financial Information" and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industries in which we operate.

Director's Confirmation

After making reasonable enquiries, our Directors confirm that there has been no adverse change in the market information presented in the Frost & Sullivan Report since the date of such report which may qualify, contradict or impact the information in this Industry Overview section.

OVERVIEW OF THE EDUCATION INDUSTRY IN CHINA

Overview

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

The PRC formal education industry has exhibited strong growth over the past few years, mainly driven by rising government public expenditure and private consumption. According to the NBSC and the MOE, China's total public expenditure on education increased from RMB1,858.7 billion in 2011 to RMB3,409.1 billion in 2017, representing a CAGR of 10.6%. China's total public expenditure on education in 2017 represented approximately 4.1% of China's overall nominal GDP. For the year ended December 31, 2017, China's total public expenditure accounted for approximately 81.3% of the total revenue of the PRC formal education industry.

While the PRC government has continued to increase its budget on education, compared with developed countries, China still lagged behind as of 2017 in terms of public expenditure on education as percentage of GDP. For example, China's public expenditure on education in 2017 was approximately 4.1% of its GDP, which was less than that of the United States (6.0%), France (5.5%) and United Kingdom (5.3%), according to the Frost & Sullivan Report. Going forward, the PRC government is expected to further strengthen its investment in education.

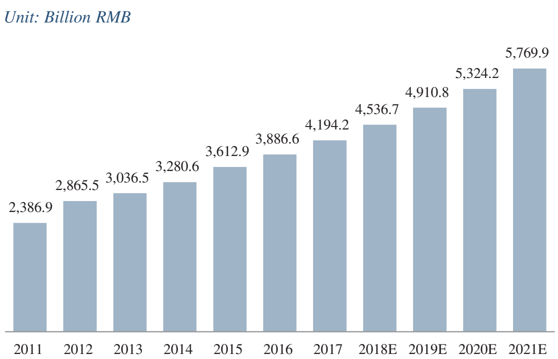
Despite increasing public expenditure on education, the Chinese per capita annual living expenditure of urban households on education increased from RMB750 in 2011 to RMB1,147 in 2017, as a result of increasing annual disposable income of urban households in China, which grew from RMB21,810 in 2011 to RMB36,396 in 2017, representing a CAGR of 8.9%. Looking forward, with the increasing wealth of Chinese households as the annual disposable income of urban households in China is estimated to grow from RMB36,396 in 2017 to RMB49,596 in 2021, and the continued consciousness of Chinese parents regarding their children's education, per capita annual living expenditure of urban households on education is likely to reach RMB1,487 by 2021 with a CAGR of 6.7% from 2017 to 2021, according to the Frost & Sullivan Report.

Market Size and Student Enrollment in the Formal Education Industry in China

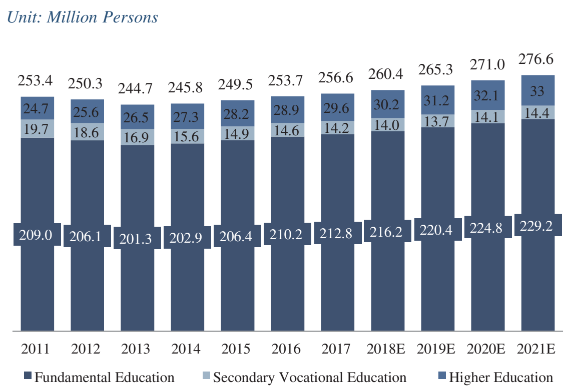
According to the NBSC and the MOE, the total revenue of formal education industry in China increased from RMB2,386.9 billion in 2011 to RMB4,194.2 billion in 2017, representing a CAGR of 9.9%. The total revenue of formal education industry in China is expected to increase from RMB4,194.2 billion in 2017 to RMB5,769.9 billion in 2021, representing a CAGR of 8.3%.

From 2011 to 2017, the school-age population (age 3 to age 21) in China decreased from 327.7 million to 289.4 million due to the decline in the birth rate in China over the past years. While both fundamental education and secondary vocational education institutions have suffered from the decreasing school-age population and experienced a fluctuating period or downward trend, the number of students enrolled in higher education institutions increased from 24.7 million in 2011 to 29.6 million in 2017, representing a CAGR of 3.0%. The growth was primarily driven by the increasing enrollment rate of higher education in China as a result of the increased demand for higher education in China. The following diagrams set forth the market size and number of student enrollment in formal education in China from 2011 to 2017, respectively, as well as a forecast of market size and number of student enrollment from 2018 to 2021, respectively.

Total Revenue of Formal Education Industry (China), 2011-2021E



Total Number of Student Enrollment in Formal Education (China), 2011-2021E



Source: NBSC, MOE and Frost & Sullivan

OVERVIEW OF THE PRIVATE HIGHER EDUCATION INDUSTRY IN CHINA

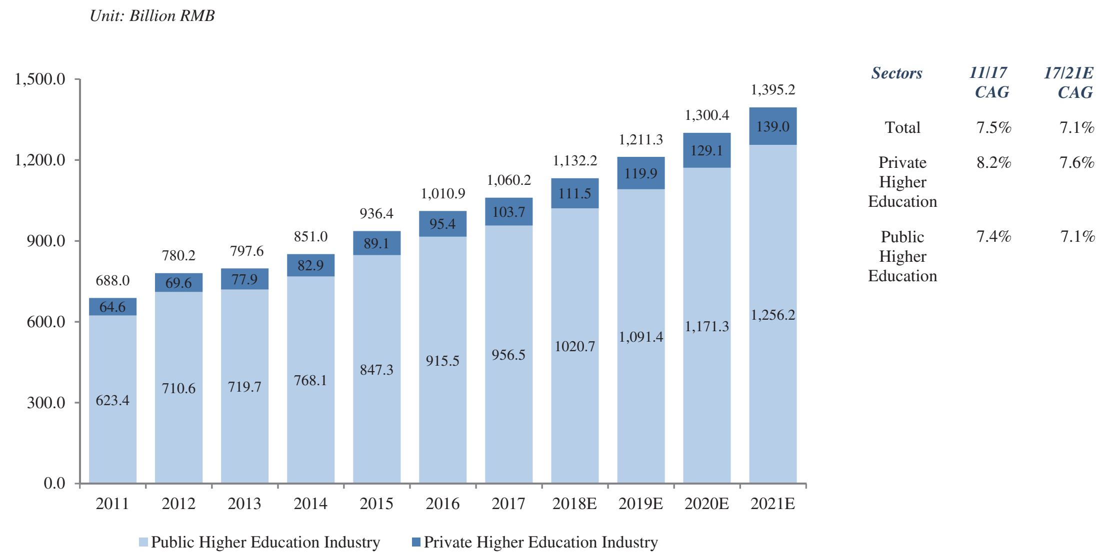
Overview

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

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

According to the NBSC and the MOE, China's total revenue of higher education industry increased from RMB688.0 billion in 2011 to RMB1,060.2 billion in 2017, representing a CAGR of 7.5%. In the future, China's total revenue of higher education industry is expected to further increase to RMB1,395.2 billion in 2021, representing a CAGR of 7.1% from 2017 to 2021. Compared with the total revenue generated in the higher education industry in China, the total revenue of the private higher education industry in China has increased steadily from RMB64.6 billion in 2011 to RMB103.7 billion in 2017, representing a CAGR of 8.2%. In the future, China's total revenue of private higher education industry is expected to further increase to RMB139.0 billion in 2021, representing a CAGR of 7.6% from 2017 to 2021. The following diagram illustrates the total revenue generated by the PRC higher education industry from 2011 to 2017, and the forecast of total revenue from 2018 to 2021.

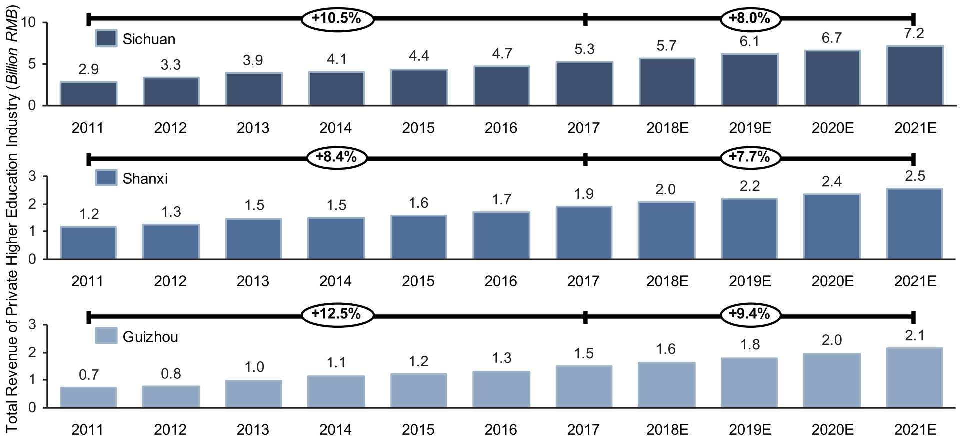
Total Revenue of Higher Education Industry (China), 2011-2021E



Source: Frost & Sullivan

The following diagram illustrates the total revenue of the private higher education industry from 2011 to 2017 and the forecast of total revenue from 2018 to 2021 in each province where our Group operates, respectively.

Total Revenue of Private Higher Education Industry (Sichuan, Shanxi and Guizhou), 2011-2021E

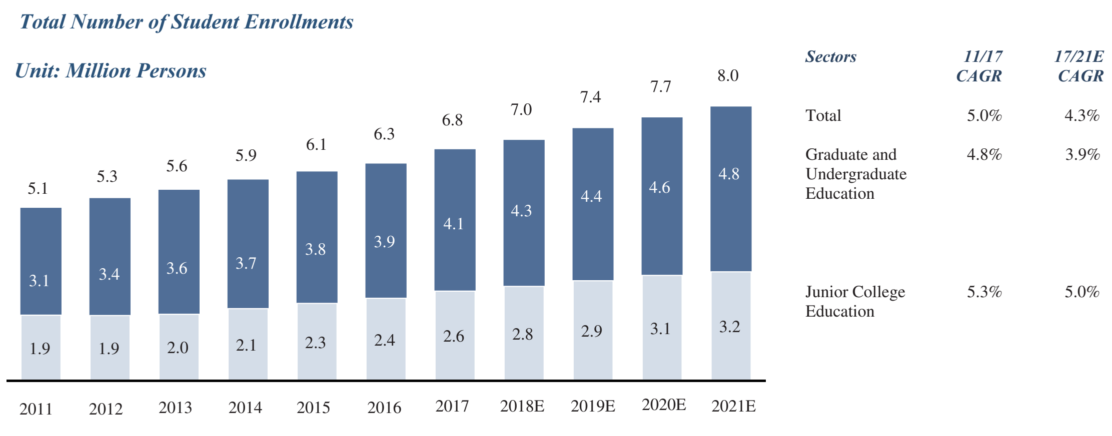


Source: Frost & Sullivan

Student Enrollment in the Private Higher Education Industry in China

According to the Frost & Sullivan Report, the total number of student enrollment in private higher education in China increased from 5.1 million in 2011 to 6.8 million in 2017, representing a CAGR of 5.0%. In 2021, the number of student enrollment in private higher education in China is expected to increase to 8.0 million with a CAGR of 4.3% from 2017 to 2021. The following diagram illustrates the total student enrollment in the PRC private higher education industry from 2011 to 2017, as well as a forecast of student enrollment from 2018 to 2021.

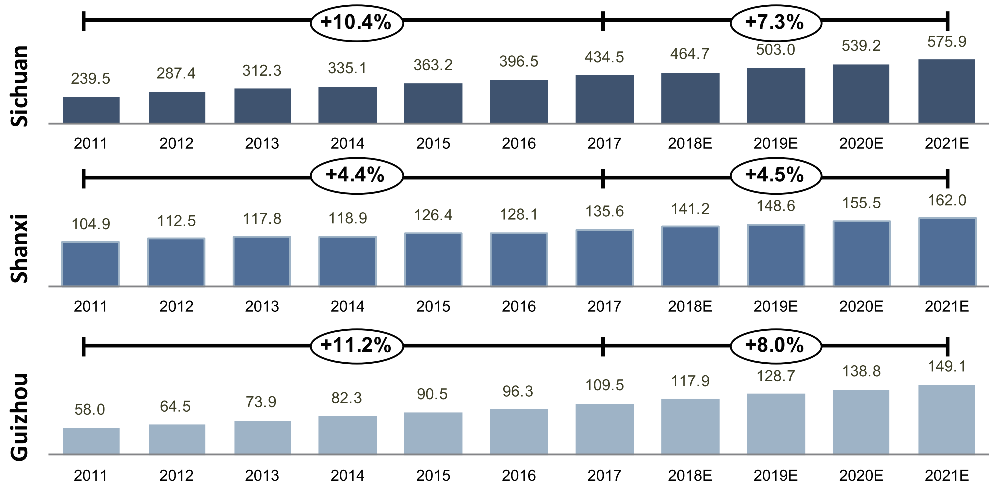
Total Number of Student Enrollments in Private Higher Education (China), 2011-2021E



Source: Frost & Sullivan

The following diagram illustrates the total number of student enrollment in private higher education each year from 2011 to 2017 and the forecast of student enrollment from 2018 to 2021 in each province where our Group operates, respectively.

Total Number of Student Enrollments in Private Higher Education (Sichuan, Shanxi and Guizhou), 2011-2021E

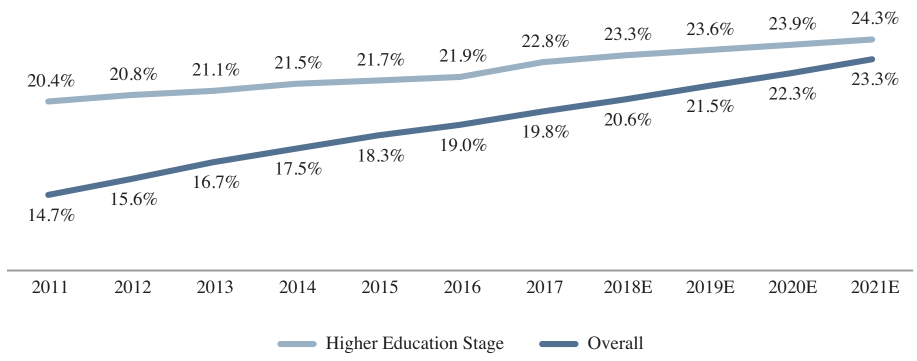


Source: Frost & Sullivan

According to the Frost & Sullivan Report, the enrollment rate of school-age population of higher education (age 18 to age 21) in China increased from 24.3% in 2011 to 44.1% in 2017, and is expected to reach 55.7% in 2021. However, compared with the student enrollment rate of higher education in 2017 in developed countries in Europe (e.g., 67% in France and 55% in the United Kingdom) and North America (e.g., 85% in the United States), China's enrollment rate is still at a relatively low level.

Total penetration rate of private schools in China in terms of the number of student enrollment increased from 14.7% in 2011 to 19.8% in 2017, and is expected to reach 23.3% in 2021, according to the Frost & Sullivan Report. Additionally, the penetration rate of private higher education in China has increased from 20.4% in 2011 to 22.8% in 2017, indicating that more students have chosen to go to private undergraduate institutions or junior colleges instead of public ones, and the trend is likely to continue as the penetration rate is expected to reach 24.3% in 2021, according to the Frost & Sullivan Report. During the same period, higher education has consistently enjoyed the highest penetration rate among private schools in China's education market. The following diagram illustrates the penetration rate of private schools by the number of student enrollment in China from 2011 to 2017 as well as a forecast of the penetration rate from 2018 to 2021.

Penetration Rate of Private Schools in China's Education Market, 2011-2021E



Source: MOE, Frost & Sullivan

Tuition and Miscellaneous Fees

According to the Frost & Sullivan Report, tuition and miscellaneous fees in private schools is usually higher than that in public schools. One of the key reasons is that public schools usually have public funds to support their operations while only a small percentage of total public educational expenditure in China were spent on the private sector, and therefore, private schools have to rely on tuition and miscellaneous fees to maintain operations. For example, 86% of public schools' revenue is sourced from government appropriation in 2017. In comparison, only 12% of private schools' revenue is sourced from government in the same year.

The following table sets forth certain information of the average annual tuition fee per student for private higher education in each province where our Group operates, respectively.

	Average Annual Tuition Fee per Student per School Year				
Province	**2011**	**2017**	**CAGR (2011-2017)**	**2021E**	**CAGR (2017-2021E)**
	(RMB, except for percentages)				
Sichuan	9,788	10,740	1.6%	11,516	1.8%
Guizhou	9,756	10,309	0.9%	10,829	1.2%
Shanxi	9,247	9,880	1.1%	10,410	1.3%

In addition, teacher's salary is one of the major costs of China's higher education institutions. According to the Frost & Sullivan Report, the average monthly salary of teachers in Sichuan, Guizhou and Shanxi was at similar level. In 2017, the average monthly salary per teacher in these three provinces' higher education market ranged from approximately RMB4,000 to RMB7,000.

Market Drivers of Private Higher Education in China

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

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

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

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

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

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

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

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

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

Development Trends of the Private Higher Education Industry in China

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

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

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

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

Development of Profession-oriented Higher Education in China

In order to better match talent cultivation with market demand, the PRC government has issued a number of policies to support the development of profession-oriented higher education in China, as well as the establishment a classification and evaluation system for those undergraduate institutions in China focusing on applied arts and technologies and those focusing on researches.

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

- "*The Decision of State Council on the Acceleration of Modern Vocational Education*" (國務院關於加快發展現代職業教育的決定): It was promulgated in 2014 by the PRC State Council to: (i) accelerate the construction of modern vocational education system; (ii) stimulate the vitality in establishing vocational colleges; and (iii) strengthen school-enterprise communication and cooperation. This Decision has set strategic development plan and key objectives for different sectors including secondary vocational schools, junior colleges, and undergraduate institutions;

- "*Opinions on Guiding Profession-oriented Transformation of a Portion of Local Undergraduate Institutions*" (關於引導部分地方普通本科高校向應用型轉變的指導意見): In 2015, it was promulgated jointly by the MOE, NDRC and MOF to provide guidance in the profession-oriented transformation of some of China's higher education institutions to better cater to talent demand of the local economic and social development. Key measures stated in the Opinions include supporting the development of experimental units which are expected to be instructive demonstrations for others, encouraging integration of education and production and the cooperation between undergraduate institutions and enterprises, and establishing a classification system for China's undergraduate institutions; and

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

According to the Frost & Sullivan Report, by 2020, the total number of private undergraduate institutions that focus on applied arts and technologies is expected to be approximately 300 to 400 and there will be approximately 3.5 million to 4.5 million in student enrollment.

COMPETITIVE LANDSCAPE OF PRIVATE HIGHER EDUCATION INDUSTRY IN CHINA

Competitive Landscape of Private Higher Education Industry in China

China's private higher education market is highly fragmented. According to the Frost & Sullivan Report, the top five players in terms of student enrollment as of December 31, 2017 in the PRC private higher education industry accounted for approximately 5.8% of the market share. Our Group ranked second as of Decemebr 31, 2017 with a market share of approximately 1.1%.

The following diagram illustrates the market share of the top five players in terms of student enrollment as of December 31, 2017 in the PRC private higher education industry.

Top Five Private Higher Education Companies in China

Rank	Company	Market Share(1)
1	Company A	2.7%
2	**Our Company**	**1.1%**
3	Company B	0.8%
4	Company C	0.6%
5	Company D	0.6%

Source: Frost & Sullivan

Note: The market share of top five players is based on the total number of student enrollment of all higher education institutions owned and operated by the respective company/group.

Competitive Landscape of Private Higher Education Industry in Sichuan, Shanxi and Guizhou

The following diagram illustrates the market share of the top five players in terms of student enrollment as of December 31, 2017 in the private higher education industry in Sichuan, Guizhou and Shanxi, respectively.

Market Share of Top Five Players in Private Higher Education Market (Sichuan, Shanxi and Guizhou), as of December 31, 2017

Top Five Private Higher Education Companies in Sichuan			Top Five Private Higher Education Companies in Guizhou			Top Five Private Higher Education Companies in Shanxi		
Rank	Company	Market Share(1)	Rank	Company	Market Share(1)	Rank	Company	Market Share(1)
1	Our Company	11.8%	1	Our Company	15.9%	1	Company L	13.5%
2	Company A	5.2%	2	Company H	15.1%	2	Company M	11.9%
3	Company E	5.0%	3	Company I	12.1%	3	Company N	11.7%
4	Company F	4.4%	4	Company J	9.8%	4	Company O	11.4%
5	Company G	4.1%	5	Company K	9.4%	5	Company P	10.3%
						10	**Our Company**	**3.5%**

Source: Frost & Sullivan

Note: The market share of top five players is based on the total number of student enrollment of all higher education institutions owned and operated by the respective company/group.

ENTRY BARRIERS FOR THE PRIVATE HIGHER EDUCATION INDUSTRY IN CHINA

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

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

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

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

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

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

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

PRC LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT IN EDUCATION

Foreign Investment Industries Guidance Catalogue (Amended in 2017)

Pursuant to the Foreign Investment Industries Guidance Catalogue (Amended in 2017) (《外商投資產業指導目錄》(2017年修訂)), the "**Foreign Investment Catalogue**") which was amended and promulgated by the NDRC and the MOFCOM on June 28, 2017 and became effective on July 28, 2017, higher education is an restricted industry for foreign investors. Foreign investments in higher education institutions are only allowed in the form of sino-foreign cooperative education institutions in which the domestic party shall play a dominant role. This suggests that the principal or the chief executive officer of the schools shall be a PRC national and the representative of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the sino-foreign cooperative education institution. On June 28, 2018, the NDRC and MOFCOM jointly promulgated the Foreign Investment Access Special Management Measures (Negative List) (2018 Version) (《外商投資准入特別管理措施(負面清單)(2018年版)》) (the "**Negative List**"), which will become effective on July 28, 2018 and will replace the Foreign Investment Catalogue. Under the Negative List, the restriction on foreign investments in higher education remain unchanged. Sino-foreign cooperation in operating schools is specifically governed by the Regulation on Operating Sino-foreign Schools of the PRC (《中華人民共和國中外合作辦學條例》), which was promulgated by the State Council on March 1, 2003 and became effective on September 1, 2003 and amended on July 18, 2013, the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》), and the Implementing Rules for the Regulations on Operating Sino-foreign Schools (《中華人民共和國中外合作辦學條例實施辦法》), the "**Implementing Rules**"), which were issued by the MOE on June 2, 2004 and became effective on July 1, 2004.

The Regulation on Operating Sino-foreign Schools and its Implementing Rules apply to the activities of education institutions established in the PRC jointly by foreign education institutions and Chinese education institutions, the students of which are to be recruited primarily from PRC citizens. Substantial cooperation between overseas educational organizations with relevant qualifications and experience in providing high-quality education, and PRC educational organizations to jointly operate various types of schools in the PRC are encouraged, including in the higher and vocational educational sectors. The overseas educational organization must be a foreign education institution with relevant qualification and experience at the same level and in the same category of education. Our PRC Legal Advisor has advised that based on their current understanding and knowledge, it is uncertain as to what type of information (including the length and type of experience) a foreign investor must provide to the competent PRC government authority to demonstrate that it meets the qualification requirement.

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

REGULATIONS ON PRIVATE EDUCATION IN THE PRC

Education Law of the PRC

On March 18, 1995, the National People's Congress of the PRC (全國人民代表大會, the "**NPC**") enacted the Education Law of the PRC (《中華人民共和國教育法》, the "**Education Law**"), which was amended on August 27, 2009. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school education system comprising kindergarten education, primary education, secondary education and higher education, a system of nine-year compulsory education, a national education examination system, and a system of education certificates. On December 27, 2015, the Education Law was amended (the "**amended Education Law**"), which became effective on June 1, 2016. The amended Education Law provides that the establishment or operation of schools may for profit-making purposes, provided however that schools and other education institutions sponsored wholly or partially by government financial funds and donated assets are prohibited from being established as for-profit organizations.

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

The Law for Promoting Private Education of the PRC became effective on September 1, 2003 and was amended on June 29, 2013, and the Implementation Rules for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) became effective on April 1, 2004. Under these regulations, "private schools" are defined as schools established by social organizations or individuals using non-government funds. The establishment of a private school shall meet the local need for educational development and the requirements of the Education Law and the relevant laws and regulations. The standards for the establishment of private schools shall conform to those for the establishment of public schools of the same grade and category. In addition, private schools providing academic qualifications education, kindergarten education, education for self-study examination and other education shall be subject to approval by the education authorities at or above the county level, while private schools engaging in vocational qualification training and vocational skill training shall be subject to approvals from the authorities in charge of labor and social welfare at or above the county level. A duly approved private school will be granted a Permit for Operating a Private School (民辦學校辦學許可證) and shall be registered with the Ministry of Civil Affairs of the PRC (中華人民共和國民政部, the "**MCA**") or its local counterparts as a privately run non-enterprise institution (民辦非企業單位). Each of our schools has obtained the Permit for Operating a Private School and has been registered with the relevant local counterpart of the MCA.

Under the above regulations, private schools have the same status as public schools, though private schools are prohibited from providing military, police, political and other kinds of education which are of a special nature. The operations of a private school are highly regulated. For example, a private school shall establish an executive council, the board of directors or any other form of the decision-making body and such decision-making body shall meet at least once a year. Teachers employed by a private school shall have the qualifications specified for teachers and meet the conditions as provided for in the Teachers Law of the PRC (《中華人民共和國教師法》) and the other relevant laws and regulations, and there shall be a definite number of full-time teachers in a private school, and in private schools offering academic qualifications education full-time teachers shall account for not less than one-third of the total number of the teachers.

Resonable Return

According to PRC laws and regulations, entities and individuals who establish private schools are commonly referred to as "school sponsors" rather than "owners" or "shareholders". The economic substance of "sponsorship" with respect of private schools is substantially similar to that of ownership in terms of legal, regulatory and tax matters. Private education is treated as a public welfare undertaking under the regulations. Nonetheless, school sponsors of a private school may choose to require "reasonable returns" from the annual net balance of the school after deduction of costs for school operations, donations received, government subsidies (if any), the reserved development fund and other expenses as required by the regulations.

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

The Amendment to the Law for Promoting Private Education

The Decision of the Standing Committee of the National People's Congress on Amending the Law for Promoting Private Education of the PRC (《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 "**Amendment**") has been promulgated by Order No. 55 of the President of the PRC on November 7, 2016 and came into force on September 1, 2017.

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

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

If the school sponsors of private schools established prior to the promulgation date of the Amendment choose to register and operate their schools as non-profit private schools, they shall procure the school to amend its articles of association in accordance with the Amendment and continue the school operation pursuant to such revised articles of association. Furthermore, upon the termination of such non-profit private schools, the government authority may provide compensation or reward to the school sponsors who have made capital contribution to such school from the remaining assets of such schools upon their liquidation and then apply the rest of the assets to the operation of other non-profit private schools. If the school sponsors of private schools established prior to the promulgation date of the Amendment choose to register and operate their schools as for-profit private schools, the schools shall go through some procedures including but without limitation to conducting financial settlement, defining the property right, paying relevant taxes and expenses and making renewed registration, the details of which shall be subject to concrete measures to be promulgated by the provincial, autonomous regional or municipal government.

In addition, the Amendment provides that, where an organization or individual establishes or operates a private school without authorization, it/he shall be ordered by the relevant administrative department of the government to cease operation of the school and return the fees collected, and shall be fined not less than one time but not more than five times of the amount of illegal gains. If a school sponsor's act is found to violate the administration of public security, the school sponsor shall be imposed a penalty by the public security authority according to the law. If a school sponsor's act constitutes a crime, the school sponsor shall be subject to criminal liabilities according to the law.

Pursuant to the Amendment, school sponsors of private school that are not engaged in compulsory education may choose to establish non-profit or for-profit private schools and will no longer be required to indicate whether they require reasonable returns or not requiring reasonable returns. School 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 school sponsors pursuant to the PRC Company Law and other relevant laws and regulations. School sponsors of non-profit private schools are not entitled to any distribution of profits or revenue from the non-profit schools they operate and all operation surpluses of the schools shall be used for the operation of the schools.

On December 29, 2016, the State Council issued the Several Opinions of the State Council on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education (《國務院關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見》) (the "**State Council Opinions**"), which require, among other things, to relax access to the operation of private schools and encourage social forces to enter the education industry. The State Council Opinions also provide that each level of the people's government shall increase its support to the private schools in terms of financial investment, financial support, autonomous policies, preferential tax treatments, land policies, fee policies, autonomous operation, and protection of teachers' and students' rights. The State Council Opinions further require each level of the people's government to improve its local policies on governmental support to for-profit and non-profit private schools by way of, among others, preferential tax treatments.

On December 30, 2016, the MOE, the MCA, the SAIC, the Ministry of Human Resources and Social Welfare and the State Commission Office of Public Sectors Reform jointly issued the Implementation Rules on the Classification Registration of Private Schools (《民辦學校分類登記實施細則》), reflecting the new classification system for private schools as set out in the Amendment. Pursuant to these implementation rules, if a private school established before promulgation of the Amendment chooses to register as a non-profit school, it shall amend its articles of association, continue its operation and complete the new registration process. If such a private school chooses to register as a for-profit school, it shall conduct the financial liquidation process, have the property rights of its assets such as lands, school buildings and net balance being authenticated by relevant governmental authorities. In addition, such private school shall pay relevant taxes, apply for a new Permit for Operating a Private School, re-register as a for-profit school and continue its operation. Specific provisions regarding the above registrations in Sichuan, Guizhou, Shanxi provinces are yet to be introduced.

On December 30, 2016, the MOE, the SAIC and the Ministry of Human Resources and Social Welfare jointly issued the Implementation Rules on the Supervision and Administration of For-profit Private Schools (《營利性民辦學校監督管理實施細則》), pursuant to which the establishment, division, merger and other material changes of a for-profit private school shall first be reported by the board of directors of the relevant school to the relevant authorities and approved by relevant approving organs, which may include the education authorities, the authorities in charge of labor and social welfare and the people's government at the provincial level, and subsequently be registered with the competent branch of the SAIC.

The General Regulations of Sichuan Province for the Amendment

On May 2, 2018, the Sichuan Department of Education, Sichuan Provincial Human Resources and Social Security Department, Sichuan Department of Civil Affairs, the Office of Organizational Structure Committee of Sichuan Provincial Party Committee of the Communist Party of China (中共四川省委編辦) and Sichuan Provincial Administration for Industry and Commerce jointly issued the Implementation Measures of Sichuan Province on the Classification Registration of Private Schools (《四川省民辦學校分類登記實施辦法》)(the "Sichuan Implementation Measures"), which will become effective after 30 days after the issuance and will be valid for five years. Pursuant to the Sichuan Implementation Measures, as long as the school does not provide compulsory education, school sponsors of the private schools are allowed to register and operate the schools as for-profit private schools or non-profit private schools. If a private school established before promulgation of the Amendment chooses to register as a non-profit school, it shall amend its articles of association and continue its operation. If such a private school chooses to register as a for-profit school, it shall conduct the financial settlement, clarify the assets, credits and debts, including contributions of the school sponsor, lands, buildings, accumulation of income, financial investments and social donations, pay relevant taxes, apply for a new Permit for Operating a Private School, re-register as a for-profit private school after completion of deregistration with its original registration authority and continue its operation.

On May 2, 2018, the Sichuan Department of Education, Sichuan Provincial Human Resources and Social Security Department, Sichuan Provincial Administration for Industry and Commerce jointly issued the Implementation Measures of Sichuan Province on the Supervision and Administration of For-profit Private Schools (《四川省營利性民辦學校監督管理實施辦法》)(the "Sichuan Implementation Measures for For-profit Private Schools"), which will become effective after 30 days after the issuance and will be valid for five years. Pursuant to Sichuan Implementation Measures for For-profit Private Schools, the establishment of private higher education institutions shall be contemplated under the provincial official plan for setting up higher education institutions, the scale of the schools shall be evaluated and approved according to their standards, operation conditions and number of majors. It also provides that, subject to market adjustments and government supervision of the competent authority, the tuition fees standard of for-profit private schools shall be determined by the schools at their own discretion.

Regulations on the Administration of Independent Colleges and Other Undergraduate Institutions

On August 29, 1998, the Standing Committee of the NPC (全國人大常務委員會) enacted the Higher Education Law of the PRC (《中華人民共和國高等教育法》, the "**Higher Education Law**"), which was amended by the Standing Committee of the NPC on December 27, 2015. The Higher Education Law sets forth provisions relating to the higher education systems of the PRC, including an education for academic qualifications system comprising special course education, regular course education and graduate programme, and a system of education for non-academic qualifications. On December 27, 2015, the Higher Education Law was amended (the "**amended Higher Education Law**"), which became effective on June 1, 2016. The amended Higher Education Law provides that the establishment or operation of higher education institutions may be for profit-making purposes. Furthermore, the amended Higher Education Law allows a higher education institution to raise funds via multiple channels. Where the parties running a higher education institution shall bear the bulk of investment, the persons receiving higher education shall bear the costs in a reasonable manner.

The MOE issued the Several Provisions on the Administration of Private Higher Education Institutions (《民辦高等學校辦學管理若干規定》) on February 3, 2007, which were amended on November 10, 2015, pursuant to which the conditions for running private higher education institutions shall conform to the establishment standards as prescribed by the state and the basic indicators for running public higher education institutions. The investors of a private higher education institution shall, under the Law for Promoting Private Education of the PRC and the Implementation Rules thereof, timely and fully perform the capital contribution obligation. No private higher education institution may engage in educational and teaching activities in any place other than that as specified in the Permit for Operating a Private School, or establish any branch, or rent or lend to others its Permit for Operation a Private School.

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

A social organization applying to be the school sponsor of an independent college shall be qualified as a legal person, with its registered capital no less than RMB50 million, its total assets no less than RMB300 million, net assets no less than RMB120 million and its asset-liability ration no more than 60%. Colleges and social organizations which intend to engage to set up an independent college shall enter into a cooperative agreement which contains the independent college's education aim, its cultivation goal, each party's investment sum and method of investment, the rights and obligations of each party, and other appropriate content. The application for the establishment of an independent college shall be subject to the approval by the MOE in accordance with the same procedures for the set-up of the higher education institutions engaging in undergraduate diploma education.

An independent college shall establish an executive council, a board of directors and other forms of decision-making bodies. The executive council or the board of directors shall be organized by the representative of the higher education institutions and social originations who are school sponsors of the independent colleges, the president, the representatives of the faculty and staff. No less than 2/5 of the members of the executive council or the board of the directors shall be the representative of the higher education institutions. The executive council or the board of directors shall consist of at least five persons, with one acting as the director-general of the executive council or chairman of the board of directors. Theirs names shall be reported to the examination and approval organ for record.

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

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

Vocational Education Law of the PRC

On September 1, 1996, Standing Committee of the National People's Congress (全國人民代表大會常務委員會) enacted the Vocational Education Law of the PRC (《中華人民共和國職業教育法》, the "**Vocational Education Law**") to regulate vocational education from all aspects. According to Vocational Education Law, vocational education is divided into two parts, namely, vocational school education and vocational training; and vocational school education is divided into three levels, including elementary, secondary and tertiary. The tertiary vocational education shall be provided either by tertiary vocational schools or by institutions of higher education. Students who have received education at a vocational school and passed the examinations administered by the school shall be issued a certificate of schooling. Students who have received vocational training provided by a vocational school or vocational training institution and passed the examinations administered by the school or vocational training institution shall be issued a certificate of training.

On August 14, 2006, Ministry of Labor and Social Security of the PRC enacted the Opinions of Ministry of Labor and Social Security on Several Issues about Promoting Senior Technical School and Technical College to Accelerate Fostering Senior Skilled Worker, pursuant to which the technical college is a part of tertiary vocational education, aiming at fostering technicians and senior skilled worker, and take responsibility for training and advanced studies of teachers of all kinds of vocational training institutions.

On January 31, 2012, Ministry of Human Resources and Social Security of the PRC enacted the Notice of Ministry of Human Resources and Social Security about Issuing the Establishment Standards of Technical Schools, pursuant to which technical colleges apply the Double Certification System, namely, students will get education certificates and vocational qualification certificates after graduation. According to the Notice, a technical college shall meet several establishment standards, such as the school scale, the area of the campus, the total value of equipment for practice and experiment, and the educational background, the professional qualification, the work duration of the principal and the number of cooperative enterprises. Specifically, the training scale of a technical college shall be more than 5,000 people. Among them, the number of students at school shall be no less than 3,000, and the annual number of vocational trainee shall be no less than 2,000. The land occupied by a technical college shall be no less than 100,000 sq.m. and the total gross floor area of buildings of a technical college shall be no less than 80,000 sq.m., of which the gross floor area for practice and experiment shall be more than 25,000 sq.m. A technical college shall configure equipment for practice and experiment with a total value no less than RMB 40,000,000. The principal and the vice principal responsible for teaching of a technical college shall obtain bachelor degrees or above and professional qualifications of senior professionals or senior technicians, and the principal shall have five years working experience of vocational education or vocational training or have worked in enterprises for five years. In a technical college, each specialty of preparatory technician (technician) or senior skilled worker shall have more than five cooperative enterprises.

According to the Opinions of Ministry of Human Resources and Social Security on Reform And Innovation about Promoting Technical Schools (《人力資源和社會保障部關於推進技工院校改革創新的若干意見》) issued by Ministry of Human Resources and Social Security of the PRC in 2014 and the Notice of Ministry of Human Resources and Social Security about Enrollment of Technical Schools in 2017 (《人力資源和社會保障部關於做好2017年技工院校招生工作的通知》) issued by Ministry of

Human Resources and Social Security of the PRC in 2017, human resources and social security departments shall strengthen coordination with education departments and incorporate technical colleges into the enrollment platform of higher vocational colleges. Ministry of Human Resources and Social Security of the PRC would use Skills China, a Wechat platform, to issue enrollment information of technical schools in each province from June to mid-July. Human resources and social security departments shall take the development of local technical schools into account to determine the enrollment scale of academic education, and shall ensure the national total enrollment scale of technical schools in 2017 no less than 1.2 million. Pursuant to relevant RPC laws and regulations, the pre-requisite requirements for student admissions for technical college shall include such technical college being established legally by obtaining a Permit for Operating a Private School and a Registration Certificate for Private Non-enterprise Legal Entity and obtaining the approval of enrollment scale from relevant government authority. According to the Notice on Establishment Standards for Technical Schools (Trial) (《關於印發技工院校設置標準(試行)的通知》) and the Opinions on Promoting the Training of Advanced Skilled Personnel in Advanced Technical School and Technical College (《關於推動高級技工學校技師學院加快培養高級技能人才有關問題的意見》), technical colleges shall focus on providing education training for advanced technicians and probationary technicians to meet the needs of modern production and service. Students that apply for advanced technicians program shall be the graduates from secondary vocational schools or shall have obtained the intermediate vocational qualification certificates. Students that apply for probationary technicians program shall be high school graduates or career schools and colleges graduates that have obtained the advanced vocational qualification certificates.

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

Pursuant to the Interim Measures for the Management of the Collection of Private Education Fees (《民辦教育收費管理暫行辦法》), which was promulgated by the NDRC, the MOE and the Ministry of Labor and Social Security (currently known as the Ministry of Human Resources and Social Security (中華人民共和國人力資源和社會保障部)) on March 2, 2005, the Notice on Further Regulating the Fees Charged by Private Higher Education Institutions (《關於進一步規範民辦高校收費管理的通知》) issued by Sichuan Department of Education (四川省教育廳) and Sichuan Development and Reform Commission (四川省發展和改革委員會) on October 8, 2013, and the Implementation Rules of the Interim Measures on Regulating the Fees Charged by Private Higher Education Providers in Shanxi Province (《山西省<民辦教育收費管理暫行辦法>實施細則》) issued by Shanxi Price Bureau (山西省物價局), Shanxi Department of Education (山西省教育廳) and the Shanxi Department of Labor and Social Security (currently known as the Shanxi Department of Human Resources and Social Security (山西省人力資源和社會保障廳)) on September 30, 2006, the types and amounts of fees charged by a private school providing academic qualifications education shall be examined and verified by the education authorities or the labor and social welfare authorities and approved by the governmental pricing authority, and the school shall obtain the Fee Charge Permit (收費許可證). A private school that provides non-academic qualifications education shall file its pricing information with the governmental pricing authority and publicly disclose such information. If a school raises its tuition levels without obtaining the proper approval or making the relevant filing with the relevant government pricing authorities, the school would be required to return the additional tuition fees obtained through the raise and become liable for compensation of any losses caused to the students in accordance with the relevant PRC laws.

According to the Notice on the Cancellation of the Fee Charge Permit System and Strengthening 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 issued jointly by the NDRC and the Ministry of Finance on January 9, 2015, the Fee Charge Permit certificate issuance and annual review system shall be cancelled nationwide from January 1, 2016. According to the Forward Notice on the Cancellation of the Fee Charge Permit System and Strengthening the Supervision (《關於轉發<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>的通知》), the Fee Charge Permit annual review shall be cancelled in Sichuan province, Guizhou province and Shanxi province from January 1, 2015. Furthermore, Fee Charge Permit certificates shall not be issued in Sichuan province and Shanxi province from February 1, 2015 and shall not be issued in in Guizhou province from July 1, 2015.

On October 12, 2015,the State Council and the Central Committee of the Communist Party of China jointly issued the Several Opinion of the Central Committee of the Communist Party of China and the State Council on Promoting the Price Mechanism Reform (中共中央、國務院關於推進價格機制改革的若干意見), which allows for-profit private schools to price on their own, while the tuition-collecting policies of non-profit private schools shall be determined by the provincial governments in a market-oriented manner and based on the local conditions.

On December 17, 2015, the Guizhou Development and Reform Commission (貴州省發展及改革委員會), the Guizhou Department of Education (貴州省教育廳) and the Guizhou Department of Human Resources and Social Security (貴州省人力資源和社會保障廳) jointly issued the Interim Measures on Regulating the Fees Charged by Private Education Providers (《規範民辦教育收費行為暫行辦法》), according to which, subject to the principles of fairness, openness, legitimacy and good faith, the private schools providing academic education are entitled to determine the education related fees on their own.

Pursuant to the above relevant regulations, services charges and fees collected-on-behalf should be publicly disclosed and paid on a voluntary and no-profit basis.

Regulations on Safety and Health Protection of Schools

Pursuant to the Food Safety Law of the PRC (《中華人民共和國食品安全法》), which was amended on April 24, 2015 and became effective on October 1, 2015, collective canteens of schools shall obtain licenses in accordance with the laws and strictly abide by the laws, regulations and food safety standards. Schools should only order meals from off-site providers that have obtained the relevant food production licenses and should conduct regular inspections on the meal provided.

In accordance with the Regulation on Hygiene Administration of School Canteens and Collective Dining of Students (《學校食堂與學生集體用餐衛生管理規定》), which was promulgated on September 20, 2002 and became effective on November 1, 2002, hygiene administration of school canteens and collective dining of students should (a) first and foremost follow a policy of precaution, and (b) observe the principles of being supervised and instructed by hygiene administrative department, being managed and inspected by education administrative department, and being executed by school. School canteens should keep the environment inside and outside clean and tidy, and strictly supervise the process of food procurement. Staff members and management personnel of canteens should master the basic requirements of food hygiene. The principal shall be responsible for the food safety of the school canteen, and full-time or part-time food hygiene management personnel shall be appointed.

According to the Circular on Strengthening Hygiene and Epidemic Prevention and Food Hygiene and Safety of Private Schools (《關於加強民辦學校衛生防疫與食品衛生安全工作的通知》), which was promulgated on April 29, 2006, private schools should pay high attention to and strengthen the school hygiene and epidemic prevention and the food hygiene and safety.

Pursuant to the Circular on Further Strengthening Food Safety of School Canteens (《關於進一步加強學校食堂食品安全工作的通知》) issued on August 11, 2011, school canteens are comprehensively required to carry out food safety self-inspection. Local food and drug administration at all levels are required to comprehensively strengthen supervision and inspection on food safety of school canteens before commencement of each term, and, before the commencement of every spring term and every autumn term, should consider school canteens as key point of supervision and strengthen the supervision and inspection. A school food safety responsibility system should be comprehensively carried out.

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

PRC LAWS AND REGULATIONS RELATING TO PROPERTY IN THE PRC

Mortgage and Pledge

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

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

Real Estate Ownership Certificate

Pursuant to the Interim Regulations on Real Estate Registration (《不動產登記暫行條例》), which was promulgated by the State Council on November 24, 2014, and took into effect on March 1, 2015, and the Detailed Rules of Implementation of the Interim Regulations on Real Estate Registration, which was issued by the Ministry of Land and Resources on January 1, 2016, the State shall adopt a unified real estate registration system, which means houses and other buildings and structures, as well as forests, woods and other fixtures shall be registered together with the land and sea waters to which they are attached, and their right holders shall be kept consistent. Registration of the matters for registration shall be deemed completed when such matters are recorded in a real estate register. Upon completion of registration, a real estate registration authority shall verify and issue the real estate ownership certificate or registration certificate to the applicant concerned pursuant to the law.

PRC LAWS AND REGULATIONS RELATING TO LABOUR PROTECTION

According to the Labor Law of the PRC (《中華人民共和國勞動法》), the "**Labor Law**"), which was promulgated by the Standing Committee of the NPC on July 5, 1994 and became effective on January 1, 1995 and was amended on August 27, 2009, an employer shall establish a comprehensive management system to safeguard the rights of its employees, including developing and improving its labor safety and health system, stringently implement national protocols and standards on labor safety and health, conducting labor safety and health education for workers, guarding against labor accidents and reducing occupational hazards. Labor safety and health facilities must comply with relevant national standards. An employer must provide employees with the necessary labor protection equipment that comply with labor safety and health conditions stipulated under national regulations, as well as provide regular health check for workers that engage in operations with occupational hazards. Laborers who engage in special operations shall have received specialized training and obtained the relevant qualifications. An employer shall develop a vocational training system. Vocational training funds shall be set aside and used in accordance with national regulations and vocational training for workers shall be carried out systematically based on the actual conditions of the company.

The Labor Contract Law (《勞動合同法》), 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 the Implementation Regulations on Labor Contract Law (《勞動合同法實施條例》), which was promulgated and became effective on September 18, 2008, regulate employer and employee relations and contain specific provisions on the terms of the labor contract. Labor contracts must be made in writing. An employer and an employee may enter into a fixed-term labor contract, a non-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching agreement upon due negotiations with the employee or by fulfilling the statutory conditions. Labor contracts concluded prior to the enactment of the Labor Law and subsisting within the validity period thereof shall continue to be honored.

According to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in the PRC shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees.

The Social Insurance Law (No.35 of the President) (《社會保險法》), which was promulgated on October 28, 2010 and became effective on July 1, 2011, has included pertinent provisions for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with the relevant laws and regulations on social insurance.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated and became effective on April 3, 1999, and was amended on March 24, 2002, employers are required to contribute, on behalf of their employees, to housing provident funds.

The employer shall process housing provident fund payment and deposit registrations with the housing provident fund administration center. The employer shall pay timely and deposit housing provident fund contributions in full. Any employer who violates the above regulations shall be fined and ordered to make good the deficit within a designated period. Those who fail to process their registrations within the designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When companies breach these regulations and fail to pay up housing provident fund contributions in full amount as due, the housing provident fund administration center shall order such companies to pay up within a designated period, and may further apply to the People's Court for mandatory enforcement against those who still fail to comply with such order after the expiry of such period.

PRC LAWS AND REGULATIONS RELATING TO TAX

Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), the "**EIT Law**"), which was promulgated on March 16, 2007 and became effective from January 1, 2008, and the Implementation Rules to the EIT Law (《中華人民共和國企業所得税法實施條例》), which was promulgated on December 6, 2007 and became effective from January 1, 2008 by the State Council, enterprises are classified as either resident enterprises or non-resident enterprises. The income tax rate for resident enterprises, including both domestic and foreign-invested enterprises shall typically be 25% commencing from January 1, 2008. An enterprise established outside China with its "de facto management body" located in China is considered a "resident enterprise", which means it can be treated as domestic enterprise for enterprise income tax purposes. A nonresident enterprise that does not have an establishment or place of business in China, or has an establishment or place of business in China but the income of which has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside China at the reduced rate of enterprise income tax of 10%.

According to Notice of the Ministry of Finance and the State Administration of Taxation on Tax Policies Relating to Education (《財政部國家税務總局關於教育税收政策的通知》), "**Circular 39**") and Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Strengthening the Administration over the Collection of Business Tax on Educational Services (《財政部、國家税務總局關於加強教育勞務營業税徵收管理有關問題的通知》, "**Circular 3**"), schools are exempt from enterprise income tax on fees they collect if they receive approval from the relevant tax authority and have incorporated under the fiscal budget management or the special account management outside the fiscal budget. Schools are exempt from enterprise income tax on the financial allocations they have received and special subsidies they have obtained from their administrative departments or institutions at higher levels.

According to the Law for Promoting Private Education and its implementing rules, a private school that does not require reasonable returns enjoys the same preferential tax treatment as public schools, whereas the preferential tax treatment policies applicable to private schools that require reasonable returns are separately formulated by the relevant authorities under the PRC State Council.

According to the Amendment, private schools will be entitled to preferential tax treatments, among which non-profit private schools will be entitled to the same preferential tax treatment as public schools, and taxation policies for for-profit private schools after the Amendment takes effect are yet to be announced.

Income Tax in relation to Dividend Distribution

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》), the "**Double Tax Avoidance Arrangement**") on August 21, 2006. According to the Double Tax Avoidance Arrangement, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds no less than 25% equity interests in the aforesaid enterprise, the tax levied is 5% of the distributed dividends. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests in the PRC company.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) promulgated by the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局, the "**SAT**") and became effective on February 2, 2009, all of the following requirements must be satisfied for a Chinese resident company to enjoy the preferential tax rates provided under the tax agreements: (i) such a fiscal resident who obtains dividends should be a company as defined in the tax agreement; (ii) the equity and voting interests in the Chinese resident company directly owned by such fiscal resident must reach a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such fiscal resident, at any time during the 12 months prior to the payment of the dividends, must reach a specified percentage.

Pursuant to the Administrative Measures for Tax Agreements Treatment for Non-resident Taxpayers (《非居民納稅人享受稅收協定待遇管理辦法》), which became effective on November 1, 2015, a non-resident taxpayer meeting conditions for the tax agreement treatment may obtain this treatment when filing a tax return or making a withholding declaration through a withholding agent, subject to the administrative policies of the tax authorities.

Value-added Tax

According to the Temporary Regulations on Value-added Tax (《增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and was amended on November 10, 2008 and February 6, 2016, and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax (《增值稅暫行條例實施細則》), which was promulgated by the MOF and came into effect on December 25,1993, and was amended on December 15, 2008 and October 28, 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax.

Furthermore, according to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (《營業稅改徵增值稅試點方案》), which was promulgated by the MOF and the SAT and came into effect on January 1, 2012, the State began to launch taxation reforms in a gradual manner. The collection of value added tax in lieu of business tax items was implemented on a trial basis and has not been implemented in education consulting service industries. According to the Circular on Comprehensively Promoting the Pilot Programme 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》, "**Circular 36**"), which was promulgated on March 23, 2016 and became effective from May 1, 2016, education services provided by schools engaged in diploma education shall be exempted from VAT. Circular 36 stipulates that income from the provision of education services that is exempted from VAT refers to the income from the provision of degree education services for student enrolled within the officially prescribed admission plans, including: income from tuitions, accommodation fees, textbook fees, exercise-book fees, and exam entry fees that are examined and approved by the relevant government authorities and charged according to the prescribed standards, as well as income from boarding fees for catering services provided by school canteens. Except for the aforesaid income, income from the sponsorship fees and school-selection fees charged by schools is not exempted from VAT.

Other Tax Exemptions

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

PRC LAWS AND REGULATIONS RELATING TO COMPANIES

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》), the "**PRC Company Law**"), which was promulgated on December 29, 1993 and amended on December 25, 1999, August 28, 2004, October

27, 2005 and December 28, 2013. Under the PRC Company Law, companies are generally classified into two categories: limited liability companies and limited companies by shares. The PRC Company Law also applies to foreign-invested limited liability companies but where other relevant laws regarding foreign investment have provided otherwise, such other laws shall prevail.

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

PRC LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Rules of the PRC (《中華人民共和國外匯管理條例》), the "**Foreign Exchange Administration Rules**"). These were promulgated by the State Council of the PRC on January 29, 1996 and with effect from April 1, 1996 and were amended on January 14, 1997 and August 5, 2008. Under these rules, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China, unless the prior approval of the SAFE or its local counterparts is obtained.

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

According to the Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), "**Circular 37**"), which was promulgated on July 14, 2014 and with effect from the same day, the domestic resident shall be required to register with the local branch of SAFE for foreign exchange registration of overseas investments before contributing the domestic and overseas lawful assets or interests to a SPV, and to update such registration in the event of any change of basic information of the registered SPV or major change in the SPV's capital, including increases and decreases of capital, share transfers, share swaps, mergers or divisions. The SPV is defined as an "offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and individual resident) with their legally owned assets and equity of the domestic enterprise, or legally owned offshore assets or equity, for the purpose of investment and financing"; "Round Trip Investments" refer to "the direct investment activities carried out by a domestic resident directly or indirectly via an SPV, i.e. establishing a foreign-invested enterprise or project within the PRC through a new entity, merger or acquisition and other ways, while obtaining ownership, control, operation and management and other rights and interests". In addition, according to the procedural guidelines as attached to the Circular 37, the principle of review has been changed to "the domestic individual resident is only required to register the SPV directly established or controlled (first level)".

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

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》, "**Circular 19**"), which came into effect from June 1, 2015. According to Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretional Foreign Exchange Settlement ("**Discretional Foreign Exchange Settlement**"). The Discretional Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) and can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined to be 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and proceed with the review process with the banks.

Furthermore, Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes:

1. directly or indirectly used for the payment beyond the business scope of the enterprises or the payment as prohibited by relevant laws and regulations;

2. directly or indirectly used for investment in securities unless otherwise provided by the relevant laws and regulations;

3. directly or indirectly used for granting the entrust loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in Renminbi that have been sub-lent to the third party; and

4. directly or indirectly used for expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》, or "**Circular 16**"), on June 9, 2016, which became effective simultaneously. Pursuant to Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to Renminbi on self-discretionary basis. Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on self-discretionary basis which applies to all enterprises registered in the PRC. Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted Renminbi shall not be provided as loans to its non-affiliated entities.

Regulations on Loans to and Direct Investment in the PRC Entities by Offshore Holding Companies

According to the Implementation Rules for the Provisional Regulations on Statistics and Supervision of Foreign Debt (《外債統計監測實施細則》) promulgated by SAFE on September 24, 1997 and the Interim Provisions on the Management of Foreign Debts (《外債管理暫行辦法》) promulgated by SAFE, the NDRC and the MOF and effective from March 1, 2003, loans by foreign companies to their subsidiaries in China, which accordingly are foreign-invested enterprises, are considered foreign debt. Pursuant to the Measures for the Administration of Foreign Debt Registration issued by SAFE on April 28, 2013 and the Notice on Matters concerning the Macro-Prudential Administration of Full Covered Cross-Border Financing issued by the People's Bank of China on January 11, 2017, the total amount of accumulated medium-term and long-term foreign debt and the balance of short-term debt borrowed by a foreign-invested enterprise is subject to a upper limit calculated based on a statutory formula, and the foreign-invested enterprise is required to file with SAFE after entering into relevant foreign debt contract and within at least three business days before drawing any money from the foreign debt.

According to applicable PRC regulations on foreign-invested enterprises, capital contributions from a foreign holding company to its PRC subsidiaries, which are considered foreign-invested enterprises, must file with the MOFCOM or its local counterpart in connection with the increase of its registered capital.

SAFE Regulations on Employee Share Options

The Administration Measures on Individual Foreign Exchange Control (《個人外匯管理辦法》) were promulgated by the PBOC on December 25, 2006, and their Implementation Rules (《個人外匯管理辦法實施細則》), issued by the SAFE on January 5, 2007, became effective on February 1, 2007. Under these regulations, all foreign exchange matters involved in employee stock ownership plans and stock option plans participated in by onshore individuals, among others, require approval from the SAFE or its authorized branch. Furthermore, the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas

Publicly-Listed Companies (《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》) (the "**Stock Option Rules**"), were promulgated by SAFE on February 15, 2012, which replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly-Listed Companies (《境內個人參與境外上市公司員工持股計劃和認股期權計畫等外匯管理操作規程》) issued by SAFE on March 28, 2007. Pursuant to the Stock Option Rules, PRC residents who are granted shares or stock options by companies listed on overseas stock exchanges based on the stock incentive plans are required to register with SAFE or its local branches, and PRC residents participating in the stock incentive plans of overseas listed companies shall retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plans on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, purchase and sale of corresponding stocks or interests, and fund transfer. In addition, the PRC agents are required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agents or the overseas entrusted institution or other material changes. The PRC agents shall, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, the PRC agents shall file the form for record-filing of information of the domestic individuals participating in the stock incentive plans of overseas listed companies with SAFE or its local branches on a quarterly basis.

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

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

STATUTES AND REGULATIONS ON PRIVATE POSTSECONDARY EDUCATION IN THE STATE OF CALIFORNIA

California Private Postsecondary Education Act

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

The Bureau for Private Postsecondary Education ("**BPPE**") came into existence on 1 January 2010 following the passage of the California Private Postsecondary Education Act. The BPPE was created primarily to regulate private postsecondary education institutions operating in California.

Pursuant to the California Private Postsecondary Education Act, a private postsecondary education institution in California must seek approval to operate from the BPPE by demonstrating that the education institution satisfies the minimum operating standards prescribed by the BPPE under the applicable provisions of the California Private Postsecondary Education Act and regulations promulgated thereunder.

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

Formal application is made to the BPPE for approval to operate a private postsecondary education institution. After submission of the Application for Approval to Operate ("**Application**") to the BPPE by an education institution together with the required documentation and fees, the BPPE first reviews the completeness of the Application. After the BPPE is satisfied with the completeness of the Application, the Application then is put before a BPPE analyst for compliance review. Once the BPPE has completed its review and has determined that the education institution is in compliance with all of the applicable requirements, the BPPE issues the approval to operate.

In order to be approved by the BPPE, pursuant to the California Private Postsecondary Education Act and applicable regulations, an education institution offering one or more degrees, if it is not already accredited by an agency recognised by the U.S. Department of Education, must submit an Accreditation Plan for the institution to become fully accredited. Upon its review of the Application and its approval of the Accreditation Plan, the BPPE will issue to the education institution a Provisional Approval to operate until full accreditation is achieved. During the period of Provisional Approval, the education institution may not offer more than two degree programmes, and there are other legal requirements and restrictions during this period. Within the first two years of issuance of Provisional Approval, the BPPE will empanel a visiting committee who will make a recommendation regarding the education institution's progress towards achieving full accreditation, and the institution must provide evidence of accreditation candidacy or pre-accreditation status within two years of the issuance of the Provisional Approval.

Accrediting Commission of Career Schools and Colleges (ACCSC) accredits postsecondary, non-degree-granting institutions and degree-granting institutions, including those granting associate, baccalaureate, and master's degrees that are predominantly organized to educate students in career-oriented areas of study to include institutions that offer distance education. ACCSC is recognized by the U.S. Department of Education to accredit these same institutions.

The accreditation process is the cornerstone of ACCSC's ability to continually ensure the high quality of education offered by its accredited institutions. Through the accreditation process, ACCSC assesses the effectiveness of an institution's educational programs by evaluating the infrastructure that supports the delivery of programs as well as educational outcomes, including the rates of student achievement such as student graduation and graduate employment.

To become accredited, an institution must make an intensive study of its own operations, open its doors to a thorough inspection by ACCSC-appointed examining committee, supply all information required by the Accrediting Council, and submit its instructional materials for a thorough review by competent subject matter specialists.

OVERVIEW

We commenced operation in 2005 and established our first school, Southwest Jiaotong University Hope College, in Sichuan, China in 2009. Our Group is mainly funded by our founder, Mr. Wang Huiwu, with his own financial resources accumulated from operating vocational education business. For the biography of our founder, see "Directors and Senior Management". Through near a decade of development, we are now the second largest private higher education group in China in terms of number of students enrolled for higher education as of December 31, 2017, according to the Frost & Sullivan Report. As of March 31, 2018, we owned and operated nine schools, including eight higher education schools and one technical school. The total number of students in our schools is 86,498 for the 2017/2018 school year.

KEY MILESTONES

The following illustrates our major development milestones:

Year	Event
2009	Southwest Jiaotong University Hope College was established under the cooperation among Southwest Jiaotong University (西南交通大學), West Hope and our Group.
2011	Our Group acquired 70% interest in Sichuan Tianyi College.
2013	Sichuan Hope Automotive Vocational College was established.
2014	Business College of Guizhou University of Finance and Economics commenced operation under the cooperation between Guizhou University of Finance and Economics (貴州財經大學) and our Group.
	Sichuan Hope Automotive Vocational College entered into a cooperation agreement with the Department of Automobile Engineering of Tsinghua University (清華大學汽車工程系), pursuant to which our teachers can receive training on teaching at the Department of Automobile Engineering of Tsinghua University (清華大學汽車工程系).
	Our Group acquired the entire interest in Sichuan Vocational College of Culture & Communication.
	Our Group acquired the entire interest in Jinci College of Shanxi Medical University.
2016	China Everbright Limited (中國光大控股有限公司) ("**CEL**") became our shareholder.
	Our Group acquired the remaining 30% interest in Sichuan Tianyi College.
	Guizhou Vocational Institute of Technology was established.
	Sichuan Hope Automotive Technical College was established.

2017	Our Group acquired the entire interest in Sichuan TOP IT Vocational Institute.
	Sichuan Tianyi College's application for becoming undergraduate institution has been included in the "13th Five-Year Plan" of Sichuan education development by Sichuan Education Commission.
	Zhuhai Maiwen advanced RMB600 million to us, among which RMB200 million is convertible into interest in Hope Education and our Company. It is expected that Zhuhai Maiwen will hold 3.57% in our Company upon completion of the Global Offering (without taking into account any Shares that may be issued under the Over-allotment Option and the 2018 Pre-IPO Share Option Scheme).

OUR CORPORATE HISTORY

We are a holding company incorporated in the Cayman Islands and conduct our operations primarily through a series of contractual arrangements. The principal changes to the corporate structure of our Company, our subsidiaries and our Consolidated Affiliated Entities since our establishment are described below. For further information regarding the contractual arrangements, see "Contractual Arrangements".

Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on March 13, 2017 with an authorised share capital of US$50,000 divided into 50,000 Shares with par value of US$1.00 each. On January 30, 2018, each share of a par value of US$1.00 in the authorised share capital of our Company was subdivided into 100,000 shares of a par value of US$0.00001 each, such that following such share subdivision, the authorised share capital of our Company was US$50,000 divided into 5,000,000,000 shares of a par value of US$0.00001 each. Hope Education Investment Limited, Future China Investment Co., Ltd., Star Leap Limited and Pearl Glory Global Limited holds 43,480,000 Shares, 65,000 Shares, 2,110,000 Shares and 4,345,000 Shares, respectively. Hope Education Investment Limited is a holding vehicle of the existing shareholders of Hope Education (which holds our Consolidated Affiliated Entities), wherein the other three entities are holding vehicles of our pre-IPO investors. For their respective shareholding, see "— Our Consolidated Affiliated Entities — Reorganization of Our Consolidated Affiliated Entities", "— Group Structure" and " — Our Corporate History — Pre-IPO Investments".

Our Subsidiaries

Hope Education Group (Hong Kong) Company Limited (希望教育集團(香港)有限公司)

Hope Education Group (Hong Kong) Company Limited (希望教育集團(香港)有限公司) was incorporated as a limited liability company under the laws of Hong Kong on March 10, 2017, and is a wholly-owned subsidiary of our Company.

WFOE

Horgos Tequ Mayflower Information Technology Co., Ltd. (霍爾果斯特驅五月花信息科技有限公司) was established on January 19, 2018 as a wholly foreign-owned enterprise under the laws of the PRC by Hope Education Group (Hong Kong) Company Limited (希望教育集團(香港)有限公司) with a registered capital of RMB50 million.

Sichuan Tequ Mayflower Education Management Co., Ltd. (四川特驅五月花教育管理有限公司) ("Tequ Mayflower WFOE")

Tequ Mayflower WFOE was established on April 8, 2018 as a wholly foreign-owned enterprise under the laws of the PRC by Hope Education Group (Hong Kong) Company Limited with a registered capital of RMB50 million.

Our Consolidated Affiliated Entities

Hope Education

Hope Education was established under the PRC laws on January 12, 2005 with an initial registered capital of RMB20 million. Wang Huiwu (汪輝武) held 76% interest in Hope Education and each of Wang Huiming (汪輝明), Wang Huiliang (汪輝良), Wang Huijun (汪輝君) and Wang Huiqin (汪輝琴) (siblings of Wang Huiwu (汪輝武) and hence, connected persons of our Company) held 6% interest in Hope Education. The following table sets out the shareholding changes of Hope Education since its establishment:

December 2006	Wang Huiming (汪輝明), Wang Huiliang (汪輝良), Wang Huijun (汪輝君) and Wang Huiqin (汪輝琴) transferred their respective 5% interests in Hope Education to Wang Huiwu (汪輝武) for nominal consideration.
September 2007	Wang Huiming (汪輝明), Wang Huiliang (汪輝良), Wang Huijun (汪輝君) and Wang Huiqin (汪輝琴) transferred their respective remaining 1% interest in Hope Education to Wang Huiwu (汪輝武) for nominal consideration.
October 2007	We introduced West Hope as our shareholder to leverage on its brand name in China. After the capital injection of RMB4.5 million to the registered capital by Wang Huiwu (汪輝武) and RMB25.5 million to the registered capital by West Hope, the registered capital of Hope Education was increased from RMB20 million to RMB50 million. Following the capital injection, Wang Huiwu (汪輝武) and West Hope held 49% and 51% interest in Hope Education, respectively.

August 2011	Wang Huiwu (汪輝武) transferred his 49% interest in Hope Education to Chengdu Mayflower Investment Management Limited (成都五月花投資管理有限公司) ("**Chengdu Mayflower Investment Management**") for nominal consideration.
May 2015	West Hope transferred its 51% interest in Hope Education to its subsidiary Sichuan Tequ Investment at the consideration of RMB51 million, which was determined after arm's lengths negotiations among the parties based on the then registered capital of Hope Education.
June 2016	Yixing CEL invested RMB300 million in Hope Education. The investment amount was determined after arm's length negotiations between the parties with reference to the valuation of Hope Education. After the injection of registered capital, the registered capital of Hope Education was increased from RMB50 million to RMB57.5 million. Following the investment, Chengdu Mayflower Investment Management, Sichuan Tequ Investment, and Yixing CEL held 42.61%, 44.35% and 13.04% interest in Hope Education, respectively.
February 2017	Yixing CEL transferred its interest in Hope Education to its affiliates, namely, 8.69% to CEL Maiming at a consideration of RMB207 million and 4.35% to Guangwei Qinghe at a consideration of RMB100 million. The considerations were determined at initial investment cost.
August 2017(1)	Pursuant to the Original Zhuhai Maiwen Investment Agreement, Zhuhai Maiwen advanced RMB600 million to Hope Education on August 22, 2017, of which RMB200 million will be converted into approximately 4.762% of the enlarged issued share capital of Hope Education and our Company. The conversion in respect of Hope Education has been completed in June 2018 and the conversion in respect of our Company will be completed prior to the Listing. For more details, see "— Pre-IPO Investments — Everbright Pre-IPO Investment" below.

Note:

(1) Representing the time of advancement of RMB600 million by Zhuhai Maiwen

Immediately following the shareholding changes set out above but prior to the division as set out in "— Our Consolidated Affiliated Entities — Reorganization of Our Consolidated Affiliated Entities," the registered capital of Hope Education was RMB57.5 million and its shareholders and their corresponding shareholdings were as follows:

Name	Shareholding
Sichuan Tequ Investment	44.35%
Chengdu Mayflower Investment Management	42.61%
CEL Maiming	8.69%
Guangwei Qinghe	4.35%

For further details of shareholding, registered capital and principal business of Hope Education as of the Latest Practicable Date, see "— Our Consolidated Affiliated Entities — Reorganization of Our Consolidated Affiliated Entities".

For shareholdings and/or interest in Sichuan Tequ Investment, Chengdu Mayflower Investment Management, CEL Maiming and Guangwei Qinghe, see "— Our Consolidated Affiliated Entities — Reorganization of our Consolidated Affiliated Entities." For shareholdings and/or interest in Zhuhai Maiwen, see "— Group Structure — Immediately prior to the Global Offering".

Our Schools

The date of commencement of classes under our management, registered capital as of the Latest Practicable Date, the school sponsors and education programs of each of our schools are shown below:

No.	Name	Date of commencement of classes under our management	Registered capital as of the Latest Practicable Date	School sponsors	Education programs
1.	Southwest Jiaotong University Hope College[2]	September, 2009	RMB300 million	Southwest Jiaotong University (西南交通大學);	Bachelor's degree program;
				West Hope; Sichuan Guojian Investment Limited (四川省國建投資有限公司) ("Sichuan Guojian")	Junior college diploma program
2.	Business College of Guizhou University of Finance and Economics[1 2]	September, 2014	RMB50 million	Guizhou University of Finance and Economics (貴州財經大學);	Bachelor's degree program;
				Hope Education	

No.	Name	Date of commencement of classes under our management	Registered capital as of the Latest Practicable Date	School sponsors	Education programs
3.	Jinci College of Shanxi Medical University[2]	September, 2014	RMB5 million	Shanxi Medical University (山西醫科大學);	Bachelor's degree program;
				Taiyuan Xudong Technology Development Limited (太原旭東科技發展有限公司) ("**Taiyuan Xudong**")	Junior college diploma program
4.	Sichuan Hope Automotive Technical College	September, 2017	RMB20 million	Ziyang Maysunshine Education Investment Limited (資陽五月陽光教育投資有限公司) ("**Ziyang Maysunshine**")	Technical education program
5.	Sichuan TOP IT Vocational Institute	September, 2017	RMB5 million	Hope Education	Junior college diploma program
6.	Sichuan Tianyi College	September, 2011	RMB23,309,508	Shanghai Shurui Investment Consultant Limited	Junior college diploma program
7.	Sichuan Hope Automotive Vocational College	September, 2013	RMB20 million	Hope Education	Junior college diploma program
8.	Sichuan Vocational College of Culture & Communication	September, 2014	RMB20 million	Sichuan Yonghe Education Investment Limited (四川永和教育投資有限公司) ("**Sichuan Yonghe**")	Junior college diploma program
9.	Guizhou Vocational Institute of Technology	September, 2016	RMB20 million	Hope Education	Junior college diploma program

Notes:

(1) On April 16, 2014, Hope Education acquired the school sponsor's right in Business College of Guizhou University of Finance and Economics from Guizhou University of Finance and Economics (貴州財經大學), an Independent Third Party, at the consideration of RMB100 million, which was determined after arm's length negotiations between the parties with reference to the value of goodwill and other intangible assets.

(2) The school is jointly sponsored by the related cooperating public university and Hope Education or our related education investment platform, each of whom enjoys and bears their respective rights and obligations in accordance with the applicable PRC laws, the articles of association of the school and the terms of their cooperation agreement. For more details of our education investment platforms. See "— Our Education Investment Platforms".

Our Education Investment Platforms

We operate our schools mainly through Hope Education and our education investment platform companies that we acquired or established, on which we serve as the school sponsor of our schools.

Acquired Education Investment Platforms

Sichuan Guojian

Sichuan Guojian was established under the PRC laws on October 27, 2004. Before we acquired Sichuan Guojian, to the best of our knowledge, Sichuan Guojian had already been in discussion with Southwest Jiaotong University (西南交通大学) on joint cooperation in operating schools. On December 12, 2007, with a view to collaborating with Southwest Jiaotong University (西南交通大學), Hope Education acquired the entire equity interest in Sichuan Guojian from its founders, who are Independent Third Parties, at a consideration of RMB60 million, which was determined after arm's length negotiations among the parties with reference to the registered capital of Sichuan Guojian.

On December 26, 2007, Hope Education transferred 90% interest in Sichuan Guojian to Chengdu Meihao Property Development Limited (成都美好房屋開發有限公司), another subsidiary of West Hope which was in a better financial condition to implement the abovementioned collaboration with Southwest Jiaotong University at the time, at a consideration of RMB54 million. The consideration was determined after arm's lengths negotiations among the parties with reference to the registered capital of Sichuan Guojian.

On January 25, 2008, Chengdu Meihao Property Development Limited (成都美好房屋開發有限公司) transferred its 90% interest in Sichuan Guojian to West Hope as part of the internal business delineation of West Hope and its subsidiaries. The consideration was RMB54 million, which was determined after arm's length negotiations among the parties with reference to the registered capital of Sichuan Guojian.

With a view to achieving synergy by integrating the education business under West Hope in light of the development of Hope Education and to leverage on the industry experience of one of the founders of Sichuan Guojian, on August 16, 2010, West Hope entered into an agreement respectively with Hope Education and the relevant founder of Sichuan Guojian, who is an Independent Third Party, to transfer its 75% interest in Sichuan Guojian to Hope Education and its 15% interest in Sichuan Guojian to such founder of Sichuan Guojian at the consideration of RMB45 million and RMB9 million, respectively, which was determined after arm's length negotiations among the parties with reference to the registered capital of Sichuan Guojian.

On April 23, 2012, the relevant founder of Sichuan Guojian exited and transferred his 15% interest in Sichuan Guojian to Hope Education at the consideration of RMB9 million, which was determined after arm's length negotiations among the parties with reference to the registered capital of Sichuan Guojian.

West Hope is a member of the group of our Controlling Shareholders. For the shareholding structure of West Hope, see "Reorganization of Our Consolidated Affiliated Entities". Chengdu Meihao Property Development Limited (成都美好房屋開發有限公司) is a wholly-owned subsidiary of West Hope and hence a connected person of the Company.

As of the Latest Practicable Date, Sichuan Guojian is our wholly-owned subsidiary with registered capital of RMB60 million. The principal activity of Sichuan Guojian is education investment.

Taiyuan Xudong

Taiyuan Xudong was established under the PRC laws on February 10, 2004. On October 10, 2014, We acquired Taiyuan Xudong from Independent Third Parties at a consideration of RMB50 million, which was determined after arm's length negotiations between the parties with reference to the value of goodwill and other intangible assets.

As of the Latest Practicable Date, Taiyuan Xudong is our wholly-owned subsidiary with registered capital of RMB10 million. The principal activity of Taiyuan Xudong is education investment.

Shanghai Shurui Investment Consultant Limited

Shanghai Shurui Investment Consultant Limited was established under the PRC laws on February 29, 2008, and directly holds 70% interest in Sichuan Tianyi College. The remaining 30% interest in Sichuan Tianyi College was originally held by two Independent Third Parties who are related parties of the then shareholders of Shanghai Shurui Investment Consultant Limited. In 2011, we have agreed with the relevant parties to acquire the entire interest in Sichuan Tianyi College at a total consideration of RMB110 million, which was determined after arm's length negotiations among the parties with reference to the total assets of Sichuan Tianyi College. The acquisition comprises two steps: (i) on September 2, 2011, Chengdu Red May Film Production Advertising Limited (成都紅五月影視製作廣告有限責任公司), a then subsidiary of Hope Education, acquired the entire interest in Shanghai Shurui Investment Consultant Limited from its then shareholders, who are Independent Third Parties, and settled the initial installment of RMB10 million; and (ii) on October 30, 2015, we acquired the remaining 30% interest of Sichuan Tianyi College and settled the remaining RMB100 million, after which the total consideration for the acquisition of the entire interest in Sichuan Tianyi College was settled in full.

On January 3, 2017, Chengdu Red May Film Production Advertising Limited (成都紅五月影視製作廣告有限責任公司) transferred its entire interest in Shanghai Shurui Investment Consultant Limited to Hope Education at a consideration of RMB6.46 million, which was determined after negotiations between the parties with reference to the net asset value of Shanghai Shurui Investment Consultant Limited.

As of the Latest Practicable Date, Shanghai Shurui Investment Consultant Limited is our wholly owned subsidiary with registered capital of RMB10 million. The principal activity of Shanghai Shurui Investment Consultant Limited is education investment.

Sichuan TOP Education Co., Ltd. (四川托普教育股份有限公司)

Sichuan TOP Education Co., Ltd. (四川托普教育股份有限公司) was established under the PRC laws on June 28, 2000. On December 20, 2017, we acquired Sichuan TOP Education Co., Ltd. (四川托普教育股份有限公司) from Independent Third Parties at a consideration of RMB1,000 million, which was determined after arm's length negotiations between the parties with reference to the valuation report issued by an Independent Third Party. As part of the acquisition arrangements with respect to Sichuan TOP IT Vocational Institute, we agreed to provide Chengdu Wuhou Guixi Property Development Company Limited, which was controlled by the previous ultimate shareholder of Sichuan TOP IT Vocational Institute, a loan with total amount of RMB450.0 million. For the three months ended March 31, 2018, we provided the loan of RMB125.8 million with bearing interest at a rate of 15% per annum for a term of two years. See "Financial Information — Discussion of Key Balance Sheet Items — Assets — Prepayments, Deposits and Other Receivables" for more details.

As of the Latest Practicable Date, Hope Education and Sichuan Yonghe hold 99.00% and 1.00% interest in Sichuan TOP Education Co., Ltd. (四川托普教育股份有限公司) and it has a registered capital of RMB150 million. The principal activity of Sichuan TOP Education Co., Ltd. (四川托普教育股份有限公司) is education investment.

Sichuan Yonghe

Sichuan Yonghe was established under the PRC laws on May 31, 2002. On March 28, 2014, we acquired Sichuan Yonghe from Independent Third Parties, at a consideration of RMB150 million, which was determined after arm's length negotiations between the parties with reference to the value of goodwill and total assets.

As of the Latest Practicable Date, Sichuan Yonghe is our wholly owned subsidiary with registered capital of RMB20 million. The principal activity of Sichuan Yonghe is education investment.

Jiexing Huilv

Jiexing Huilv was established under the PRC laws on September 9, 2010. In order to enhance our strengths in provision of undergraduate education and as part of our business expansion plan in Guizhou province, we acquired the 70% interest in Jiexing Huilv, whose sole business is the holding of the school sponsor's right to operate College of Science and Technology of Guizhou University, from an Independent Third Party on September 6, 2016. The total consideration was RMB59.5 million, which was determined after arm's length negotiations between the parties with reference to the value of goodwill and other intangible assets. The new campus was under construction for the period from the acquisition to 2017 and we started operation with the first class of 2,556 students admitted in September 2017 until the disposal. For the year ended December 31, 2017, the College of Science and Technology of Guizhou University generated a revenue of RMB13,524,000, which represented 1.8% of the total revenue of the Group during the same period.

On March 7, 2018, Hope Education and Chengdu Maysunshine Education Management Co., Ltd. (成都五月陽光教育管理有限公司) ("**Maysunshine Education Management**"), a wholly-owned subsidiary of Hope Education, entered into an equity transfer agreement, pursuant to which Hope Education transferred its 70% interests in Jiexing Huilv to Maysunshine Education Management at a consideration of RMB70 million, which was determined based on investment cost with reference to the valuation by an Independent Third Party appraiser. The transfer was completed on March 16, 2018.

On March 19, 2018, we entered into an equity transfer agreement with Sichuan Tequ Education, which is a connected person of our Company. According to the agreement, Sichuan Tequ Education shall acquire the entire interest in Maysunshine Education Management from Hope Education at a consideration of RMB70 million, which was determined with reference to Hope Education's original acquisition costs. The transfer was completed on March 19, 2018 and upon the completion of the transaction, Sichuan Tequ Education holds 70% of the interest in Jiexing Huilv.

We disposed Jiexing Huilv since we cannot control or consolidate the financial statements of The College of Science and Technology of Guizhou University due to various arrangements between Jiexing Huilv and Guizhou University (貴州大學), the other school sponsor of The College of Science and Technology of Guizhou University, as a result of which we do not have the requisite majority on the board of directors of The College of Science and Technology of Guizhou University to approve major decisions of The College of Science and Techonology of Guizhou University. For further details, see "Relationship with Controlling Shareholders — Independence from Controlling Shareholders — Delineation of Business — Operation".

Established Education Investment Platforms

Ziyang Maysunshine

Ziyang Maysunshine was established by us under the PRC laws on November 9, 2012.

As of the Latest Practicable Date, Ziyang Maysunshine is our wholly owned subsidiary with registered capital of RMB5 million. The principal activity of Ziyang Maysunshine is education investment.

Fuquan Mayflower Education Investment Limited (福泉五月花教育投資有限公司)

Fuquan Mayflower Education Investment Limited (福泉五月花教育投資有限公司) was established by us under the PRC laws on September 18, 2012.

As of the Latest Practicable Date, Fuquan Mayflower Education Investment Limited (福泉五月花教育投資有限公司) is our wholly owned subsidiary with registered capital of RMB5 million. The principal activity of Fuquan Mayflower Education Investment Limited (福泉五月花教育投資有限公司) is education investment.

Reorganization of Our Consolidated Affiliated Entities

In order to streamline our shareholding structure and to delineate operations that are not related to higher education from our Group, we undertook the following reorganization of our Consolidated Affiliated Entities.

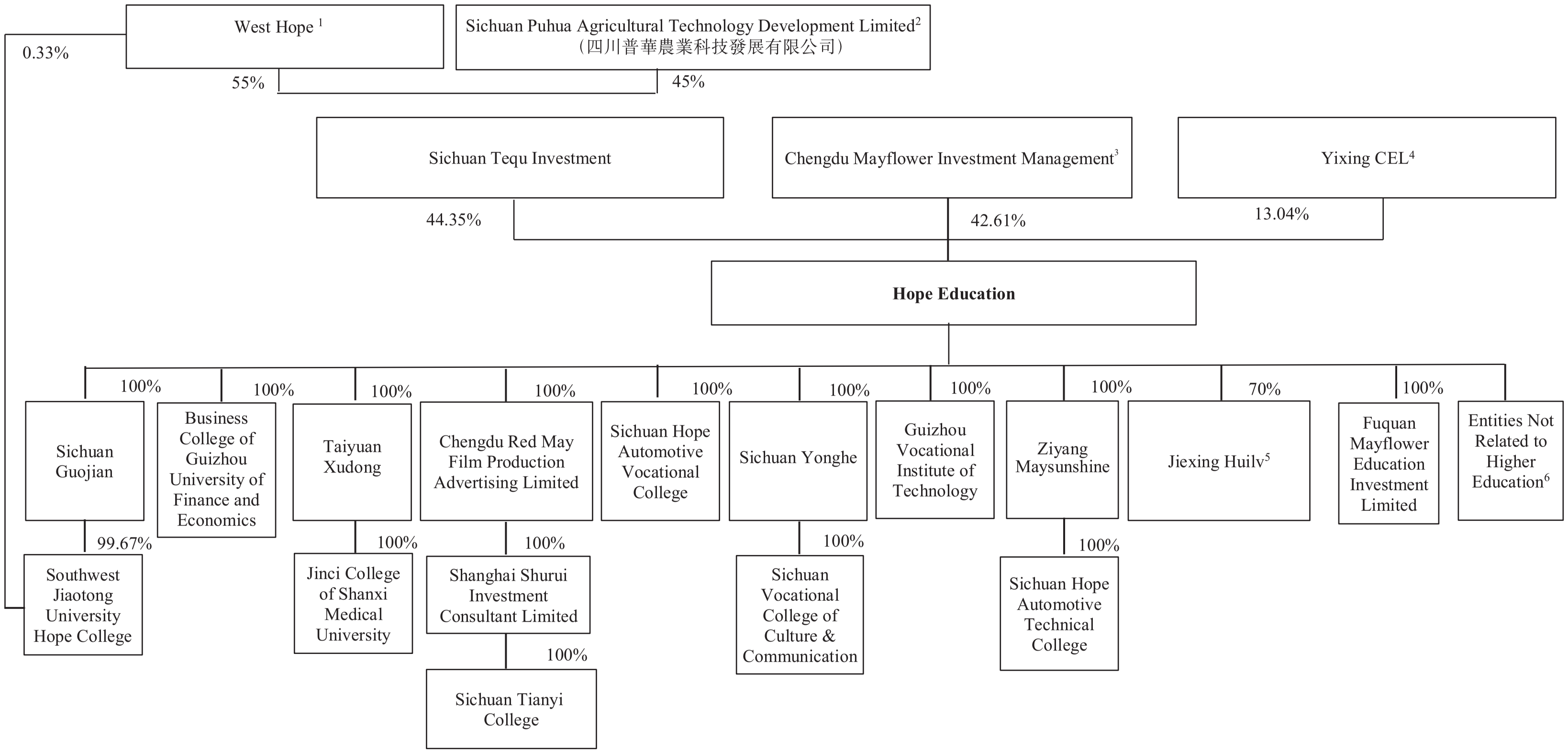
The Division of Hope Education for Delineation of Business

To delineate operations that are not related to higher education from our Group, Hope Education was divided into two entities, namely Hope Education and Sichuan Tequ Education. The shareholding of Sichuan Tequ Education largely mirrors that of Hope Education as set out in "— Our Consolidated Affiliated Entities — Hope Education". The registered capital of Hope Education and Sichuan Tequ Education are RMB50 million and RMB7.5 million respectively immediately following the division, and the principal business of Hope Education is higher education investment. Prior to the division, Hope Education directly held equity interests in 19 companies and sponsor interests in 11 schools, among which the equity interests in 12 companies and sponsor interest in eight schools shall be transferred to Sichuan Tequ Education.

As of the Latest Practicable Date, the transfer of sponsor interest in two schools have not been completed. The application for the transfer of sponsor interest in Sichuan Mayflower Training College (四川五月花專修學院) has been submitted to the competent authorities and the approval from such competent authorities is expected to be obtained in or prior to the third quarter of 2018. The application for the transfer of sponsor interest in the remaining school, namely Chengdu Jinniu District Tianyi School (成都市金牛區天一學校), is expected to be submitted to Jinniu Department of Education by end of May 2018. According to our consultation conducted with Jinniu Department of Education on January 16, 2018. Jinniu Department of Education has indicated that it would postpone processing any such application until the provisions regarding the Amendment to the Law for Promoting Private Education in Sichuan Province are published. Accordingly, we expect the abovementioned application for the transfer of sponsor interest in Chengdu Jinniu District Tianyi School (成都市金牛區天一学校) to be pending acceptance and examination after its submission. The PRC Legal Advisor is of the view that save for the above, according to the PRC laws and regulations currently effective, there is no other legal impediment in accepting the application for the transfer by Jinniu Department of Education. Notwithstanding the above, Chengdu Jinniu District Tianyi School (成都市金牛區天一學校) is no longer consolidated into the financial statements of our Group.

Following the completion of division, Sichuan Tequ Education directly or indirectly holds 28 entities that are not related to higher education and with principal businesses including vocational education, primary and high school education, medical service, property development, film making and advertisement, consulting/management services, sales and retail services, and mechanical manufacturing and sales.

The following chart shows the Group structure immediately before the reorganization of our Consolidated Affiliated Entities:



Notes:

(1) The shareholders of West Hope are: Chen Yuxin (陳育新): 60.00%; and Zhao Guiqin (趙桂琴): 40.00%. Chen Yuxin (陳育新) and Zhao Guiqin (趙桂琴) are spouses.

(2) The shareholders of Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司) are: Zhang Qiang (張強): 52.20%; Wang Qiang (王強): 4.00%; Zeng Zheng (曾正): 1.00%; Zhou Xingbang (周興幫): 1.00%; Xiao Song (肖崧): 0.20%; Mei Shaofeng (梅紹鋒): 0.20%; Wang Xiaoguo (王孝國): 0.40%; Lan Hai (蘭海): 2.00%; Sichuan Shengbo Genyuan Trade Limited (四川生搏根源貿易有限公司): 10.00%; Tang Jianyuan (唐健源): 20.00% and Wang Degen (王德根): 9.00% . The shareholders of Sichuan Shengbo Genyuan Trade Limited (四川生搏根源貿易有限公司) are: Tang Jianyuan (唐健源): 49.00% and Liu Birong (劉碧容): 51.00%. Wang Degen (王德根) and Zhang Qiang (張強) are spouses, and Tang Jianyuan (唐健源) and Liu Birong (劉碧容) are spouses.

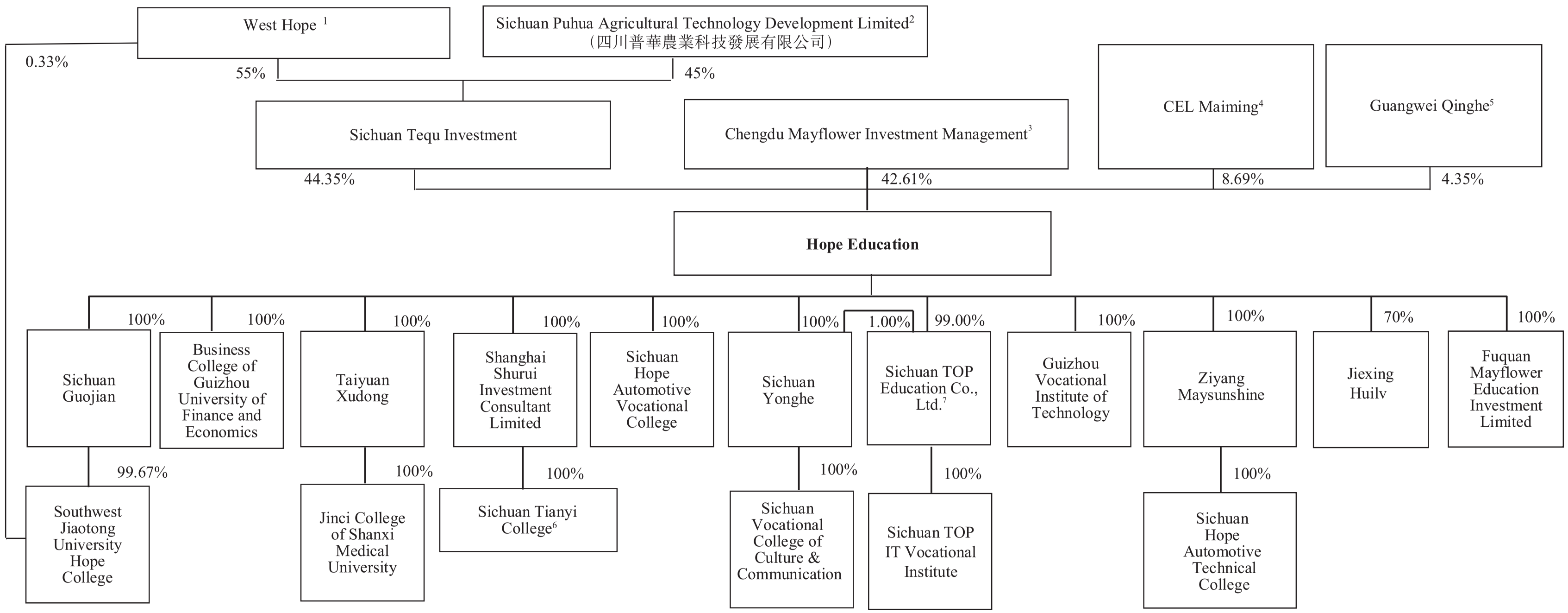
(3) The shareholders of Chengdu Mayflower Investment Management are: Wang Degen (王德根): 2.00%; Fu Wenge (付文革): 2.00%; Wang Huiwu (汪輝武): 95.00% and Chengdu Huicheng Siyuan Enterprise Management Center (Limited Partnership) (成都匯誠思源企業管理中心(有限合夥)): 1.00%.

(4) Yixing CEL is a wholly owned subsidiary of CEL Venture Capital (Shenzhen) Co., Limited (光大控股創業投資(深圳)有限公司), which is a wholly owned subsidiary of CEL.

(5) The remaining 30% is held by an Independent Third Party. For the disposal of Jiexing Huilv, please see " — Our Education Investment Platforms — Jiexing Huilv".

(6) For the scope of Entities Not Related to Higher Education, see "Relationship with Controlling Shareholders — Independence from Controlling Shareholders — Delineation of Business — Operation" and "—Reorganization of Our Consolidated Affiliated Entities — The Division of Hope Education for Delineation of Business".

The following chart shows the structure of our Consolidated Affiliated Entities immediately after the division set out above:



Notes:

(1) Chen Yuxin (陳育新) and Zhao Guiqin (趙桂琴), being shareholders of West Hope, are spouses.

(2) Being shareholders of Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司), Wang Degen (王德根) and Zhang Qiang (張強) are spouses, and Tang Jianyuan (唐健源) and Liu Birong (劉碧容) are spouses.

(3) On May 18, 2017, Chengdu Huicheng Siyuan Enterprise Management Center (Limited Partnership) (成都匯誠思源企業管理中心(有限合夥)) transferred its 1% interest in Chengdu Mayflower Investment Management to Wang Huiwu (汪輝武) for nominal consideration. The shareholders of Chengdu Mayflower Investment Management are: Wang Degen (王德根): 2.00%; Fu Wenge (付文革): 2.00% and Wang Huiwu (汪輝武): 96.00%.

(4) The general partner of CEL Maiming is CEL Huiling Investment (Shanghai) Co., Limited (光控匯領投資(上海)有限公司). CEL Huiling Investment (Shanghai) Co., Limited (光控匯領投資(上海)有限公司) is a wholly owned subsidiary of CEL Venture Capital (Shenzhen) Co., Limited (光大控股創業投資(深圳)有限公司), which is a wholly owned subsidiary of CEL. Yixing CEL transferred its 8.69% shareholding in Hope Education to CEL Maiming in February 2017.

(5) Yixing CEL holds 97% interest in Guangwei Qinghe and Du Xiaotang (杜曉堂) holds the remaining 3% interest. Yixing CEL is a wholly owned subsidiary of CEL Venture Capital (Shenzhen) Co., Limited (光大控股創業投資(深圳)有限公司), which is a wholly owned subsidiary of CEL. Yixing CEL transferred its 4.35% shareholding in Hope Education to Guangwei Qinghe in February 2017.

(6) On January 3, 2017, Chengdu Red May Film Production Advertising Limited (成都紅五月影視製作廣告有限責任公司) transferred its entire interest in Shanghai Shurui Investment Consultant Limited to Hope Education at a consideration of RMB6.46 million, which was determined after negotiations between the parties with reference to the net asset value of Shanghai Shurui Investment Consultant Limited.

(7) The shareholders of Sichuan Top Education Co., Ltd. and their respective shareholdings are: Hope Eduction: 99.00%; Sichuan Yonghe: 1.00%.

Entry into of the Contractual Arrangements

On March 14, 2018, WFOE and other parties entered into various agreements (as amended and superseded by certain agreements dated June 22, 2018, as the case may be), constituting the Contractual Arrangements with Hope Education, under which all economic benefits arising from the business of our Consolidated Affiliated Entities are transferred to WFOE to the extent permitted under the PRC laws and regulations by means of services fees payable by Hope Education to WFOE. See "Contractual Arrangements" for further details.

PRE-IPO INVESTMENTS

Everbright Pre-IPO Investment

Overview

On June 30, 2016, Yixing CEL entered into the Everbright Investment Agreement with Hope Education, Sichuan Tequ Investment and Chengdu Mayflower Investment Management, pursuant to which Yixing CEL agreed to subscribe for 13.04% interest in Hope Education for RMB300 million (the "**Everbright Pre-IPO Investment**"). The consideration was determined after arm's length negotiation between the parties with reference to the then financial and operational condition of Hope Education. The subscription was completed on September 22, 2016.

On December 12, 2016, Yixing CEL entered into an equity transfer agreement (the "**CEL Maiming Transfer Agreement**") with CEL Maiming, Hope Education, Sichuan Tequ Investment and Chengdu Mayflower Investment Management, pursuant to which Yixing CEL agreed to transfer its 8.69% interest in Hope Education to CEL Maiming at a consideration of RMB207 million. The consideration was determined with reference to initial investment cost.

On December 12, 2016, Yixing CEL entered into an equity transfer agreement (the "**Guangwei Qinghe Transfer Agreement**") with Guangwei Qinghe, Hope Education, Sichuan Tequ Investment and Chengdu Mayflower Investment Management, pursuant to which Yixing CEL agreed to transfer its remaining 4.35% interest in Hope Education to Guangwei Qinghe at a consideration of RMB100 million. The consideration was determined at initial investment cost. After completion of the equity transfer, Yixing CEL ceased to hold any equity interest in Hope Education.

On February 5, 2018, Sichuan Tequ Investment, Chengdu Mayflower Investment Management, CEL Maiming and Guangwei Qinghe entered into a supplemental agreement (the "**Everbright Supplemental Agreement**", together with the Everbright Investment Agreement, the CEL Maiming Transfer Agreement and the Guangwei Qinghe Transfer Agreement, the "**Everbright Pre-IPO Investment Agreements**"), intended to amend and supplement the Everbright Investment Agreement in light of the Listing. The key terms of the Everbright Supplemental Agreement include, among other things, (i) confirming that the Everbright Pre-IPO Investment of RMB300 million shall be designated as investment in the higher education business of Hope Education following the division and CEL Maiming and Guangwei Qinghe shall hold in aggregate 13.04% interest in Hope Education after the reorganization of our Consolidated Affiliated Entities; (ii) releasing the pledges of interest in certain entities owned by Hope Education granted in favour of Yixing CEL; (iii) providing for the logistics of issue of shares by the Company to the offshore entities designated by CEL Maiming and Guangwei Qinghe to mirror their respective shareholdings in Hope Education; (iv) providing for the lock-up period of six months subject to any further agreement or particular requirements of the Listing Rules; and (v) providing for termination of certain special rights granted under the Everbright Investment Agreement, including but not limited to preemptive right, repurchase right, tag-along right and anti-dilution right.

Particulars of the Everbright Pre-IPO Investment

The principal terms of the Everbright Pre-IPO Investment Agreements are set out below:

Names of Investors:	CEL Maiming	Guangwei Qinghe
Date of Investment:	December 12, 2016	
Total Consideration:	RMB207 million	RMB100 million
Payment Date of the Consideration:	December 19, 2016	December 6, 2017
Cost per Share:	RMB0.50	RMB0.48
Discount to the Offer Price:(1)	65.8%	67.0%
Use of Proceeds:	For the acquisition of certain education assets in the real estate sector of Hope Education, repayment of bank loans of Hope Education, and operation of the education sector of Hope Education. As of the Latest Practicable Date, the net proceeds from the Everbright Pre-IPO Investment by CEL Maiming and Guangwei Qinghe had been fully utilized.	
Post-IPO Lock-up:	CEL Maiming and Guangwei Qinghe have undertaken not to transfer any Shares it holds for a period of six months following the completion of the Global Offering.	
Strategic benefits to our Company:	Our Directors believe that the Everbright Pre-IPO Investment provides financial support for our continuing development growth	

Note:

(1) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK$1.72 per Share, being the mid-point of the indicative Offer Price range of HK$1.52 to HK$1.92.

Except for the divestment right that is only exercisable if the Listing does not take place and will terminate upon the Listing, all the divestment rights granted to CEL Maiming and Guangwei Qinghe have been terminated before the date of the first submission of the initial listing application form (the "**First Filing**"). Other than the divestment rights, all other special rights under the Everbright Pre-IPO Investment Agreements shall cease to be effective and be discontinued upon Listing.

Pursuant to the Everbright Pre-IPO Investment Agreements, on March 19, 2018, our Company issued 65,000, 2,110,000 and 4,345,000 Shares, representing approximately 0.13%, 4.22% and 8.69% of our issued share capital as of the Latest Practicable Date, to Future China Investment Co., Ltd, Star Leap Limited and Pearl Glory Global Limited respectively. Upon completion of the Global Offering, interests held by Future China Investment Co., Ltd, Star Leap Limited and Pearl Glory Global Limited represent approximately 0.09%, 3.01% and 6.21%, respectively, of the Shares (assuming that no Shares have been issued pursuant to the exercise of the Over-allotment Option, and excluding any Shares which may be allotted and issued pursuant to the Pre-IPO Share Options).

Information on the Pre-IPO Investors

Yixing CEL is a wholly-owned subsidiary of CEL Venture Capital (Shenzhen) Co., Limited (光大控股創業投資(深圳)有限公司), which is a wholly-owned subsidiary of CEL.

Both CEL Maiming and Guangwei Qinghe are affiliates of CEL. CEL Maiming is a limited partnership with CEL Huiling Investment (Shanghai) Co., Limited (光控匯領投資(上海)有限公司) as its general partner. CEL Huiling Investment (Shanghai) Co., Limited (光控匯領投資(上海)有限公司) is a wholly-owned subsidiary of CEL Venture Capital (Shenzhen) Co., Limited (光大控股創業投資(深圳)有限公司).

Yixing CEL holds 97% interest in Guangwei Qinghe and the remaining 3% interest is held by Du Xiaotang (杜曉堂).

Future China Investment Co., Ltd. is wholly-owned by Du Xiaotang (杜曉堂).

Star Leap Limited is wholly-owned by China Everbright Venture Capital Limited, which is in turn wholly-owned by CEL.

Pearl Glory Global Limited is wholly-owned by CEL Maiming.

CEL (a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 165), through its subsidiaries and associates, is principally engaged in the provision of financial services and is dedicated to the pursuance of the cross-border macro asset management strategy, with specific focuses on fund management and investment business, namely, primary market investment, secondary market investment, structured financing and investment, and aircraft leasing.

Pre-IPO Composite Instrument

Overview

On August 22, 2017, Zhuhai Maiwen entered into an debt investment with conversion rights agreement (the "**Original Zhuhai Maiwen Investment Agreement**") with Hope Education, Sichuan Tequ Investment, Chengdu Mayflower Investment Management, CEL Maiming and Guangwei

Qinghe, pursuant to which Zhuhai Maiwen agreed to advance RMB600 million to Hope Education, among which RMB200 million is convertible into equity interest in Hope Education and/or its associated entities (the "**Convertible Loan**") and the remaining RMB400 million is a fixed interest loan without any convertible right (the "**Fixed Interest Loan**").

The aggregate principal amount of the Original Zhuhai Maiwen Investment Agreement was received by Hope Education on August 22, 2017.

The Original Zhuhai Maiwen Investment Agreement was amended and supplemented on February 5, 2018 by a supplemental agreement (the "**Supplemental Zhuhai Maiwen Investment Agreement**", and together with the Original Zhuhai Maiwen Investment Agreement, the "**Zhuhai Maiwen Investment Agreements**").

By entry into the Supplemental Zhuhai Maiwen Investment Agreement, Zhuhai Maiwen notified Hope Education of its decision to convert the Convertible Loan into interest in Hope Education and our Company (the "**Conversion**"). The Conversion has been completed on July 3, 2018.

Immediately upon the Conversion, Zhuhai Maiwen and its wholly-owned subsidiary, namely Glory Aurora Limited, will hold 4.762% of the interest in Hope Education and our Company, respectively.

Information on Pre-IPO Investors

Zhuhai Maiwen is a limited partnership with CEL Huiling Investment (Shanghai) Co., Limited (光控匯領投資(上海)有限公司) as its general partner, which is an associate of CEL. Certain limited partners of Zhuhai Maiwen are also associates of CEL. See "— Group Structure — Immediately prior to the Global Offering" for more details.

Particulars of the Convertible Loan

The principal terms of the Convertible Loan are set out below:

Name of Investor:	Zhuhai Maiwen
Date of Agreement:	August 7, 2017
Principal Amount:	RMB200 million
Drawdown Date:	August 22, 2017
Interest:	Given that Zhuhai Maiwen has opted for the Convertible Loan into equity interest in Hope Education and/or its associated entities, no interest shall be charged.
Term:	A term of three years commencing on the date of advancement, which may be extended twice, the maximum term of each extension being one year.

Conversion Right:	Zhuhai Maiwen may notify Hope Education of its intention to convert all of the principal amount of the Convertible Loan into equity interest of Hope Education and/or entities after division of Hope Education (i.e., our Company). The Convertible Loan shall be converted into equity interest of Hope Education at the conversion price of RMB0.84 (the "**Conversion Price**"), subject to adjustment of further financing by Hope Education during the period commencing on the date of the advancement and expiring on the date of completion of the Conversion. The Conversion Price represents the per share price that will result in Zhuhai Maiwen holding 4.762% of the total share capital of Hope Education and/or our Company on a fully diluted basis, which is determined with reference to the valuation of Hope Education immediately prior to the advancement, based on arm's length negotiation by the parties to the Zhuhai Maiwen Investment Agreements. As the Conversion will take place prior to the Global Offering, the Global Offering does not constitute a triggering event for adjustment to the Conversion Price. We confirm that there will not be any financing activities triggering the adjustment provision of the Conversion.
Cost per Share with respect to the Convertible Loan:	RMB0.84
Discount to the Offer Price:(1)	42.6%
Use of Proceeds:	For the repayment of the bank loans of Hope Education and/or for the daily operation of Hope Education, unless otherwise approved in writing. As of the Latest Practicable Date, the net proceeds from the Convertible Loan advanced by Zhuhai Maiwen had been fully utilized.
Collateral:	Hope Education agreed to pledge the following interests in favour of Zhuhai Maiwen for all of the responsibilities and obligations assumed by Hope Education under the Zhuhai Maiwen Investment Agreements (i) the account receivables, including all existing and future monetary claims and proceeds, of Sichuan Tianyi College; and (ii) 67% of Hope Education's interests in Shanghai Shurui Investment Consultant Limited, representing RMB6.7 million of Shanghai Shurui Investment Consultant Limited's registered capital.

	Priority of the above pledges is given first to the Fixed Interest Loan over the Convertible Loan, and pledges in respect of the Convertible Loan shall be released upon the Conversion.
Post-IPO Lock-up:	Zhuhai Maiwen has undertaken not to transfer any Shares it holds for a period of six months following the completion of the Global Offering.
Transferability:	Rights and obligations under the Zhuhai Maiwen Investment Agreements are not transferable to any third party unless with the written consent of Zhuhai Maiwen.
Strategic benefits to our Company:	Our Directors believe that the Convertible Loan provides financial support for our continuing development growth.

Note:

(1) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK$1.72 per Share, being the mid-point of the indicative Offer Price range of HK$1.52 to HK$1.92.

All divestment rights granted to Zhuhai Maiwen with respect to the Convertible Loan have been terminated before the First Filing. Other than divestment rights, all other special rights under the Zhuhai Maiwen Investment Agreements with respect to the Convertible Loan shall cease to be effective and be discontinued upon Listing.

On July 3, 2018, our Company issued 2,500,053 Shares to Glory Aurora Limited (a wholly-owned subsidiary of Zhuhai Maiwen), corresponding to Zhuhai Maiwen's interest in Hope Education upon the Conversion, representing 4.762% of our total issued share capital as enlarged by the Conversion immediately before the Global Offering.

Information on Pre-IPO Investors

Zhuhai Maiwen is a limited partnership with CEL Huiling Investment (Shanghai) Co., Limited (光控匯領投資(上海)有限公司) as its general partner, which is an associate of CEL. Limited partners of Zhuhai Maiwen comprise certain associates of CEL and several Independent Third Parties. See "— Group Structure — Immediately prior to the Global Offering" for more details.

Public Float

Upon the completion of the Global Offering (assuming the Over-allotment Option and options granted under the 2018 Pre-IPO Share Option Scheme are not exercised), Future China Investment Co., Ltd., Star Leap Limited, Pearl Glory Global Limited and the offshore entity designated by Zhuhai Maiwen, being subsidiaries or associates of CEL (a substantial Shareholder) will in aggregate hold in excess of 10% of the issued Shares, the Shares held by each of the abovementioned entities will not be counted towards the public float.

Joint Sponsors' Confirmation

The Joint Sponsors have confirmed that the Pre-IPO investments by the Pre-IPO Investors are in compliance with (i) the Interim Guidance on Pre-IPO Investments issued by the Listing Committee of the Hong Kong Stock Exchange as the consideration for the Pre-IPO investments was settled more than 28 clear days before the First Filing; (ii) the Guidance Letter HKEx-GL43-12 as the special rights granted to the Pre-IPO Investor will terminate upon Listing; and (iii) the requirements under the Guidance Letter HKEx-GL44-12.

REASONS FOR LISTING

We intend to continue to expand our operations, as described in more details in "Business — Our Business Strategies" and "Future Plans and Use of Proceeds". Our Directors believe that the Listing will provide our Company with further capital for its expansion and increase our awareness.

GROUP STRUCTURE

For listing purpose and as part of the reorganization, the ultimate shareholders of Hope Education, namely Wang Huiwu (汪輝武), Chen Yuxin (陳育新), Zhang Qiang (張強), Zhao Guiqin (趙桂琴), Tang Jianyuan (唐健源), Wang Degen (王德根), Liu Birong (劉碧容), Fu Wenge (付文革), Wang Qiang (王強), Lan Hai (蘭海), Zeng Zheng (曾正), Zhou Xingbang (周興幫), Wang Xiaoguo (王孝國), Mei Shaofeng (梅紹鋒), Xiao Song (肖崧), CEL Maiming and Guangwei Qinghe, have set up offshore entities to hold interests in our Company to reflect their interest in Hope Education.

1. **Hope Education and its shareholders**

Hope Education Investment Limited is held by Maysunshine Limited, Tequ Group Limited and Tequ Group A Limited as to approximately 49.00%, 16.615% and 34.385%, respectively.

(i) ***Maysunshine Limited***

Wang Huiwu (汪輝武), Fu Wenge (付文革) and Wang Degen (王德根), the shareholders of Chengdu Mayflower Investment Management, jointly established Maysunshine Limited.

(ii) ***Tequ Group Limited and its shareholders***

Spring Breeze Limited, Puhua Limited, Striving Origin Co., Ltd. and Puhua Agriculture Limited are shareholders of Tequ Group Limited, which in turn holds 16.615% of Hope Education Investment Limited.

Spring Breeze Limited

Chen Yuxin (陳育新) and Zhao Guiqin (趙桂琴), the shareholders of West Hope, jointly established Spring Breeze Limited.

Puhua Limited

Zhang Qiang (張強), one of the shareholders of Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司), jointly established Puhua Limited;

Striving Origin Co., Ltd.

Tang Jianyuan (唐健源) and Liu Birong (劉碧容) the ultimate shareholders of Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司), jointly established Striving Origin Co., Ltd.;

Puhua Agricultural Limited

Wang Degen (王德根), Wang Qiang (王強), Zeng Zheng (曾正), Zhou Xingbang (周興幫), Xiao Song (肖崧), Wang Xiaoguo (王孝國), Mei Shaofeng (梅紹鋒) and Lan Hai (蘭海), being the remaining shareholders of Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司), jointly established Puhua Agricultural Limited;

(iii) ***Tequ Group A Limited***

Tequ Group A Limited, one of the shareholders of Hope Education Investment Limited, is wholly owned by Sichuan Tequ Investment. The ultimate shareholders of Sichuan Tequ Investment, namely Zhang Qiang (張強), Wang Qiang (王強), Zeng Zheng (曾正), Zhou Xingbang (周興幫), Xiao Song (肖崧), Mei Shaofeng (梅紹鋒), Wang Xiaoguo (王孝國), Lan Hai (蘭海), Tang Jianyuan (唐健源), Wang Degen (王德根), Liu Birong (劉碧容), and Chen Yuxin (陳育新), are therefore also indirectly interested in our Company through Tequ Group A Limited in addition to their interest in the other entities mentioned above.

2. **Pearl Glory Global Limited**

CEL Maiming set up Pearl Glory Global Limited and therefore indirectly holds interest in our Company through it.

3. **Star Leap Limited and Future China Investment Co., Ltd.**

As of the Latest Practicable Date, Star Leap Limited and Future China Investment Co., Ltd. are directly interested in approximately 4.02% and 0.12% of our issued share capital, which in aggregate mirrors Guangwei Qinghe's interest in Hope Education.

Star Leap Limited is wholly-owned by China Everbright Venture Capital Limited, which is in turn wholly-owned by CEL. Future China Investment Co., Ltd. is wholly-owned by Du Xiaotang (杜曉堂), a limited partner of Guangwei Qinghe holding approximately 3% of Guangwei Qinghe's interest. The remaining 97% interest of Guangwei Qinghe is held by Yixing CEL, which is in turn indirectly wholly-owned by CEL and thus a fellow subsidiary of China Everbright Venture Capital Limited.

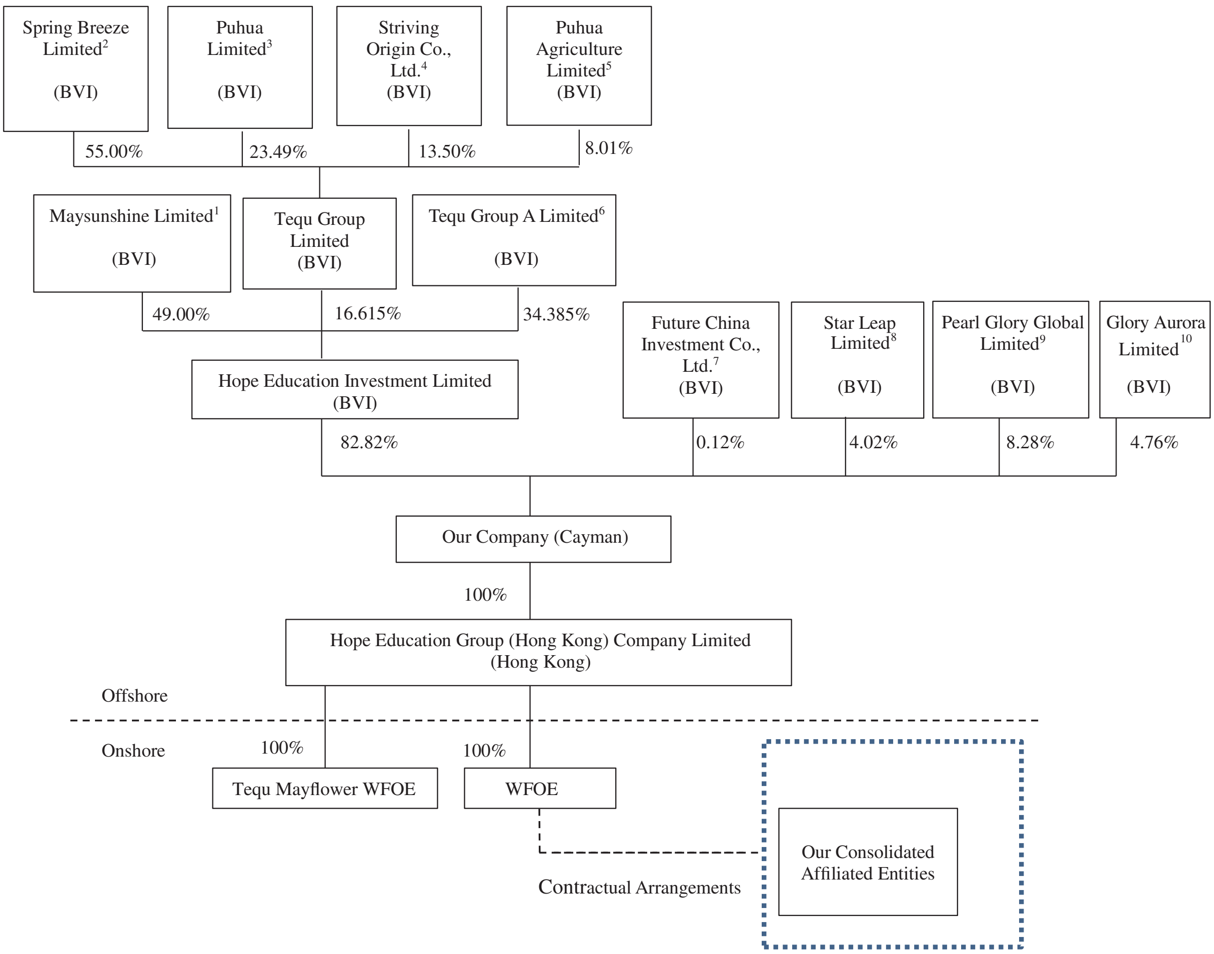
The effective shareholding of each ultimate shareholder in our Company largely mirrors their effective shareholding in Hope Education. For more details of the shareholding of the aforementioned ultimate shareholders in Hope Education and our Company, see " — Reorganization of Our Consolidated Affiliated Entities" and " —Group Structure — Immediately prior to the Global Offering".

4. **Glory Aurora Limited**

Glory Aurora Limited was set up and wholly owned by Zhuhai Maiwen. Zhuhai Maiwen indirectly holds approximately 4.762% interest in our Company through Glory Aurora Limited.

Immediately prior to the Global Offering

The following chart sets forth our corporate structure immediately after the corporate reorganization and Pre-IPO Investments but immediately prior to the Global Offering without taking into account any Shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Options:



Notes:

(1) Maysunshine Limited is an investment holding company. The shareholders and their corresponding shareholdings in Maysunshine Limited are: Wang Huiwu (汪輝武): 96.00%; Fu Wenge (付文革): 2.00%; Wang Degen (王德根): 2.00%.

(2) Spring Breeze Limited is an investment holding company. The shareholders and their corresponding shareholdings in Spring Breeze Limited are: Chen Yuxin (陳育新): 60.00%; Zhao Guiqin (趙桂琴): 40.00%. Chen Yuxin (陳育新) and Zhao Guiqin (趙桂琴) are spouses.

(3) Puhua Limited is an investment holding company incorporated and wholly owned by Zhang Qiang (張強), the spouse of Wang Degen (王德根).

(4) Striving Origin Co., Ltd. is an investment holding company. The shareholders and their corresponding shareholdings in Striving Origin Co., Ltd. are: Tang Jianyuan (唐健源): 82.96%; Liu Birong (劉碧容): 17.04%. Tang Jianyuan (唐健源) and Liu Birong (劉碧容) are spouses.

(5) Puhua Agriculture Limited is an investment holding company. The shareholders and their corresponding shareholdings in Puhua Agriculture Limited are: Wang Degen (王德根): 50.56%; Wang Qiang (王強): 22.47%; Zeng Zheng (曾正): 5.62%; Zhou Xingbang (周興幫): 5.62%; Xiao Song (肖崧): 1.12%; Wang Xiaoguo (王孝國): 2.25%; Mei Shaofeng (梅紹鋒): 1.12%; Lan Hai (蘭海): 11.24%. Wang Degen (王德根) and Zhang Qiang (張強) are spouses.

(6) Tequ Group A Limited is an investment holding company and is wholly-owned by Tequ Group (Hong Kong) Company Limited. Tequ Group (Hong Kong) Company Limited is an investment holding company and is a wholly owned subsidiary of Shanghai Yi Zeng Management Co., Ltd. (上海乙增管理有限公司), which is in turn wholly-owned by Sichuan Tequ Investment. For shareholding of Sichuan Tequ Investment, see "— Our Corporate History — Our Consolidated Affiliated Entities — Reorganization of Our Consolidated Affiliated Entities."

(7) Future China Investment Co., Ltd. is an investment holding company and is wholly owned by Du Xiaotang (杜曉堂). Du Xiaotang (杜曉堂) is a partner of Guangwei Qinghe and holds 3% interest in Guangwei Qinghe. Guangwei Qinghe is an associate of CEL.

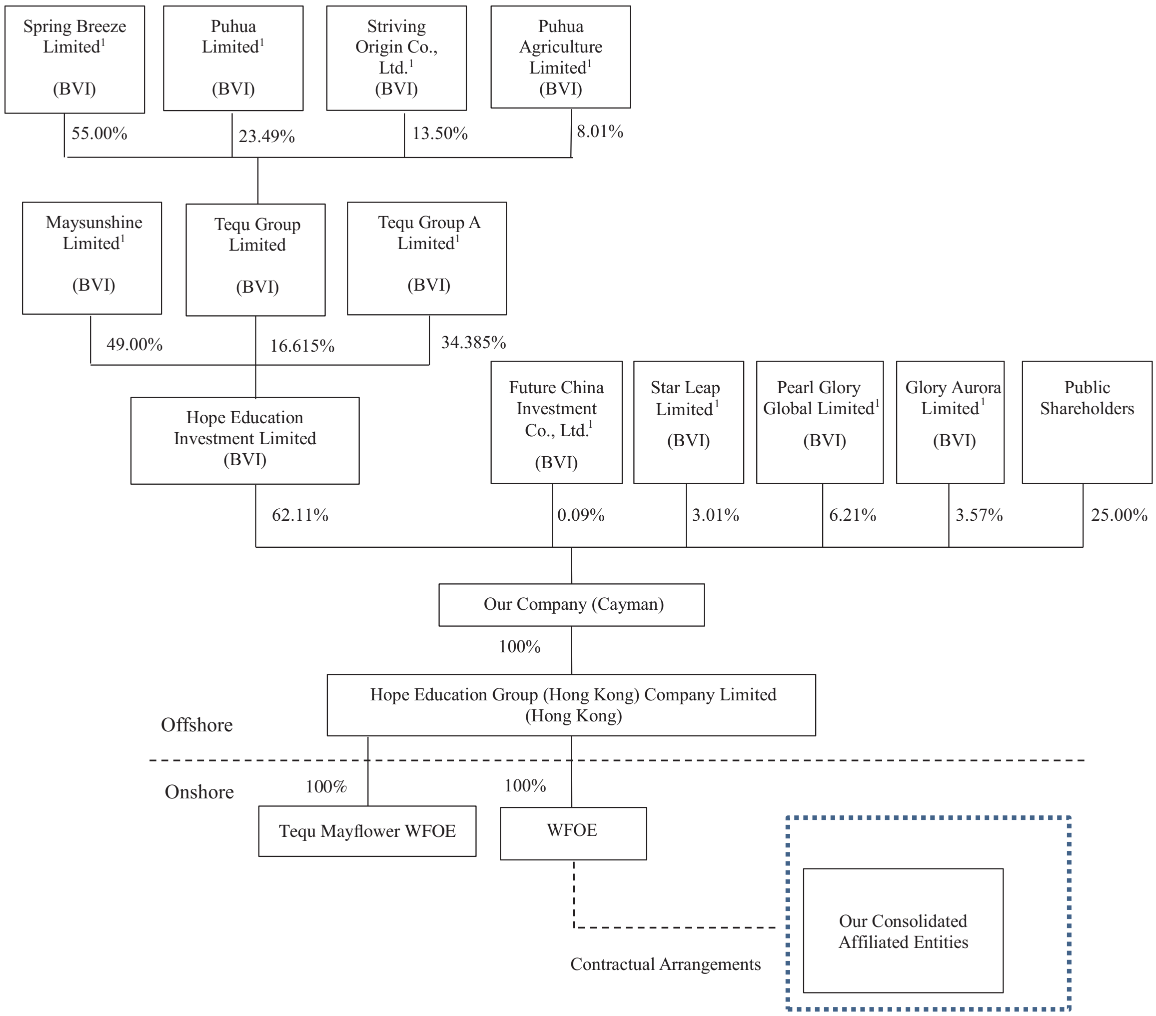
(8) Star Leap Limited is an investment holding company and is wholly owned by China Everbright Venture Capital Limited, which is wholly owned by CEL.

(9) Pearl Glory Global Limited is an investment holding company and is wholly owned by CEL Maiming. CEL Maiming is a limited partnership with CEL Huiling Investment (Shanghai) Co., Limited (光控匯領投資(上海)有限公司) as its general partner. CEL Maiming is an associate of CEL.

(10) Glory Aurora Limited is an investment holding company and is wholly owned by Zhuhai Maiwen. Zhuhai Maiwen is a limited partnership with CEL Huiling Investment (Shanghai) Co., Limited (光控匯領投資(上海)有限公司) as its general partner. The limited partners of Zhuhai Maiwen include Shenzhen CEL Investment Advisory Co., Limited (深圳市光控投資諮詢有限公司) and CEL Maiming, both of which are associates of CEL, and several independent third parties.

Upon the Global Offering

The following chart sets forth our corporate structure upon the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the 2018 Pre-IPO Share Options):



Note:

(1) Please refer to "— Group Structure — Immediately prior to the Global Offering" for their respective shareholding.

SCHOOLS TO BE ESTABLISHED

Guangdong Agricultural Science and Technology Vocational College

In May 2018, Hope Education entered into an agreement with the government of Xinfeng County People's Government, Guangdong Province, pursuant to which we agreed to invest and establish Guangdong Agricultural Science and Technology Vocational College, a school for modern agriculture-focused higher education, in Shaoguan, Guangdong Province. It is expected that the school will be officially established after the Listing.

California Hope University of Science and Technology

With a view to building our presence and obtaining operational experience overseas, we also plan to expand our network abroad by establishing a residential university in the State of California, the United States. We have engaged an agent who has extensive experience in private post-secondary education in California as our consultant to assist us in establishing a subsidiary company in the State of California, and filing applications with the Bureau for Private Post-secondary Education ("**BPPE**") regarding the establishment of the institution in California. On March 5, 2018, we submitted an application to BPPE for the incorporation of an operating entity in California, Hope California, which will be wholly-owned by Hope Education Group (Hong Kong) Company Limited. The approval for our application is expected to be obtained by June 2019. We expect Hope California will formally commence operations in or around October 2019.

We will provide funding for establishing and developing Hope California in an amount of approximately US$500,000 (equivalent to approximately RMB3.16 million) from internal resources and bank borrowings. As of the Latest Practicable Date, we have incurred expenses amounting to US$70,000 (equivalent to approximately RMB442,995) in connection with the establishment of Hope California.

We do not expect expenses we incurred for establishing Hope California or ongoing expenses relating to its operations and development will have a material adverse impact on our overall cost structure and financial results for the following reasons: (i) most of costs arising from the establishment of Hope California will be capitalized and thus will not have a material adverse impact on our overall profitability throughout its establishment period; (ii) after the establishment of Hope California, it is forecasted that the first year's student enrollment will be approximately 60 students and we will recruit around 4 to 5 part time adjunct professors and 4 administrative staff. We estimate that Hope California will progress to a mature stage within 5 years after operation, at which point the estimated total student enrollment will be approximately 400 students with around 15 part time adjunct professors and 8 administrative staff.

The following table sets forth the details of our investment plan in relation to the establishment and development of Hope California:

Expected student capacity	Details of investment plan	Expected total investment	Amount incurred as of the Latest Practicable Date	Source of funding	Expected payback period	Expected investment return
400	Establishment of the university	US$120,000	US$70,000 (equivalent to approximately RMB442,995)	Internal resources and bank borrowings	4-5 years	US$6,000,000
	Teacher recruitment and educational research	US$ 25,000				
	Daily operations and management	US$175,000				
	Marketing and promotion	US$180,000				
	Total	US$500,000				

Hope California is expected to become an institutionally accredited residential university upon satisfying (i) the accreditation candidacy two years after the date of the provisional approval from the BPPE by demonstrating that the university has two years of operating history and has satisfied relevant operating and financial requirements of the Accrediting Commission of Career Schools and Colleges (ACCSC); and (ii) achieving full accreditation within five years from date of provisional approval from the BPPE by demonstrating that the university has five years of operating history and has continuously satisfied the relevant operating and financial requirements of the ACCSC. For details on the ACCSC, please see "Regulations — Statutes and Regulations on Private Postsecondary Education in the State of California — California Private Postsecondary Education Act".

SAFE REGISTRATION

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles ("**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 ("**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 ("**Circular 13**"), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

As advised by our PRC Legal Advisor, Wang Huiwu (汪輝武), Fu Wenge (付文革), Wang Degen (王德根), Chen Yuxin (陳育新), Zhao Guiqin (趙桂琴), Zhang Qiang (張強), Tang Jianyuan (唐健源), Liu Birong (劉碧容), Wang Qiang (王強), Lan Hai (蘭海), Zeng Zheng (曾正), Zhou Xingbang (周興幫), Wang Xiaoguo (王孝國), Xiao Song (肖崧), Mei Shaofeng (梅紹鋒) and Du Xiaotang (杜曉堂) have all completed the registration under Circular 13 and Circular 37.

M&A RULES

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

Given that (i) WFOE was established as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition by our Company under the M&A Rules, and (ii) no Regulated Activities were involved in the corporate reorganization under the M&A Rules, as advised by our PRC Legal Advisor, the establishment of WFOE 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 TO THE CONTRACTUAL ARRANGEMENTS

We currently conduct our private education business through our Consolidated Affiliated Entities in the PRC, as PRC laws and regulations, or the implementation of those laws and regulations by relevant government authorities, generally prohibit or restrict foreign ownership in the private education industry in the PRC. PRC laws and regulations currently restrict the operation of higher education institutions to Sino-foreign ownership, in addition to imposing a qualification requirement on the foreign owners. Further, government approvals in respect of Sino-foreign ownership in the private education sector have, with very limited exception, been withheld. We do not hold any direct equity interest in our Consolidated Affiliated Entities. The Contractual Arrangements, through which we are able to exercise control over, and derive the economic benefits from our Consolidated Affiliated Entities, have been narrowly tailored to achieve our business purpose and minimize potential conflict with relevant PRC laws and regulations.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP IN THE HIGHER EDUCATION INDUSTRY

Higher Education

Pursuant to the Foreign Investment Industries Guidance Catalogue (Amended in 2017) (the "**Foreign Investment Catalogue**"), the provision of higher education in the PRC falls within the "restricted" category. In particular, the Foreign Investment Catalogue explicitly restricts higher education institutions to Sino-foreign cooperation, which means that foreign investors may only operate higher education institutions through joint ventures with PRC incorporated entities that are in compliance with the Sino-Foreign Regulation. 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 other chief executive officer of schools or education institutions 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**"). On June 28, 2018, the NDRC and MOFCOM jointly promulgated the Foreign Investment Access Special Management Measures (Negative List) (2018 Version) (《外商投資准入特別管理措施(負面清單) (2018年版)》) (the "**Negative List**"), which will become effective on July 28, 2018 and will replace the Foreign Investment Catalogue. Under the Negative List, the restriction on foreign investments in higher education remain unchanged.

In relation to the interpretation of "Sino-foreign cooperation", pursuant to the Regulation on Sino-Foreign Cooperation in Operating Schools (中華人民共和國中外合作辦學條例), promulgated by the State Council in 2003 and amended on July 18, 2013 (the "**Sino-Foreign Regulation**"), the foreign investor in a Sino-foreign joint venture school which provides higher education mainly for PRC students (a "**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 of the MOE on Encouraging and Guiding the Entry of Private Capital in the Field of Education and Promoting the Healthy Development of Private Education (教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見), the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below

50% (the "**Foreign Ownership Restriction**") and the establishment of these schools is subject to approval of education authorities at the provincial or national level. All of our schools are 100% held by PRC entities. Our PRC Legal Advisor is of the view that none of our schools is a Sino-foreign joint venture private school, nor are they subject to the Sino-Foreign Regulation, including the Foreign Control Restriction.

Our PRC Legal Advisor has advised that there are no implementing measures or specific guidance on the Qualification Requirement in accordance with the existing PRC laws and regulations, it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience or form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant education authority that it meets the Qualification Requirement.

With the assistance of our PRC Legal Advisor, we consulted relevant officers of (i) the International Exchange and Cooperation Division of Sichuan Department of Education (四川省教育廳國際交流與合作處) and the Vocational Training Guidance Center of the Department of Human Resources and Social Security of Sichuan Province (四川省人力資源和社會保障廳培訓指導中心) on January 16, 2018; (ii) Guizhou Department of Education (貴州省教育廳) on January 15 and 22, 2018; and (iii) the International Cooperation and Exchange Division of Shanxi Department of Education (山西省教育廳國際合作與交流處) on January 23, 2018, being the competent authorities as advised by our PRC Legal Advisor to confirm the matters relating to the sino-foreign cooperation of the higher education institutions relevant to us. We were advised by the aforementioned relevant authorities that since the Sino-Foreign Regulation came into effect, they have not approved any applications for the establishment of privately owned Sino-foreign joint venture schools in Sichuan Province, Guizhou Province or Shanxi Province respectively. In addition, based on our consultations, our PRC Legal advisor advised us that:

(i) Sino-Foreign Joint Venture Private Schools in their region are subject to the Sino-foreign Regulation and the foreign investment policy in respect of technical colleges (技術學院) in Sichuan Province is same as those applicable to higher education institutions;

(ii) there is no specific implementing measures or standard on the Qualification Requirement in Sichuan Province, Guizhou Province or Shanxi Province;

(iii) as the competent government authorities have advised us that, as a matter of policy, (i) the approval of the establishment of privately owned Sino-foreign joint venture schools with independent legal person status is not contemplated under any official plan; (ii) in principle, the relevant authorities will not accept any application for the establishment of Sino-foreign joint venture schools; and (iii) there exists great difficulty for a foreign education institute, being the foreign investor, to obtain the approval of establishment of Sino-foreign joint venture schools, the possibility that the relevant authorities in Sichuan Province, Guizhou Province and Shanxi Province will accept and/or approve any application for conversion, establishment or investment of Sino-Foreign Joint Venture Private Schools is low; and

(iv) the execution of the Contractual Arrangements does not require approval from the relevant authorities in Sichuan Province, Guizhou Province and Shanxi Province.

See "Regulations — Regulations on Private Education in the PRC" for further details.

Given the policy adopted by the competent authorities as summarized above, it is not practicable for us to seek to apply to reorganize any of our Consolidated Affiliated Entities 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 expend genuine efforts and financial resources to do so. We will communicate with the relevant education authorities on a regular basis following the Listing to understand any regulatory developments, including whether there will be any change in policy for approving Sino-Foreign Joint Venture Private School in Sichuan, Guizhou and Shanxi Province, and assess whether we are qualified to meet the Qualification Requirement, with a view to unwinding the Contractual Arrangements wholly or partially as and when practicable and permissible under the prevailing PRC laws and regulations. See "— PRC Laws and Regulations relating to Foreign Ownership in the Higher Education Industry — Circumstances in which we will unwind the Contractual Arrangements" and "— PRC Laws and Regulations relating to Foreign Ownership in the Higher Education Industry — Plan to comply with the Qualification Requirement" for further details.

Due to the regulatory restrictions stated above, we do not hold any direct equity interest in, but rather control by way of the Contractual Arrangements with all of our schools that are registered within China.

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in relation to the Contractual Arrangements. The consolidated financial results of our Consolidated Affiliated Entities, which engage in education service, are consolidated into those of our Group. Our PRC Legal Advisor has opined that each of our Consolidated Affiliated Entities has been legally established and except for those disclosed under "— Legality of the Contractual Arrangement" under this section and "Risk Factors — Risks relating to our Contractual Arrangements" the Contractual Arrangements in relation to the operation of schools are valid, legal and binding and do not contravene PRC laws and regulations. According to our PRC Legal Advisor, under PRC laws and regulations, the failure to meet the Qualification Requirement and the adoption of the Contractual Arrangements to operate our schools do not render our education business illegal operations in the PRC.

Circumstances in which we will unwind the Contractual Arrangements

Under the Sino-Foreign Regulation, foreign investment in higher education institutions in the PRC is required to be in the form of cooperation between domestic 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 higher education institution must be appointed by Chinese investors.

In the event that the Qualification Requirement is removed or we are able to meet the Qualification Requirement 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 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 Contractual Arrangements and directly hold an equity interest of less than 50% in the relevant school (such as a 49.99% equity interest) as our Company or any of its subsidiaries, as a foreign investor, can only hold a portion of the total investment in a Sino-Foreign Joint Venture Private School up to no more than 50%. However, our Company will not be able to control such school without the Contractual Arrangements 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 satisfied, our Company will still rely on the Contractual Arrangements to establish control over the schools. Our Company will also acquire rights to appoint members to the board of directors of the school 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 Contractual Arrangements;

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

- in circumstance (c), notwithstanding we will be able to hold a majority interest in Sino-Foreign Joint Venture Private Schools, the Sino-Foreign Regulation still dictates that there be a domestic interest in the school and we will not be eligible to operate the schools by ourselves. Under such circumstance, we will acquire rights to appoint members to the board of directors of the school 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 Contractual Arrangements. We also plan to directly hold the maximum percentage of equity interests permitted by the relevant laws and regulations in the relevant schools, subject to the approval of relevant government authorities. We will continue to control the remaining minority domestic interests that our Company intends to consolidate pursuant to the Contractual Arrangements; and

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

In addition, we have decided that, if the PRC regulatory environment changes and all of 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), WFOE will exercise the call option under the Exclusive Call Option Agreement in full to unwind the Contractual Arrangements so that we are able to directly operate our schools without using the Contractual Arrangements or include only the domestic interests under the Contractual Arrangements.

In the event the Revision of the Implementation Rules on the Law for Promoting Private Education of the PRC (the "**Revision of the Implementation Rules**") is adopted in the current form of the MOE Draft for Comments, and our Group's independent colleges are registered as non-profit private schools accordingly, our Company may, through its foreign schools, indirectly hold all or part of the interests in our Group's independent colleges if the Contractual Arrangements are subsequently fully or partially unwound upon the Qualification Requirement being met and the Foreign Ownership Restriction and/or the Foreign Control Restriction being removed. Under such circumstance, our Company and/or the WFOE and the independent colleges will still be able to enter into and fulfill their respective obligations under the service agreements amongst themselves, provided that (i) the services provided by the WFOE are within its business scope under PRC laws and regulations; and (ii) the services the independent colleges receive are deemed for purpose of operating colleges under PRC laws and regulations. Our PRC Legal Advisor is of the view that such service agreements under the aforesaid circumstances shall be valid, legal and binding under the existing PRC laws and regulations. As a result of the fulfilment of the obligations under such service agreements, our Company and/or the WFOE are still able to receive service fees as the consideration of their services rendered to such independent colleges under the PRC laws and regulations.

Plan to comply with the Qualification Requirement

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

- On February 22, 2018, we entered into a consulting agreement with an independent education consultant (the "**U.S. Consultant**") with extensive experience and background in private post-secondary education in the State of California, the United States, pursuant to which the U.S. Consultant shall provide consultation and advisor services in relation to (i) the incorporation of a subsidiary company with a view to providing education services in California; and (ii) the licensing application to be submitted to the Bureau for Private Post-secondary Education (BPPE) in California;

- On March 5, 2018, we have submitted an application to incorporate an operating entity in the State of California, the United States, Hope California, which will be wholly-owned by Hope Education Group (Hong Kong) Company Limited. The approval of our application is expected to be obtained by June 2019. California Hope University of Science and Technology is expected to be responsible for the daily operation and management of our education businesses in the State of California, the United States. We anticipate that Hope California will formally commence operations in or around October 2019. We also estimate that an initial investment of USD70,000 will be required to establish such operations. We currently anticipate that the institution will initially offer two undergraduate degree programmes, namely, Bachelor of Science in Computer Science and Bachelor of Science in Business Management; and

- We are in the process of searching for appropriate school premises as well as suitable management for the operation of the new university in California, the United States, with assistance from the U.S. Consultant. We intend to fund the management and operations of Hope California from internal resources and bank borrowings amounting to approximately US$500,000. For further details on Hope California, including but not limited to the design capacity, total capital expenditure requirement, source of funding, expected impact of the establishment and operation of Hope California on the Group's cost structure and financial results going forward and details of the Group's plan to manage and operate Hope California, see "History, Reorganization and Corporate Structure — Schools to be Established — California Hope University of Science and Technology" and "Business — Our Business Strategies - Continue to expand our school network and strengthen our leading market position".

To the best of the Directors' knowledge and belief, the abovementioned agreements are legally binding.

To further demonstrate compliance with the Qualification Requirement, we are in the process of communicating or negotiating with certain experienced, reputable overseas education service providers in various forms of potential cooperation, including but not limited to expanding our school network abroad. We will keep our Shareholders informed should we make any substantial progress in operating agreements with these overseas education service providers.

On top of the above, and to prepare for the potential expansion of our business to the overseas, we have established a Hong Kong subsidiary, Hope Education Group (Hong Kong) Company, which will serve as the main control hub of our overseas business and will be responsible for:

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

- investing in or acquiring overseas education businesses as and when appropriate;

- holding our overseas intellectual property rights and licensing them to our international partners; and

- recruiting overseas education business professionals and advisors, and acting as the direct employer of any personnel based outside the PRC.

Our PRC Legal Advisor is of the view that while Sino-foreign cooperative schools are to be jointly established by both foreign and domestic educational institutions, 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 that it meets the Qualification Requirement. Based on their understanding of the existing general provisions of the Qualification Requirement and the steps that we have undertaken as mentioned above, our PRC Legal Advisor is of the view that we are taking all reasonable steps towards fulfilling the Qualification Requirement.

Our PRC Legal Advisor has also advised that if the Foreign Ownership Restriction and the Foreign Control Restriction are both removed but the Qualification Requirement remains, we will be able to operate our schools in the PRC directly through Hope California in the event that Hope California gains sufficient foreign experience to satisfy the current Qualification Requirement and obtains approval from the relevant education authorities for the establishment of a Sino-Foreign Joint Venture Private School.

For taking the steps mentioned above, we incurred approximately USD70,000. 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.

We have undertaken to the Hong Kong Stock Exchange that we will:

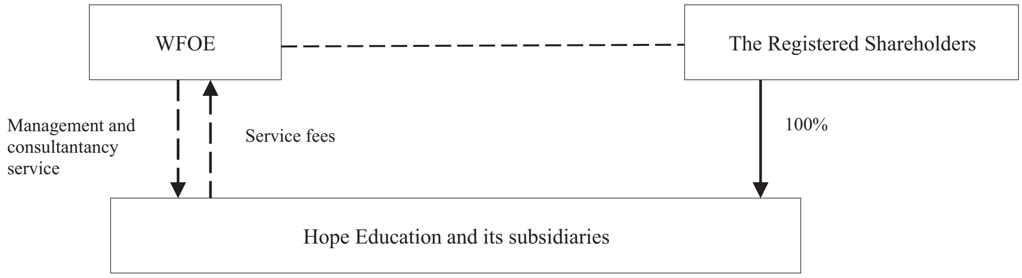
- under the guidance of our PRC Legal Advisor, continue to keep ourselves updated with regard to all relevant regulatory developments and guidance relating to the Qualification Requirement; and

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

OPERATION OF THE CONTRACTUAL ARRANGEMENTS

In order to comply with the PRC laws and regulations as set out above while availing ourselves to international capital markets and maintaining effective control over all of our operations, on March 14, 2018, our wholly-owned subsidiary, WFOE entered into various agreements (as amended and superseded by certain agreements dated June 22, 2018, as the case may be) that together constitute the Contractual Arrangements with, among others, our Consolidated Affiliated Entities, under which substantially all economic benefits arising from the business of our Consolidated Affiliated Entities are transferred to WFOE to the extent permitted under the PRC laws and regulations by means of services fees payable by our Consolidated Affiliated Entities to WFOE.

The following simplified diagram illustrates the flow of economic benefits from Hope Education to us under the Contractual Arrangements:



Notes:

(1) “ ” denotes direct legal and beneficial ownership in the equity interest.

(2) “ ” denotes contractual relationship.

(3) “— — — ” denotes the control by WFOE over the Registered Shareholders through (1) powers of attorney to exercise all shareholders’ rights in Hope Education, (2) exclusive options to acquire all or part of the equity interests in Hope Education and (3) equity pledges over the equity interests in Hope Education.

(4) Registered Shareholders refer to shareholders of Hope Education, namely, Sichuan Tequ Investment, Chengdu Mayflower Investment Management, CEL Maiming and Guangwei Qinghe.

Summary of the Material Terms of the Contractual Arrangements

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

Exclusive Management Consultancy and Business Cooperation Agreement

Pursuant to the exclusive management consultancy and business cooperation agreement dated March 14, 2018 entered into by and among WFOE, Hope Education and its subsidiaries and its Registered Shareholders (the “**Exclusive Management Consultancy and Business Cooperation Agreement**”), WFOE has the exclusive right to provide, or designate any third party to provide each of our Consolidated Affiliated Entities with corporate management and educational services, intellectual property licensing services as well as technical and business support services. Such services include the provision of advisory services and recommendations on asset and business operation, debt disposal, material contracts (including negotiations, execution and performance of the same), and mergers and acquisitions, educational software, course materials and research and development, employee on-the-job management training, technology development, transfer and consulting services, public relation services, market survey, research and consulting services, market development and planning services, human resources and internal information management, network development, upgrade and ordinary maintenance services, sales of proprietary products, software, trademark, domain name and know-how and/or the use of related intellectual property rights, and other additional services as the parties may mutually agree from time to time. Without WFOE's prior written consent, none of our Consolidated Affiliated Entities may accept services covered by the Exclusive Management Consultancy and Business Cooperation Agreement from any third party.

WFOE is entitled to own all intellectual property rights arising out of the performance of this agreement. Our Consolidated Affiliated Entities agree to pay the entirety of their total income for the services provided by WFOE (net of costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld).

Pursuant to the Exclusive Management Consultancy and Business Cooperation Agreement, without the prior written approval from WFOE, our Consolidated Affiliated Entities shall not enter into any transaction (save as those transactions entered into in the ordinary course of business) that may affect its assets, obligations, rights or operation, including but not limited to (i) the provision of any security or guarantee in favor of any third party or the creation of any encumbrances in relation to its assets; (ii) the entering into of any loan or debt obligations in favor of any third party; and (iii) in relation to any third party the disposal, acquisition or otherwise dealing of any assets (including but not limited to intellectual properties) with a value higher than RMB500,000.

In addition, under the Exclusive Management Consultancy and Business Cooperation Agreement, without the prior written consent of WFOE, none of the Consolidated Affiliated Entities shall change or remove the members of its board of directors who are appointed by WFOE in accordance with the articles of association of each of our Consolidated Affiliated Entities. WFOE also has the right to appoint the school principals, general managers, financial controllers and other senior managers of our Consolidated Affiliated Entities. WFOE has absolute control over the distribution of dividends or any other amounts to the shareholders of our Consolidated Affiliated Entities as our Consolidated Affiliated Entities and their shareholders have undertaken not to make any distribution without WFOE's prior written consent.

Pursuant to the Exclusive Management Consultancy and Business Cooperation Agreement, WFOE has the right to purchase all or part of the assets or businesses of Hope Education at the minimum consideration permitted under PRC laws and regulations.

As Zhuhai Maiwen became a shareholder of Hope Education after conversion of the Convertible Loan and thus a Registered Shareholder, on June 22, 2018, the WFOE, Hope Education and its Registered Shareholders entered into a second exclusive management consultancy and business cooperation agreement (the "**Second Exclusive Management Consultancy and Business Cooperation Agreement**"), which replaced and superseded the Exclusive Management Consultancy and Business Cooperation Agreement in its entirety. Save for the date of and parties to the agreement, the terms and conditions of the Second Exclusive Management Consultancy and Business Cooperation Agreement are substantially the same as those of the Exclusive Management Consultancy and Business Cooperation Agreement.

Exclusive Call Option Agreement

Under the exclusive call option agreement dated March 14, 2018 entered into among WFOE, Hope Education and its Registered Shareholders (the "**Exclusive Call Option Agreement**"), the Registered Shareholders unconditionally and irrevocably agreed to grant WFOE or its designated third party an exclusive option to purchase all or part of the equity interests in Hope Education for the minimum amount of consideration permitted by applicable PRC laws and regulations, under circumstances in which WFOE or its designated third party is permitted under PRC laws and regulations to own all or part of the equity interests of Hope Education. Where the purchase price is required by the relevant PRC laws and regulations to be an amount other than nil consideration, the Registered Shareholders shall return the amount of purchase price they have received to WFOE or its designated third party. WFOE has the sole discretion to decide when to exercise the option, and whether to exercise the option in part or in full. The key factor for us to decide whether to exercise the option is whether the current regulatory restrictions on foreign investment in or control of the educational business will be removed in the future, the likelihood of which we were not in a position to know or comment on at the Latest Practicable Date.

In order to prevent the flow of the assets and value of our Consolidated Affiliated Entities to their respective shareholders, pursuant to the Exclusive Call Option Agreement, none of the assets of Hope Education are to be sold, transferred or otherwise disposed of without the written consent of WFOE. In addition, under the Exclusive Call Option Agreement, without WFOE's prior written consent, none of the Registered Shareholders and Hope Education may transfer or permit the encumbrance of or allow any guarantee or security to be created on any of his or her equity interests in Hope Education, enter into agreements that will affect the assets and financial status of Hope Education, amend the articles of association of Hope Education, increase or decrease the registered capital or change the structure of contributions of Hope Education except that resulted from the debt-to-equity conversion carried out by Zhuhai Maiwen pursuant to the Convertible Loan Agreement entered into by and among Zhuhai Maiwen, the Registered Shareholders and Hope Education, incur, inherit or guarantee any debts for Hope Education except for the payables incurred in the ordinary course of business, cause, approve or permit Hope Education to provide any persons with any loan or credit or to merge, consolidate with, acquire or invest in any entities, change the directors of Hope Education.

In the event that the Registered Shareholders receive any profit distribution or dividend from Hope Education, the Registered Shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to WFOE or its designated third party. If WFOE exercises this call option under the terms and conditions of the Exclusive Call Option Agreement, all or any part of the equity interests in Hope Education acquired would be transferred to WFOE and the benefits of equity ownership would flow to WFOE and its shareholders.

As Zhuhai Maiwen became a shareholder of Hope Education after conversion of the Convertible Loan and thus a Registered Shareholder, on June 22, 2018, the WFOE, Hope Education and its Registered Shareholders entered into a second exclusive call option agreement (the "**Second**

Exclusive Call Option Agreement"), which replaced and superseded the Exclusive Call Option Agreement in its entirety. Save for the date of and parties to the agreement, the terms and conditions of the Second Exclusive Call Option Agreement are substantially the same as those of the Exclusive Call Option Agreement.

Equity Pledge Agreement

Pursuant to the equity pledge agreement dated March 14, 2018 entered into by and among WFOE, Hope Education and its Registered Shareholders (the "**Equity Pledge Agreement**"), the Registered Shareholders unconditionally and irrevocably to offer first priority pledge over all of the equity interests in Hope Education to WFOE to guarantee (i) performance of the obligations of Hope Education, its subsidiaries and the Registered Shareholders under the Exclusive Management Consultancy and Business Cooperation Agreement, (ii) performance of Hope Education and the Registered Shareholders' obligations under the Exclusive Call Option Agreement and the Powers of Attorney (as defined below). Under the Equity Pledge Agreement, the Registered Shareholders have agreed that, without the prior written consent of WFOE, they will not transfer or dispose the pledged equity interests or create or allow any third party to create any encumbrance on the pledged equity interests that would prejudice WFOE's interest.

As Zhuhai Maiwen became a shareholder of Hope Education after conversion of the Convertible Loan and thus a Registered Shareholder, on June 22, 2018, the WFOE, Hope Education and its Registered Shareholders entered into a second equity pledge agreement (the "**Second Equity Pledge Agreement**"), which replaced and superseded the Equity Pledge Agreement in its entirety. Save for the date of and parties to the agreement, the terms and conditions of the Second Equity Pledge Agreement are substantially the same as those of the Equity Pledge Agreement.

The equity pledge registration of Hope Education was completed on March 15, 2018 and June 26, 2018, respectively, with the Sichuan Administration Bureau for Industry and Commerce. Our PRC Legal Advisor has confirmed that the Equity Pledge Agreement and the Second Equity Pledge Agreement have been duly registered with the relevant PRC legal authority pursuant to the PRC laws and regulations. The Second Equity Pledge Agreement shall remain valid until (i) the satisfaction of all the contractual obligations of Hope Education and its respective subsidiaries and the Registered Shareholders in full under the Exclusive Management Consultancy and Business Cooperation Agreement, Exclusive Call Option Agreement and the Powers of Attorney, or (ii) the nullification or termination of the Exclusive Management Consultancy and Business Cooperation Agreement, the Exclusive Call Option Agreement and the Powers of Attorney, whichever is later.

To further enhance our Company's security over our schools, our Company has taken measures to ensure that the company seals of the schools are properly secured, are within the full control of our Company and cannot be used by the Registered Shareholders without our permission. Such measures include arranging for the company seals of the schools to be kept in the safe custody of the finance department of our Group 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.

Powers of Attorney

The Registered Shareholders have executed an irrevocable power of attorney dated March 14, 2018 appointing WFOE, or any person designated by WFOE (excluding non-independent persons or persons who may give rise to conflicts of interests), as his or her attorney-in-fact to appoint directors and vote on his or her behalf on all matters of Hope Education requiring shareholders' approval under its respective articles of associations and under the relevant PRC laws and regulations. The power of attorney remains effective until the nullification or termination of the Exclusive Management Consultancy and Business Cooperation Agreement. As Zhuhai Maiwen became a shareholder of Hope Education after conversion of the Convertible Loan and thus a Registered Shareholder, on June 22, 2018, each of the Registered Shareholders has executed an irrevocable power of attorney, which replaced and superseded the powers of attorney executed by the Registered Shareholders on March 14, 2018 in their entirety. Save for the date of the powers of attorney, the terms and conditions of the powers of attorney dated June 22, 2018 are substantially the same as those dated March 14, 2018.

Hope Education has executed an irrevocable power of attorney dated March 14, 2018 appointing WFOE, or any person designated by WFOE (excluding non-independent persons or persons who may give rise to conflicts of interests), as his or her attorney-in-fact to appoint directors and vote on behalf of it on all matters of its subsidiaries requiring shareholders' or school sponsors' approval under its respective articles of associations and under the relevant PRC laws and regulations. The power of attorney remains effective until the nullification or termination of the Exclusive Management Consultancy and Business Cooperation Agreement.

Other sponsors of our schools, namely, Sichuan Yonghe Education Investment Limited, Sichuan Guojian Investment Limited, Shanghai Shurui Investment Consultant Limited, Ziyang Maysunshine Education Investment Limited, Taiyuan Xudong Technology Development Limited and Sichuan TOP Education Co., Ltd., have executed an irrevocable power of attorney dated March 14, 2018 appointing WFOE, or any person designated by WFOE (excluding non-independent persons or persons who may give rise to conflicts of interests), as his or her attorney-in-fact to appoint directors and vote on his or her behalf on all matters of relevant schools requiring sponsors' approval under its respective articles of associations and under the relevant PRC laws and regulations. The power of attorney remains effective until the nullification or termination of the Exclusive Management Consultancy and Business Cooperation Agreement.

The articles of association of Hope Education states that the shareholders, in a shareholders' meeting, have the power to approve its operating strategy and investment plan, elect the members of the board of directors and approve their compensation, and review and approve the annual budget and earning distribution plan. Therefore, through the irrevocable power of attorney arrangement, we and WFOE, have the ability to exercise effective control over Hope Education through shareholder votes and, through such votes, to also control the composition of the board of directors for Hope Education.

In addition, the Powers of Attorney specifically provide that the attorney-in-fact is entitled to sign minutes, file documents with the relevant companies registries.

Those of our powers to direct the activities of Hope Education that most significantly impact these entities' economic performance include:

- as the attorney-in-fact of shareholders, we elect all members of the board of directors for Hope Education, approve the director compensation, review and approve annual budget and vote on all matters that requiring approval from shareholders; and

- through the control over the boards of directors of Hope Education, we appoint all senior management, approve executive compensation and review and approve operating, investing, and financing plans.

Shareholders' Undertaking

Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司), West Hope, Wang Degen (王德根), Chen Yuxin (陳育新), Zhao Guiqin (趙桂琴), Zhang Qiang (張強), Tang Jianyuan (唐健源), Liu Birong (劉碧容), Wang Qiang (王強), Lan Hai (蘭海), Zeng Zheng (曾正), Zhou Xingbang (周興幫), Wang Xiaoguo (王孝國), Xiao Song (肖崧), Mei Shaofeng (梅紹鋒) have given an undertaking on March 14, Wang Huiwu (汪輝武), Fu Wenge (付文革), Wang Degen (王德根) have given an undertaking on March 14, in favor of our Company and WFOE to acknowledge and agree the Registered Shareholders to offer first priority pledge over all of their respective equity interests in Hope Education to WFOE (the "**Shareholders' Undertaking**"). Pursuant to Shareholders' Undertaking, each of the promisors does not and will not use their direct or indirect interests in the Registered Shareholders to make pledge, sale, other third party guarantees, other third party priority rights, or other disposals or transactions that have equal economic effects to affect the first priority pledge over interests in Hope Education to WFOE and the stability of the operation of contractual arrangements. In the event that the promisors intend to use their respective equity interests in the Registered Shareholders to make pledge, other third party guarantee rights, or other disposals or transactions, the promisors should obtain consents from WFOE and our Company and explicitly exclude the interests relating to Hope Education equity from the scope of the pledge, other third party guarantee rights, or other disposals or transactions in the relevant legal documents entered into with the lenders or other right holders. The lenders or other right holders under such legal documents should also issue a written undertaking to guarantee that they will not jeopardize the operation of the Contractual Arrangements.

Each of the entities and individuals mentioned above also undertakes to our Company and WFOE that, unless with the prior written consent of WFOE and Hope Education, so long as he/she/it holds direct or indirect interest in Hope Education, he/she/it will not directly or indirectly engage in, possess, invest, participate in or operate any businesses or activities which compete or might compete with Hope Education and its subsidiaries ("**Competing Businesses**") for interests of itself or other parties, or engage in competing businesses with any information obtained from Hope Education or its subsidiaries, or derive any benefits from any Competing Businesses.

Each of CEL Huiling Investment (Shanghai) Co., Limited (光控匯領投資(上海)有限公司) ("**CEL Huiling**"), the general partner of CEL Maiming and Yixing CEL, the general partner of Guangwei Qinghe has given an undertaking on March 14, 2018 in favor of our Company and WFOE to acknowledge and agree the Registered Shareholders to offer first priority pledge over all of their respective equity interests in Hope Education to WFOE (the "**Shareholders' Undertaking**"). Pursuant to Shareholders' Undertaking, each of the promisors does not and will not use their direct or indirect interests in the Registered Shareholders to make pledge, sale, other third party guarantees, other third party priority rights, or other disposals or transactions that have equal economic effects to affect the first priority pledge over interests in Hope Education to WFOE and the stability of the operation of contractual arrangements. The promisors, as the general partners of the Registered Shareholders, will not approve the relevant limited partners to use their direct or indirect interests in the Registered Shareholders to make pledge, sale, other third party guarantees, other third party priority rights, or other disposals or transactions that have equal economic effects to affect the first priority pledge over interests in Hope Education to WFOE and the stability of the operation of contractual arrangements. In the event that the promisors or the limited partners of the Registered Shareholders intend to use their respective equity interests in the Registered Shareholders to make pledge, other third party guarantee rights, or other disposals or transactions, the promisors and the limited partners of the Registered Shareholders should obtain consents from WFOE or our Company and explicitly exclude the interests relating to Hope Education equity from the scope of the pledge, other third party guarantee rights, or other disposals or transactions in the relevant legal documents entered into with the lenders or other right holders. The lenders or other right holders should also issue a written undertaking to guarantee that they will not jeopardize the operation of the Contractual Arrangements. The promisors, as the general partners of the Registered Shareholders, will not approve the relevant limited partners to use their respective equity interests in the Registered Shareholders to make pledge, other third party guarantee rights, or other disposals or transactions. At any time after the issuance of the undertakings, if the general partner of CEL Maiming or Guangwei Qinghe changes, the promisors shall procure such new general partners to confirm in writing that he/she/it is fully aware of the Contractual Arrangements among CEL Maiming, Guangwei Qinghe, Hope Education and WFOE, and will perform the Contractual Arrangements and all the obligations and rights of the promisors under these undertakings.

As Zhuhai Maiwen became a shareholder of Hope Education after conversion of the Convertible Loan and thus a Registered Shareholder, on June 22, 2018, each of CEL Huiling (also being the general partner of Zhuhai Maiwen) and Yixing CEL has executed an undertaking on June 22, 2018 in favour of our Company and WFOE to acknowledge and agree the Registered Shareholders (including Zhuhai Maiwen) to offer first priority pledge over all of their respective equity interests in Hope Education to WFOE (the "**Second Shareholders' Undertaking**"). The Second Shareholders' Undertaking has replaced and superseded the Shareholders' Undertaking in its entirety. Save for the date of the undertaking, the terms and conditions of Second Shareholders' Undertaking are substantially the same as those of the Shareholders' Undertaking.

Dispute Resolution

In the event of any dispute with respect to the interpretation or performance of the provisions, each of the Exclusive Management Consultancy and Business Cooperation Agreement, Exclusive Call Option Agreement and Equity Pledge Agreement stipulate that the parties shall negotiate in good faith to resolve the dispute. In the event the parties fail to reach an agreement on the resolution of such dispute, any party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used during arbitration shall be Chinese. The arbitration ruling shall be final and binding on all parties.

The dispute resolution clause of each of the Contractual Arrangements also provides that the arbitral tribunal may award remedies over the shares or land assets of our Consolidated Affiliated Entities, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of the Consolidated Affiliated Entities; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and the PRC (being the place of incorporation of our Consolidated Affiliated Entities) also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of our Consolidated Affiliated Entities.

However, our PRC Legal Advisor has advised that the tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of our Consolidated Affiliated Entities pursuant to current PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable under the current PRC laws.

Our PRC Legal Advisor has advised us that the practical consequences for the Group arising from the possible non-enforceability of provisions in the agreements underlying the Contractual Arrangements are as follows:

- should WFOE intend to seek interim remedies in support of the arbitration when formation of the arbitral tribunal is pending or under appropriate circumstances, WFOE may either seek (i) the interim remedies available from a PRC arbitral tribunal described below, or (ii) the interim remedies before a PRC court pursuant to Articles 100 and 101 of the PRC Civil Procedure Law and Article 28 of the PRC Arbitration Law, rather than before any courts in Hong Kong or the Cayman Islands.

- under the current PRC law, the remedies that arbitral tribunals, including the China International Economic and Trade Arbitration Commission, are empowered to award are limited to the following:

  - cessation of infringements;

  - removal of obstacles;

  - elimination of dangers;

  - return of property;
  - restoration of original condition;
  - repair, reworking or replacement;
  - compensation for losses;
  - payment of breach of contract damages;
  - elimination of ill effects and rehabilitation of reputation; and
  - extension of apology.

- as the remedies that the China International Economic and Trade Arbitration Commission is empowered to award do not include injunctive reliefs or winding up orders, under PRC law, WFOE can only seek similar but not identical remedies, such as cessation of infringements or return of property, from the China International Economic and Trade Arbitration Commission. Alternatively, WFOE may seek similar remedies from a competent court, such as interim measures (e.g., asset preservation) over the assets or shares of our Consolidated Affiliated Entities and winding up orders against the Consolidated Affiliated Entities under appropriate circumstances.

- even if the abovementioned provisions may not be enforceable under the current PRC laws, our PRC Legal Advisor has confirmed that the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreements under the Contractual Arrangements.

Succession

The Registered Shareholders undertake to WFOE under Exclusive Management Consultancy and Business Cooperation Agreement that, in the event of the Registered Shareholders lose its qualification as a legal person or other circumstances that may affect the Registered Shareholders in exercising its shareholder's right in Hope Education, the successor, administrator, liquidation committee of the Registered Shareholders shall have made all necessary arrangement and sign all necessary document with other parties to avoid prejudicing or hindering the enforcement of the Contractual Arrangements.

Therefore, our PRC Legal Advisor is of the view that (i) the Contractual Arrangements provide protection to our Group even in the event of dissolution of the Registered Shareholders; and (ii) the dissolution of any of the Registered Shareholders would not affect the validity of the Contractual Arrangements, and WFOE or our Company can enforce its rights under the Contractual Arrangements against the successors of the Registered Shareholders.

Conflicts of Interests

To ensure our effective control over our Consolidated Affiliated Entities, we have implemented measures to protect against the potential conflicts of interest between our Company and the Registered Shareholders. Pursuant to the Exclusive Call Option Agreement, the Registered Shareholders granted us or our designated third party an exclusive option to purchase part or all of the equity interests in Hope Education, under circumstances in which we or our designated third party is permitted under PRC laws and regulations to own all or part of the equity interests in Hope Education. Under the irrevocable Powers of Attorney executed by each of the Registered Shareholders, they appointed WFOE, or any person designated by WFOE (excluding non-independent persons or persons who may give rise to conflicts of interests) as their respective attorney-in-fact to appoint directors and vote on their behalf on all matters of Hope Education requiring shareholders' approval under its article of association and under the relevant PRC laws and regulations.

Furthermore, there are mechanisms in place to protect against the spouses of Chen Yuxin (陳育新), Zhao Guiqin (趙桂琴), Zhang Qiang (張強), Tang Jianyuan (唐健源), Liu Birong (劉碧容), Wang Qiang (王強), Lan Hai (蘭海), Zeng Zheng (曾正), Zhou Xingbang (周興幫), Wang Xiaoguo (王孝國), Xiao Song (肖崧), Mei Shaofeng (梅紹鋒), Fu Wenge (付文革), Wang Degen (王德根) from exercising any control or influence over the Consolidated Affiliated Entities. Each of the spouses of Chen Yuxin (陳育新), Zhao Guiqin (趙桂琴), Zhang Qiang (張強), Tang Jianyuan (唐健源), Liu Birong (劉碧容), Wang Qiang (王強), Lan Hai (蘭海), Zeng Zheng (曾正), Zhou Xingbang (周興幫), Wang Xiaoguo (王孝國), Xiao Song (肖崧), Mei Shaofeng (梅紹鋒), Fu Wenge (付文革), Wang Degen (王德根) executed an irrevocable undertaking dated March 14, 2018 (the "**Spouse's Undertaking**") whereby the spouse expressly and irrevocably (i) acknowledge the entry into of the Contractual Arrangements by their spouses; (ii) undertake that he or she shall not take any actions that are in conflict with purpose and intention of the Contractual Arrangements, including but not limited to acknowledging that any equity interests held by their spouses in Hope Education do not fall within the scope of their community properties; and (iii) confirm that his or her consent and approval is not required for the implementation of the Contractual Arrangements, any amendments thereto or the termination thereof.

Based on the above together with the non-compete undertaking given under the Shareholders' Undertaking, our Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with potential conflicts of interest between our Group and the Registered Shareholders and that these measures are sufficient to protect our Group's interest in the Consolidated Affiliated Entities.

Loss Sharing

None of the agreements constituting the Contractual Arrangements provide that the Company or WFOE is obligated to share the losses of our Consolidated Affiliated Entities or provide financial support to our Consolidated Affiliated Entities. Further, Hope Education is a limited liability company and 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 WFOE, as the primary beneficiary of our Consolidated Affiliated Entities, is not required to share the losses of our Consolidated Affiliated Entities or provide financial support to our Consolidated Affiliated Entities. Despite the foregoing, given that our Group conducts its businesses in the PRC through our Consolidated Affiliated Entities which hold the requisite PRC licenses and approvals, and that our Consolidated Affiliated Entities' financial condition and results of operations are consolidated into our Company's Consolidated Financial Statements 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 Consolidated Affiliated Entities suffer losses. Therefore, the provisions in the Contractual Arrangements are tailored so as to limit, to the greatest extent possible, the potential adverse effect on WFOE and our Company resulting from any loss suffered by our Consolidated Affiliated Entities.

For instance, as provided in the Exclusive Call Option Agreement, none of the assets of our Consolidated Affiliated Entities are to be sold, transferred or otherwise disposed of without the written consent of WFOE. In addition, under the Exclusive Call Option Agreement, none of the Registered Shareholders may transfer or permit the encumbrance of or allow any guarantee or security to be created on any of his or her equity interests in Hope Education without WFOE's prior written consent.

In addition, under the Exclusive Management Consultancy and Business Cooperation Agreement, without the prior written consent of WFOE, our Consolidated Affiliated Entities shall not change or remove the members of the boards of directors who are appointed by WFOE in accordance with the memorandum and articles of association of each of our Consolidated Affiliated Entities. WFOE also has the right to appoint the school principals, financial controllers and other senior managers of our Consolidated Affiliated Entities. WFOE has absolute control over the distribution of dividends or any other amounts to the shareholders of our Consolidated Affiliated Entities as our Consolidated Affiliated Entities and the Registered Shareholders have undertaken not to make any distribution without the prior written consent of WFOE. WFOE also has the right to periodically receive or inspect the accounts of our Consolidated Affiliated Entities and the financial results of our Consolidated Affiliated Entities can be consolidated into our Group's financial information as if they were our Group's subsidiaries.

Liquidation

According to the Exclusive Management Consultancy and Business Cooperation Agreement and the Exclusive Call Option Agreement, the Registered Shareholders have undertaken to appoint a committee designated by WFOE as the liquidation committee upon the winding up of our Consolidated Affiliated Entities to manage their assets. However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, all of the remaining assets and residual interests of Consolidated Affiliated Entities shall be transferred to WFOE after such liquidation pursuant to PRC laws.

Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Advisor is of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations and that:

- each of WFOE and our Consolidated Affiliated Entities is a duly incorporated and validly existing company or school, and their respective establishment is valid, effective and complies with the relevant PRC laws, each of the Registered Shareholders is a legal person with full civil and legal capacity, and each of WFOE, our Consolidated Affiliated Entities and the Registered Shareholders has obtained all necessary board and/or shareholder approvals and authorizations, as approriate, to execute and perform the Contractual Arrangements;

- as of the date of issuing their legal opinion, no PRC laws and regulations explicitly prohibit contractual arrangements in the private higher education industry in the PRC. Parties to each of the agreements are entitled to execute the agreements and perform their respective obligations thereunder. Except for the provisions regarding dispute resolution and liquidation committee. Each of the agreements is binding on the parties thereto and none of them would be deemed as "concealment of illegal intentions with a lawful form" and void under the PRC Contract Law;

- none of the Contractual Arrangements violates any provisions of the articles of association of our Consolidated Affiliated Entities or WFOE;

- each of the Contractual Arrangements is binding on the assignees or successors of the parties thereto. In the event of bankruptcy of any of our Consolidated Affiliated Entities, WFOE or our Company is entitled to enforce its rights against the assignees or successors of any of the shareholder of our Consolidated Affiliated Entities;

- Each of the Contractual Arrangements is enforceable under the PRC Laws and regulations, entering and the performance of the Contractual Arrangements are not required to obtain any approvals or authorization from the PRC governmental authorities, except that (1) the pledge of any equity interests in Hope Education in favor of the WFOE is subject to registration requirements with relevant Administration of Industry and Commerce; (2) the transfer of the school sponsor's interests in our schools and/or equity interests in our school sponsors contemplated under the Contractual Arrangements is subject to applicable approval and/or registration requirements under the then applicable PRC Laws; (3) the transfer of equity interest in our school sponsors contemplated under the Contractual Arrangements is subject to applicable approval and/or registration requirements under the then applicable PRC Laws and (4) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Contractual Arrangements are subject to application to competent PRC courts for recognition and enforcement;

- neither WFOE nor our Company is obligated to share the losses of our Consolidated Affiliated Entities and the Registered Shareholders or provide financial support to our Consolidated Affiliated Entities and the Registered Shareholders. Each of our Consolidated Affiliated Entities is a limited liability company or school and is solely liable for its own debts and losses attributable to the assets and properties owned by it;

- each of the Contractual Arrangements is valid, legal and binding under PRC laws, except for the following provisions regarding dispute resolution and the liquidating committee:

  - the Contractual Arrangements provide that any dispute shall be submitted to the China International Economic and Trade Arbitration Centre for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. They also provide that the arbitrator may award interim remedies over the shares or land assets of our Consolidated Affiliated Entities or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of our Consolidated Affiliated Entities; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company) and the PRC (being the place of incorporation of our Consolidated Affiliated Entities) also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of our Consolidated Affiliated Entities. However, our PRC Legal Advisor has advised that the tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of our Consolidated Affiliated Entities pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC; and

  - the Contractual Arrangements provide that the shareholders of our Consolidated Affiliated Entities undertake to appoint a committee designated by WFOE as the liquidation committee upon the winding up of our Consolidated Affiliated Entities to manage their assets. However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, these provisions may not be enforceable under PRC Laws.

With a view to understanding the PRC tax implications of the service fees under the Contractual Arrangements, we have sought the following professional opinions from our PRC Tax Consultant:

(a) the Contractual Arrangements provide our WFOE with absolute control over our Consolidated Affiliated Entities, and WFOE is a related party with actual control;

(b) in respect of taxation, the Contractual Arrangements and the services provided there under by a related third party should not be regarded as profit transferring or tax evasion provided that: (i) genuine services are rendered under the Contractual Arrangements; (ii) the service relationship between WFOE and our Consolidated Affiliated Entities are supported by proper documentation; (iii) the service fees are charged on an arm's length basis with reference to market price; and (iv) our Consolidated Affiliated Entities and WFOE will disclose the related party transactions and report their profits to the relevant tax bureaus;

(c) under the implementation of the Contractual Arrangements, our Group as a whole would pay a higher effective tax rate as the service fees received by WFOE under the Contractual Arrangements are subject to the PRC enterprise income tax and value-added tax; and

(d) the nature of the Contractual Arrangements would not lead to any loss of tax revenue in the PRC when properly implemented and from a tax point of view, would not render the tax benefits which are applicable to our operating schools in the PRC invalid or cause our Group to bear additional tax liability or penalty.

Following the implementation of a "variable interest entity" structure with the execution of the Structured Contracts on March 14, 2018, we are subject to additional amounts of PRC income tax and value-added tax. If the Contractual Arrangements had been in effect during the Track Record Period, at least 25% of our schools' net profit would be required to be retained for the schools' working capital as development fund and statutory surplus reserve, and profit attributable to the WFOE would only be 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 35%, 21% and 15% and 26% for the years ended December 31, 2015, 2016 and 2017 and for the three months ended March 31, 2018, respectively. This estimate also takes into account the following major factors: (i) the WFOE is subject to a 25% enterprise income tax, 6% value-added tax and 0.72% tax surcharges; and (ii) the financial results of various entities within our Group. However, as the WFOE was specifically established to provide exclusive technical and management consultancy services to our Consolidated Affiliated Entities under the Structured Contracts, such impact is estimated without taking into consideration potential tax preferential policy, potential tax reductions with respect to factors such as the operational costs and expenses primarily comprising employee benefits, rental expenses and other operating-related expenses that were incurred by the WFOE in the process of providing such services as such mitigating factors 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.

Our Directors are of the view that the Contractual Arrangements are narrowly tailored because the Contractual Arrangements are only used to enable our Group to control our Consolidated Affiliated Entities which engage in the operation of higher education where the PRC laws and regulations currently restrict operation of higher education institutions to Sino-foreign ownership, in addition to imposing Qualification Requirements on the foreign owners and withholding government approval in respect of Sino-foreign ownership which are currently impracticable for us to meet or obtain.

Our schools are currently held through Hope Education or its subsidiaries which are special investment vehicles established to hold the schools and do not carry on any other business. Our PRC Legal Advisor advises (i) that our ability to enforce our rights and protect our interests under the current Contractual Arrangements is no less effective than in the case where Contractual Arrangements are entered into directly between WFOE, Registered Shareholders and each of our schools only; and (ii) that the current structure of the Contractual Arrangements offers the best available protection in our favor under the PRC laws and regulations due to the existence of Hope Education, the pledge over the equity interests in Hope Education created pursuant to the Equity Pledge Agreement and the first priority pledge right over the equity interests in Hope Education created pursuant to the Shareholders Undertaking. As advised by our PRC Legal Advisor, schools sponsors cannot pledge their interests in their schools and any purported pledge of such interests (if any) would be unenforceable under the PRC laws and regulations. Accordingly, it is necessary and in our best interests for WFOE to adopt the current structure of the Contractual Arrangements to maintain our control over Hope Education and our schools.

Based on their understanding of the existing PRC laws and consultations with relevant officers of (i) the International Exchange and Cooperation Division of Sichuan Department of Education (四川省教育廳國際交流與合作處) and the Vocational Training Guidance Center of the Department of Human Resources and Social Security of Sichuan Province (四川省人力資源和社會保障廳培訓指導中心) on January 16, 2018; (ii) Guizhou Department of Education (貴州省教育廳) on January 15 and 22, 2018; and (iii) the International Cooperation and Exchange Division of Shanxi Department of Education (山西省教育廳國際合作與交流處) on January 23, 2018, being the competent authorities as advised by our PRC Legal Advisor to confirm the matters relating to operation and management of our schools, our PRC Legal Advisor further advises that WFOE's right to receive the service fees from our Consolidated Affiliated Entities does not contravene any PRC laws or regulations and that the payment of service fees under the Contractual Arrangements should not be regarded as part of the distribution of returns or profits to the sponsors of our schools when the service fees are paid by Hope Education and the schools (i.e., the Consolidated Affiliated Entities) as consideration for obtaining services provided by WFOE. According to our PRC Legal Advisor, no current PRC law or regulation, restricts or prohibits WFOE's contractual rights to receive service fees from our Consolidated Affiliated Entities (which include Hope Education and our schools) for the services rendered under the Contractual Arrangements irrespective of whether our schools are being operated as schools of which the sponsors require "reasonable returns" or schools of which the sponsors do not require "reasonable returns" or for-profit schools or non-profit schools.

We were advised by our PRC Legal Advisor, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that PRC regulatory authorities will not in the future take a view that is contrary to the above opinion of our PRC Legal Advisor. We were further advised by our PRC Legal Advisor that if the PRC government finds that the Contractual Arrangements do not comply with PRC government restrictions on foreign investment in the education business, we could be subject to severe penalties, which could include:

- revoking the business and operating licenses of WFOE and our Consolidated Affiliated Entities;
- restricting or prohibiting related party transactions between WFOE and our Consolidated Affiliated Entities;
- imposing fines or other requirements with which we, WFOE and our Consolidated Affiliated Entities may find it difficult or impossible to comply;
- requiring us, WFOE and our Consolidated Affiliated Entities to restructure the relevant ownership structure or operations; and

- restricting or prohibiting the use of any proceeds from the Global Offering to finance our business and operations in the PRC.

The imposition of any of these penalties could have a material adverse effect on our ability to conduct our business. See "Risk Factors — Risks Relating to our Contractual Arrangements" for further details.

Accounting Aspects of the Contractual Arrangements

Consolidation of Financial Results of our Consolidated Affiliated Entities

Under the Exclusive Management Consultancy and Business Cooperation Agreement, it was agreed that, in consideration of the services provided by WFOE, each of the Consolidated Affiliated Entities will pay services fees to WFOE. The services fees, subject to WFOE's adjustment, are equal to the entirety of the total income of the Consolidated Affiliated Entities (net of costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld). WFOE may adjust the services fees at its discretion and allow the Consolidated Affiliated Entities to retain sufficient working capital to carry out any growth plans. WFOE also has the right to periodically receive or inspect the accounts of the Consolidated Affiliated Entities. Accordingly, WFOE has the ability, at its sole discretion, to extract substantially all of the economic benefit of the Consolidated Affiliated Entities through the Exclusive Management Consultancy and Business Cooperation Agreement.

In addition, under the Exclusive Management Consultancy and Business Cooperation Agreement, WFOE has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of the Consolidated Affiliated Entities as WFOE's prior written consent is required before any distribution can be made. In the event that the registered shareholders of the Consolidated Affiliated Entities receive any profit distribution or dividend from the Consolidated Affiliated Entities, the registered shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to the Company.

As a result of these Contractual Arrangements, our Company has obtained control of the Consolidated Affiliated Entities through WFOE and, at our Company's sole discretion, can receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into the Company's financial statements.

In this regard, our Directors consider that the Company can consolidate the financial results of the Consolidated Affiliated Entities into our Group's financial information as if they were our Company's subsidiaries. The basis of consolidating the results of the Consolidated Affiliated Entities is disclosed in note 2.1 to the Accountants' Report set out in Appendix I to this prospectus.

DEVELOPMENT IN PRC LEGISLATION ON FOREIGN INVESTMENT

Draft New Foreign Investment Law

The MOFCOM published a discussion draft of the proposed Foreign Investment Law (中華人民共和國外國投資法) (the "**Draft FIL**") in January 2015 aiming to, upon its enactment, replace the major existing laws and regulations governing foreign investment in the PRC. The MOFCOM has solicited comments on this draft and substantial uncertainties exist with respect to its final form, enactment timetable, interpretation and implementation. The Draft FIL, if enacted as proposed, may materially impact the entire legal framework regulating foreign investments in the PRC.

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

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

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

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

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

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

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

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

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

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

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

Notwithstanding that the accompanying explanatory notes to the Draft FIL (the "**Explanatory Notes**") do not provide a clear direction in dealing with VIE structures existing before the Draft FIL becoming effective, which were still pending for further study as of the Latest Practicable Date, the Explanatory Notes contemplate three possible approaches in dealing with FIEs with existing VIE structures and conducting business in an industry falling in the "negative list":

- requiring them to make a declaration to the competent authority that the actual control is vested with Chinese investors, after which the VIE structures may be retained;

- requiring them to apply to the competent authority for certification that their actual control is vested with Chinese investors and, upon verification by the competent authority, the VIE structures may be retained; and

- requiring them to apply to the competent authority for permission to continue to use the VIE structure. The competent authority together with the relevant departments will then make a decision after taking into account the actual control of the FIE and other factors.

Where foreign investors and FIEs 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, 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.

If foreign investors or FIEs are in violation of the provisions of the Draft FIL, including by way of failing to perform on schedule, or evading the performance of, the information reporting obligation, or concealing the truth or providing false or misleading information, the competent authorities for foreign investment in the province, autonomous region and/or municipality 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.

Potential impact on our Company if the Contractual Arrangements are not treated as domestic investment

If the Draft FIL is promulgated in the current draft form, on the basis that (i) Wang Degen (王德根), Chen Yuxin (陳育新), Zhao Guiqin (趙桂琴), Zhang Qiang (張強), Tang Jianyuan (唐健源), Liu Birong (劉碧容), Wang Qiang (王強), Lan Hai (蘭海), Zeng Zheng (曾正), Zhou Xingbang (周興幫), Wang Xiaoguo (王孝國), Xiao Song (肖崧), Mei Shaofeng (梅紹鋒), Wang Huiwu (汪輝武) and Fu Wenge (付文革), who are of Chinese nationality, will control an aggregate of 62.11% of the issued share capital of our Company upon completion of the Global Offering (assuming the Over-allotment Option and options granted under the 2018 Pre-IPO Share Option Scheme are not exercised); (ii) our Company through WFOE exercises effective control over our Consolidated Affiliated Entities pursuant to the Contractual Arrangements, our PRC Legal Advisor is of the view that we can apply for the recognition of the Contractual Arrangements as a domestic investment and it is likely that the Contractual Arrangements will be considered as legal.

Pursuant to the Foreign Investment Catalogue and the Negative List, the higher education business that we operate falls within the "negative list". If the operation of our schools is no longer on the "negative list" and we can legally operate the education business under PRC Laws, WFOE will exercise the call option under the Exclusive Call Option Agreement to acquire the equity interest of in Hope Education and unwind the Contractual Arrangements subject to reapproval by the relevant authorities.

If the Draft FIL as finally enacted is refined or deviates from the current draft, depending on the treatment of existing VIE structures, the Contractual Arrangements may be regarded as invalid and illegal. As a result, we will not be able to operate our schools through the Contractual Arrangements and would lose our rights to receive the economic benefits of our Consolidated Affiliated Entities. As a result, the financial results of our Consolidated Affiliated Entities would no longer be consolidated into our Group's financial results and we would have to derecognise their assets and liabilities according to the relevant accounting standards. An investment loss would be recognised as a result of such derecognition.

Nevertheless, considering that a number of existing entities engaged in the education industry, some of which have obtained listing status abroad, are operating under contractual arrangements, our Directors are of the view that it is unlikely, if the Draft FIL is promulgated, that the relevant authorities will take retrospective effect to require the relevant enterprises to remove the contractual arrangements.

However, there are uncertainties as to the definition of control that may be adopted in the Draft FIL as finally enacted, 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 understanding. See "Risk Factors — Risks relating to our Contractual Arrangements" for further details of the risks we face relating to our Contractual Arrangements. In any event, our Company will take reasonable steps in good faith to seek compliance with the enacted version of the Foreign Investment Law, if and when it comes into force.

We will, to the extent that our Company would be required to announce such information pursuant to Part XIVA of the SFO after the Listing, timely announce (i) any updates or material changes to the Draft FIL; and (ii) in the event that the new Foreign Investment Law has been promulgated, a clear description and analysis of the law, specific measures adopted by our Company to comply with the law (supported by advice from our PRC Legal Advisor), as well as its impact on our business operation and financial position.

Potential measures to maintain control over and receive economic benefits from our Consolidated Affiliated Entities

To ensure the Contractual Arrangements are likely to continue to be viewed as a domestic investment so that our Group can maintain control over our Consolidated Affiliated Entities and receive all economic benefits derived from our Consolidated Affiliated Entities, Hope Education Investment Limited and a number of our ultimate Controlling Shareholders (namely, Wang Huiwu, Wang Degen, Tang Jianyuan, Zhang Qiang, Wang Qiang, Chen Yuxin and Zhao Guiqin) have given an undertaking (the "**FIL Undertaking**") to our Company, and our Company has agreed to enforce such FIL Undertaking, that during the subsistence of the Contractual Arrangements, the promisors will use their best efforts to do and procure our Company to do all such possible acts which are necessary to give effect to the Contractual Arrangements and/or to enable the continuation of business operations of our Consolidated Affiliated Entities as a result of any impact due to the promulgation and implementation of the New Foreign Investment Law and other future laws and regulations relating to foreign investment and in particular:

- Hope Education Investment Limited maintaining to be controlled by natural persons who are of Chinese nationality;

- each of the promisors who is an individual ultimate Controlling Shareholder of our Company (a) maintaining to be a PRC national; or (b) in the event that such promisor proposes to change his or her nationality, he or she will use his or her best endeavours to take all necessary measures to ensure Hope Education Investment Limited to remain controlled by natural persons who are of Chinese nationality; and

- in the event of any transfer or disposal by the promisors of a shareholding that may result in the transferee(s) acquiring "control" over the Company (as defined in the Draft FIL or the New Foreign Investment Law (as enacted), as the case may be), the relevant promisor(s) will (as may be relevant) (a) procure that the transferee(s) provide an undertaking on substantially the same terms and conditions as the one provided by the promisors to our Company and (b) demonstrate to the reasonable satisfaction of our Company and the Hong Kong Stock Exchange that the Contractual Arrangements will continue to be viewed as a domestic investment under the Draft FIL or the New Foreign Investment Law (as enacted), as the case may be.

The FIL Undertaking will become effective from the date of the Listing and will remain effective until the earlier of the occurrence of the following events: (i) the relevant promisor ceasing to be one of our Controlling Shareholders of our Company; (ii) compliance with the relevant requirements under the New 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 Hong Kong Stock Exchange has consented to this; (iii) compliance with the FIL Undertaking is no longer required. To the extent that only part of the FIL Undertaking above is no longer required as a result of any of the events in (ii) or (iii) of the preceding sentence occurring, only such part of the FIL Undertaking that is no longer required shall cease to be effective.

Taking into account that the promisors can only transfer its interests in our Company in circumstances where the transfer is in compliance with the New Foreign Investment Law as finally enacted, such arrangement will ensure that the control of our Company will at all times be in accordance with the requirements of the New Foreign Investment Law as finally enacted.

Based on the view of our PRC Legal Advisor and the aforesaid FIL Undertaking given by the promisors, our Directors are of the view that (i) the Contractual Arrangements are likely to be deemed as a domestic investment and to be permitted to continue in the event that the New Foreign Investment Law is finally enacted; and (ii) our Group can maintain control over our Consolidated Affiliated Entities and receive all economic benefits derived from our Consolidated Affiliated Entities.

Notwithstanding the above, as advised by our PRC Legal Advisor, there are no legal restrictions under the current PRC laws and regulations for the promisors to transfer their respective interests in our Company, and there may be uncertainties that the above measures to maintain control over and receive the economic benefit from our Consolidated Affiliated Entities alone may not be effective in ensuring compliance with the New Foreign Investment Law together with, if any, all its subsequent amendments or updates, as promulgated (if and when it becomes effective). In the event that such measures are not complied with, the Hong Kong Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares. See "Risk Factors — Risks Relating to our Contractual Arrangements" for further details.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

- our Board will review the overall performance and compliance with the Contractual Arrangements at least once a year;

- our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports;

- our Directors undertake to provide periodic updates in our annual reports regarding the qualification requirement as stipulated under "— Background of the Contractual Arrangements" in this section and the latest development of the Draft FIL as disclosed under "— Development in PRC Legislation on Foreign Investment" in this section, including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the qualification requirement; and

- our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

In addition, we believe that our Directors are able to perform their roles in our Group independently and we are capable of managing our business independently after the Listing under the following measures:

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

- each of our Directors is aware of his or her fiduciary duties as a Director which requires, among other things, that he or she acts for the benefits and in the best interests of our Company;

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

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

OVERVIEW

We are the second largest private higher education group in China in terms of the number of students enrolled for higher education as of December 31, 2017, according to the Frost & Sullivan Report. We are committed to providing quality education and professional training to students with an aim to equipping them with the knowledge and skills desired in employment markets. We own and operate eight higher education schools, including three independent colleges and five junior colleges in Sichuan, Guizhou and Shanxi. With our established market position, rich experience in operating higher education schools and sophisticated centralized management model, we believe that we can capture consolidation opportunities in China's fragmented private higher education market and continue to achieve rapid development.

According to the Frost & Sullivan Report, the enrollment rate of school-age population of higher education in China was 44.1% in 2017, far less than that in the developed countries in Europe and North America. Private higher education service providers are expected to satisfy the growing market demands and fill the gap of insufficient investment in public higher education as a result of the Chinese government's increasing support to private higher education in recent years. China's private higher education industry is fast-growing. Its market size is expected to increase from RMB103.7 billion in 2017 to RMB139.0 billion in 2021, representing a CAGR of 7.6%, according to the Frost & Sullivan Report. At the same time, this market is highly fragmented and competitive. According to the Frost & Sullivan Report, as of December 31, 2017, the top five private higher education service providers only had 5.8% market share. Our Group ranked second as of December 31, 2017 with a market share of approximately 1.1%. As a leader of China's private higher education industry, we believe that we have the first-mover advantage to expand school network, acquire and consolidate additional schools, increase our market share and capture the market growth opportunities.

We have successfully expanded our school network rapidly based on our strong capabilities of acquiring and establishing higher education institutions. We started to build our school network in Sichuan and have expanded to Guizhou and Shanxi. Since entering into higher education industry in 2008, we have increased the number of our schools providing higher education services to eight, including five acquired schools and three schools established by us. We also provide self-study examination services and adult education services through some of the eight schools. In addition to the above-mentioned eight schools, we operate Sichuan Hope Automotive Technical College to provide technical education services. We experienced a rapid growth during the Track Record Period. The total number of students at our schools increased from 41,375 for the 2014/2015 school year to 86,498 for the 2017/2018 school year, including the provision of higher education services for 73,573 students, and the provision of other education services for 12,925 students. Our teaching staff increased from 3,085 for the 2014/2015 school year to 5,527 for the 2017/2018 school year.

In line with our commitment to students, we endeavor to enable students to become professional talent possessing knowledge and skills desired in employment market. We establish majors and curricula with a focus on applied technologies based on employment market demand and make job-oriented training a key part of our courses. Furthermore, we have close cooperation with corporations and institutions in various areas, such as establishment of major and curriculum, exchange programs of teachers and internship and simulation training. Such cooperation has complemented our classroom teaching, offered superior training opportunities for our students and improved our graduates' competitiveness in the employment market. During the Track Record Period, our initial employment rate for higher education programs reached approximately 90%, significantly higher than the average level in the private higher education industry.

We have a sophisticated centralized management model. Our headquarters performs centralized management over logistics, supply and service procurement and infrastructure constructions of each school and is establishing a unified intelligent campus information system among our schools. Such centralized management enables us to control the operation costs while reducing operating risks. Our schools also share market demand, teaching resources and student recruitment experience and job placement resources. The synergy achieved by such resource sharing among schools underpins the further expansion of our school network. We established an education management committee at our headquarters, consisting of prestigious education experts, serving as a think tank on decision-making and supervision for education and school operations. This enables our schools to benefit from these experts' education management experience in their teaching activities and operations.

Our revenue increased 26.2% from RMB486.7 million in 2015 to RMB614.4 million in 2016 and further increased 22.5% to RMB752.4 million in 2017. Our revenue increased 33.6% from RMB165.9 million for the three months ended March 31, 2017 to RMB221.7 million for the same period of 2018. Our gross profit increased 25.6% from RMB246.5 million in 2015 to RMB309.7 million in 2016 and further increased 16.2% to RMB360.0 million in 2017. Our gross profit increased 5.1% from RMB89.8 million for the three months ended March 31, 2017 to RMB94.4 million for the same period of 2018.

OUR COMPETITIVE STRENGTHS

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

Leading position in China private higher education industry with strong brand recognition

According to the Frost & Sullivan Report, we are the second largest private higher education group in China in terms of the number of students enrolled for higher education as of December 31, 2017. We established our first school, Southwest Jiaotong University Hope College, in Sichuan in 2008 and expanded our network and student base through acquiring and establishing new schools. As of the Latest Practicable Date, we operated eight higher education institutions in Sichuan, Guizhou and Shanxi. As of March 31, 2018, we had an aggregate of 73,573 full-time students enrolled at these eight schools for higher education. In addition, we operate Sichuan Hope Automotive Technical College, a technical college providing technical education.

According to the Frost & Sullivan Report, demand for higher education are underserved in China. The private higher education industry has significant growth potential. According to the Frost & Sullivan Report, the enrollment rate of school-age population of higher education in China was 44.1% in 2017, far less than that in the developed countries in Europe and North America. Moreover, certain regions are in even greater demand for higher education services due to the uneven distribution of education resources in China. The PRC government has promulgated a series of policies for promoting private education, encouraging social investment and private capital to establish schools and education institutions to provide diversified education products and services. We believe that we are able to grasp the development opportunities in China's private higher education industry by leveraging our leading position in terms of school network and implementing our strategy to penetrate regions in great demand of higher education resources.

Our "Hope Education" brand has established strong brand image and reputation in China's private higher education industry, and gained trust from students, parents, teachers, local governments and business partners, such as commercial banks. Our schools have won numerous honors and awards. For example, Sichuan Tianyi College was awarded as "Excellent Private Higher Education Institution in China" by the Higher Education Committee of China's Private Education Association in 2011. Based on our well-recognized brand and capability of operating schools under a centralized model, we are able to cooperate with some local governments to establish higher education institutions. For example, we established Sichuan Hope Automotive Vocational College in Ziyang city in 2013 and Guizhou Vocational Institute of Technology in Fuquan city in 2016. We developed strategic cooperations with banks which effectively support our business development. We believe that our well-recognized name enables us to attract students, keep better-positioned in acquiring and establishing new schools, and achieve sustainable growth.

Outstanding capabilities of acquiring and establishing schools

Our management have a thorough understanding of China's higher education industry and pay close attention on its development trend, which enable them to captures the opportunities to acquire and establish higher education institutions. We strategically penetrated into regions where there is a large school-age population of higher education but the demand for higher education are underserved to establish our school network. We initially built school network in Sichuan. From 2008 to 2014, we gradually acquired and established four higher education institutions in Sichuan.Since 2014, we seized the development opportunity in higher education industry in Guizhou and Shanxi, having acquired two schools and established one school. In 2014, we acquired Jinci College of Shanxi Medical University, which is among the only 12 private medical undergraduate institutions in China and offers the most needed education services in the local area.

We have strong acquisition and post-acquisition integration capabilities. Our dedicated acquisition team systematically screen, evaluate and track the potential target schools in China. We determine appropriate target schools after considering various factors, including the targets' geographic location, market demands, school scale as well as the acquisition price. Leveraging our effective centralized management model and our management's strong execution capability, we are able to efficiently complete the acquisition and rapidly improve the operations, management and social image of the acquired schools. After acquisitions, we usually provide better incentive mechanism and career development prospects to ensure the stability of the elite teaching staff of the acquired schools. Leveraging our centralized student recruitment resources and management model, we increased the revenue of the acquired schools through successful student recruitment and controlled their operational costs by improving operation efficiency. Three of our acquired schools in or before 2014 have achieved growth rates of over 40% in the number of students enrolled for higher education within three years after the acquisitions. After our acquisition in September 2011, Sichuan Tianyi College's number of students enrolled for higher education increased 42.8% from 7,450 as of June 30, 2011 to 10,635 for the 2013/2014 school year. After our acquisition in March 2014, Sichuan

Vocational College of Culture & Communication's number of students enrolled for higher education increased 94.7% from 3,060 as of June 30, 2014 to 5,959 for the 2016/2017 school year. After our acquisition in April 2014, Jinci College of Shanxi Medical University's number of students enrolled for higher education increased from 2,438 as of June 30, 2014 to 3,621 for the 2016/2017 school year.

We have disciplined procedures and approaches, as well as a highly capable and efficient team. We are able to carry on school establishment process in a systematic and efficient manner in all aspects, such as the application of new schools and majors, campus construction and teacher recruitment. Based on thorough and in-depth understanding of the establishment process of higher education institutions, we obtained the required approvals for the four schools we established within seven months. We are capable to complete campus construction in a short period. It usually takes us only eight months to 11 months from obtaining the land for education to putting the first-phase campus into use. We start recruiting teaching staff when we are applying for approvals and constructing the campus to ensure the newly established schools to achieve desired teaching ability when the campus construction is completed. These disciplined procedures and approaches have significantly shortened the preparation period of newly established schools, reduced the overall investment risk and increased the return of investment. For example, in January 2016, we applied to Guizhou Department of Education to establish Guizhou Vocational Institute of Technology and obtained the school operating approval within five months and began admitting students in September 2016.

With our outstanding capability in acquiring and establishing school, our business achieved rapid growth during the Track Record Period. The total number of full-time students enrolled at our schools for higher education increased 118.6% from 33,654 students for the 2014/2015 school year to 73,573 students for the 2017/2018 school year. The total number of new students enrolled at our schools for higher education increased 67.3% from approximately 14,700 students for the 2014/2015 school year to approximately 24,600 students for the 2017/2018 school year. Our revenue from tuition fees increased 25.5% from RMB400.1 million in 2015 to RMB502.3 million in 2016 and further increased 23.6% to RMB620.7 million in 2017, and increased 40.4% from RMB128.4 million for the three months ended March 31, 2017 to RMB180.2 million for the same period of 2018. We believe our capabilities of acquiring and establishing schools is our core competence, making us well-positioned in expanding school network, increasing market share and capturing the growth opportunities in China's private higher education market.

Sophisticated and efficient centralized management model

We have a centralized management model across our Group to achieve synergy among our schools. Our centralized management model consists of a set of sophisticated procedures and measures which are adapted to our operations. Our headquarters perform centralized management over logistics, supply and service procurement and infrastructure constructions of each school and is establishing a unified intelligent campus information system among our schools. We have also established an audit department to supervise and review material financial and asset matters of our schools.

We established an education management committee at our headquarters, consisting of prestigious education experts, serving as a think tank on decision-making and supervision for education and school operations. This enables our schools to benefit from these experts' education management experience in their teaching activities and operations. Our education management committee consists of five experts with rich experiences in the higher education sector and one senior vice president of our Group. Professor Chen Houyi is the chairman of the education management committee. Professor Chen served as the chancellor of Guizhou University of Finance and Economics and has more than 30 years of experience in managing higher education institutions. Professor Li Nengwu is the vice chairman of the education management committee. Professor Li served as the head of Sichuan Minzu College and has more than 20 years of experience in managing higher education institutions. The experts in the education management committee fully leverage their experiences to guide and supervise the education practices of our schools. They help us: (i) enhance our study and understanding on regulations and policies in China's higher education industry and communicate with higher education regulatory authorities; (ii) understand our school's demands and discuss our schools' feedback at our Group; (iii) improve the training of and enhance the ability of our teaching staff; (iv) strengthen the development of specialized majors and high-quality curricula to improve our education quality; (v) advise on optimizing our schools' daily operations and student management; and (vi) provide guidance in passing local education authorities' assessment, such as the assessment for upgrading junior colleges to undergraduate institutions, and improve the overall education quality of our schools.

The centralized management model enables us to share market demand, teaching resources and student recruiting experience and job placement resources to achieve synergy among our schools:

- Market demand: Our headquarters conducts market research and provides guidance to our schools on the establishment of majors and curriculums. Our headquarters provides guidance to the major focus for each of our schools and provides major-related resources in order to avoid the competition among our schools.

- Teaching resources: We have established a Group-level education management committee allowing our schools to benefit from the senior experts' abundant experiences in the higher education industry. Our schools periodically exchange experiences in developing majors and teaching and share teaching resources in order to maintain the education quality and reputation while expanding our school network rapidly.

- Student recruiting experience and job placement resources: we have established a student recruitment management department and an employment management department at our headquarters, in order to provide guidance to our schools on the national and local student recruitment and employment policies, share recruiting experience and employment resources among schools, and provide training to the schools' student recruitment teams to improve their recruitment capability and expand employment resources. Our strong student recruitment and employment guidance capability enables our acquired and newly established schools to achieve scalable business in a short period. For example, in the year when Sichuan Tianyi College was acquired, the number of students enrolled for higher education was 7,450. The enrollment scale of Sichuan Tianyi College increased rapidly after our acquisition and the number of students enrolled for higher education for the 2013/2014 school year reached 10,635.

The centralized management model has improved the education quality of our schools, enabled us to effectively control operating costs, strengthened our control over operational risks and enhanced our brand value. Furthermore, the centralized management model allows our newly acquired and established schools to fully utilize our Group's platform and resources, facilitating the fast and effective integration of these new resources of those schools and supporting the further expansion of our school network.

Market-oriented education services with balanced focus on theories and skills, providing students with good career prospects

In line with our commitment to students, we endeavor to enable students to become professional talent possessing knowledge and skills desired in employment market. We establish majors and curricula with a focus on applied technologies based on employment market demand and make profession-oriented training a key part of our courses. Such focus enables our students to command the knowledge and skills practically required in their professional careers.

Our headquarters has conducted extensive market research to identify the professions in high demand in the employment market in order to provide guidance to our schools on establishing majors and curricula. Our schools have established majors targeting specific industries. For instance, most majors of Sichuan Hope Automotive Vocational College are related to the automobile industry and most majors of Jinci College of Shanxi Medical University are medical specialties. Through such approach to establishing majors, one school can set up common courses and invest in simulation training facilities to be utilized by several majors, which will reduce costs and increase the operating efficiency. Furthermore, such major establishment will facilitate our efforts in strengthening the brand recognition of certain majors and building up the unique advantage of each school, and avoid competition among our schools when recruiting students. We continually pay attention to and analyze changes in employment market demands and adjust our schools' majors and curriculums accordingly. For example, in 2016, we reduced the 22 majors to 11 in Sichuan Hope Automotive Vocational College to focus on the majors related to the automotive industry. Some of our schools have their own featured majors, such as rail transportation and civil engineering in Southwest Jiaotong University Hope College, nursing in Sichuan Tianyi College and pre-school education in Sichuan Vocational College of Culture & Communication. Southwest Jiaotong University Hope College is appointed as one of the pilot application-oriented undergraduate institutions by Sichuan Department of Education, making it the only private higher education institution among the first three pilot schools in Sichuan. Moreover, for the 2017/2018 school year, four research projects of Southwest Jiaotong University Hope College had been selected by the MOE as national-level research projects. We believe our schools have excelled among peer private higher education institutions in developing featured majors.

We focus on skill training and encourage students to spend more time doing internship and practices in addition to theoretical courses. For example, more than 50% of the major-related courses at Southwest Jiaotong University Hope College are workplace simulation training for students. We also make investment in simulation training facilities. We believe that the simulation training capability for specialized majors in some of our schools are at the leading position among private higher education institutions offering similar majors, such as the simulation training base for rail transportation of Southeast Jiaotong University Hope College, the simulation training base of Sichuan Hope Automobile Vocational College, the simulation training base for nursing of Sichuan Tianyi College and the simulation training base pre-school education of Sichuan Vocational College of Culture & Communication.

In addition, we required all students to participate in training and internship, and we have established comprehensive and close cooperation with many enterprises and institutions, providing students with better practical training and career prospects. As of March 31, 2018, we entered into school-enterprise collaboration agreements with over 500 enterprises and other institutions to cooperate in the areas of establishment of major and curriculum, exchange of teachers, internship and simulation trainings and employment. Most of our schools have invited industry experts from enterprises to jointly formulate plans to nurture talent, and our schools have retained more than 80 experts from cooperative enterprises as part-time teaching staff to teach students the recent development in technologies and the first-hand practical experience. We have established over 300 external training and employment bases with our cooperative enterprises and institutions, enabling our students to do internship and experience in the real workplace environment and daily operation. Our schools cooperated with 20 enterprises to offer majors which are designed to admit and train students specifically based on the demand of enterprises. We believe that these collaboration programs have strengthened our teaching of professional skills, created vast training opportunities for students, and improved our graduates' competitiveness in the employment market.

During the Track Record Period, the overall initial employment rate of our higher education programs reached approximately 90%; while according to the Frost & Sullivan Report, as of August 31, 2017, the overall average initial employment rate of China's higher education industry was 78.4%. We believe that our high initial employment rate can further enhance our schools' reputation and attract excellent students to study at our schools.

An experienced management team with proven track record and a high-quality teaching team

Our management team have extensive knowledge and experience and proven track record in the education industry in China. Our core management team has a longstanding dedication to private education industry, with an average of over 10 years of working experience in the education industry.

Mr. Wang Huiwu, the president of our Group, has been deeply involved in China's private education industry for 19 years. In 1999, Mr. Wang Huiwu founded Chengdu Mayflower Computer Science School (五月花計算機專業學校), and started expanding our businesses from computer training school to secondary vocational school, and led our Group to further enter into the higher education industry in 2008. During the expansion, our core management team has accumulated extensive experiences in school establishment, operation and management and had a deep understanding of China's private education industry. Under the effective leadership of our core management team, we have not only achieved rapid business expansion through successful acquisitions, but also achieved organic growth by establishing new schools and enhancing the operation of existing schools.

We believe that the quality of our educational services is primarily dependent on the quality of our teachers. Our schools have a professional and stable teaching team possessing rich subject knowledge, industry experience and teaching experience. As of March 31, 2018, we had 5,527 teaching staff, including 3,889 full-time teachers and teaching-support staff. As of the same date, approximately half of our teaching staff had master's degree or above. We also invite industry experts, technical experts and professionals in relevant enterprises to teach at our schools. Their expertise in relevant industries help our graduates to better understand the employers' demands and preferences. We have formulated strict standard and procedures for recruiting teachers, and conduct regular or ad hoc assessment on teachers, including in-class teaching observation and student satisfaction survey. We provide our teachers with systematic trainings to continuously improve their teaching capability. Meanwhile, we offer our teachers competitive compensation and attach great importance to their career development.

OUR BUSINESS STRATEGIES

We aspire to provide more Chinese students with access to higher education and to become a world-renowned private higher education service provider. To achieve this goal, we plan to pursue the following business strategies:

Continue to expand our school network and strengthen our leading market position

We plan to further increase the number of our schools, improve our market share in the provinces where we operate schools and, when appropriate, expand our operations into other provinces with underserved demand for private higher education and high growth potential, in order to improve our market share in China's private higher education industry. In May 2018, Hope Education entered into an agreement with the government of Xinfeng County People's Government* (新豐縣人民政府), Guangdong Province, pursuant to which we will establish the Guangdong Agricultural Science and Technology Vocational College, a school for modern agriculture-focused higher education, in Shaoguan, Guangdong Province.

Leveraging our successful operation for near to ten years and in-depth knowledge about the private higher education industry, we have accumulated extensive school acquisition experience and are able to find appropriate acquisition opportunity and carry out quick execution. We will consider various factors, including the circumstance of the areas where the target schools are located, market demands, school scale as well as the acquisition price to determine appropriate target schools. Our focus is on schools with majors having large market demands and corresponding to national industrial policies, such as healthcare, rail transportation and pre-school education. We prefer to acquire undergraduate institutions that award bachelor's degrees. With respect to junior colleges, we consider acquisition if the acquisition price is attractive after fully comparing the acquisition cost with the cost for establishing new schools, and we will particularly consider the possibility that the target school can become an undergraduate institution.

We will adopt a centralized management model which enables us to effectively and successfully integrate schools through acquisition or established by our Group, improves quality and efficiency of these schools, lower costs, and achieves synergy between new schools and existing schools.

In addition, with a view to building our presence and obtaining operational experience overseas, we plan to establish and operate a residential university authorized to grant two undergraduate degrees, namely, Bachelor of Science in Computer Science and Bachelor of Science in Business Management, in the State of California, the United States. On February 22, 2018, we entered into a consulting agreement with a consultant (the "**U.S. Consultant**"), who is an Independent Third Party with extensive experience and background in private post-secondary education in California, pursuant to which the U.S. Consultant agreed to provide consultation and advisory services in relation to, among other things, (i) the incorporation of a subsidiary company with a view to providing education services in California; and (ii) the licensing application to be submitted to the Bureau for Private Post-secondary Education ("**BPPE**") in California. The U.S. Consultant formulated an accreditation plan regarding establishment of Hope California which we will use to operate our proposed university in the State of California and will provide assistance to initiate and implement the key elements of the plan. The plan lays out the process and timeline for seeking accreditation from the BPPE, including, amongst other action steps, carrying out on-site evaluation, enrollment, putting in place systems to administer academic progress on campus and to maintain student records. In addition to the accreditation plan, the U.S. Consultant is developing a business plan to further detail each stage of development, including the management and operation, of Hope California. With the assistance of the U.S. Consultant, we are in the process of searching for appropriate school premises as well as suitable and experienced management for the operation of Hope California. We plan to employ an experienced Chief Executive Officer and Chief Academic Officer in the United States and recruit qualified teachers and administrative staff in the United States for the daily operation and management of Hope California. In addition to attracting local students in the United States, we also plan to set up exchange programs for students from our schools in the PRC to study at Hope California. For more details, including but limited to funding of Hope California and the impact of the new university on our Group, see "History, Reorganization and Corporate Structure Schools to be Established California Hope University of Science and Technology".

On March 5, 2018, we submitted an application to BPPE for the incorporation of an operating entity in California, Hope California, which will be wholly-owned by Hope Education Group (Hong Kong) Company Limited. The approval for our application is expected to be obtained in the second quarter of 2019. We expect Hope California to formally commence operations in or around October 2019.

Further increase the utilization rate, capacity and education level of our existing schools

Some of our schools have not reached the maximum capacity. Those schools have significant potential to increase recruitment, and our revenue will increase correspondingly. We construct dormitories, canteens and simulation training facilities in several stages in accordance with the number of student enrollments of each school, which enables us to reduce the initial capital investment for new schools, shorten the ramp up period of schools and enhance our capital use efficiency.

We also plan to expand the campus of some of our schools. We are undergoing construction expansion for Sichuan Tianyi College and Guizhou Vocational Institute of Technology. We also have plans to implement construction expansion for Jinci College of Shanxi Medical University, Southwest Jiaotong University Hope College and Sichuan Vocational College of Culture & Communication. At the same time, we will continue to increase our teaching staff and increase the number of majors and curriculums. With these measures, we will further increase enrollment scale and improve the capacity and utilization rate of our schools.

In addition, we will further upgrade the education level of some of our schools to enhance our reputation, attract more students and increase the tuition fee income of our Group. For example, we are currently applying to the relevant education authorities for upgrading Sichuan Tianyi College from junior college to undergraduate institution. In particular, Sichuan Tianyi College's application of upgrading to undergraduate institution has been included in the "13th Five-Year Plan" of Sichuan education development by Sichuan Education Commission. We will also make full use of the self-admission policy of junior colleges and the favorable policy for undergraduate institutions to recruit students directly from junior colleges to further expand student enrollment.

Further optimize our centralized management model, continue to improve our schools' teaching quality and competitiveness and strengthen our brand recognition

We plan to further optimize our centralized management, accomplish complementary and balanced major establishment among our schools and share teaching resources and student recruiting experience and job placement resources to achieve synergy among our schools. Our education management committee will further assist our schools in improving their teaching quality and social recognition, strengthening the internal management of our schools. In addition, we will also strengthen the Group's management, control operating costs and further enhance our profitability. We will make further investment in the promotion of the "wisdom campus" project in order to further enhance the management efficiency of our Group.

We will enhance the research on the national industry policies and the development trends of higher education, continue to guide our schools to build up specialized majors and high-quality curriculums according to the market demands to attract students. We will promote our schools to share experiences, such as organizing competitions for teachers on educational and teaching skills to improve the quality of teachers and the overall quality of education. We expect that our graduates will not only acquire professional knowledge, but also possess the necessary practical skills. In order to achieve this goal, we plan to further expand our school-enterprise collaboration networks and establish more simulation training bases or facilities to provide students with extensive training courses and training opportunities.

The growth in our student enrollment has been primarily driven by word-of-mouth referrals. Therefore, our education quality and brand image are critical to business growth. We plan to continue to strengthen our capability in providing high-quality education services and effectively promote the brand of "Hope Education" brand.

Continue to attract, encourage and retain high-quality teachers, and enhance the support for the career development of teachers

The quality of our education services is highly dependent on teachers. We plan to continue to attract, encourage and retain high-quality teachers to maintain an excellent team of teachers. We also plan to employ well-known technical experts, experienced business managers and other highly-skilled persons as full-time or part-time teaching staff at our schools. We will continue to adopt strict standards in teacher recruitment, including (i) we prefer candidates have a master's degree or above, (ii) we require candidates have teaching experience on the subject for which the teaching position is sought, and we generally require candidates with bachelor's degree to have over five years of relevant working experience and candidates with master's degree to have over two years of relevant working experience, and (iii) we prefer candidates who are good team players and dedicated to teaching, ambitious, and have strong sense of responsibility. We plan to improve the teaching quality of our teachers by providing them with opportunities to share experiences and teach in the same class with subject experts, and sending young teachers to first-class public schools in China for exchanging experiences and trainings. We will strengthen the training of teachers and management teams of our schools and implement a strict teacher evaluation system.

We plan to continue to provide our teachers with competitive compensation and benefits, better promotion opportunities and ongoing trainings to attract and retain qualified teachers. In March 2018, we adopted the 2018 Pre-IPO Share Option Scheme. Under the option scheme, we grant share options to teachers who have made significant contributions to our Group's education services as a reward to attract and retain outstanding teachers to serve at our Group.

Further optimize our pricing strategy and income structure and enhance the Company's profitability

Tuition fee level is one of the factors that affect our profitability. Along with the growth of China's economy, the increase in inflation as well as the increase in Chinese families' expenditure on higher education, we believe that there is room for us to raise tuition fees. We will consider the factors such as market conditions and regulatory environment further optimize the pricing.

Currently, some of our schools already obtained approval for the increase in tuition fees. We also plan to begin upgrading qualified junior colleges to undergraduate institutions to improve their education level and teaching quality, which will contribute to the increase in the tuition fee level of these schools. In addition, we will establish more specialized major in relevant schools based on the demand in the employment market in order to increase our tuition fee level.

Further expand school-enterprise collaboration and improve student employment rate

We adhere to taking the training of students' professional skills and practical capabilities as an important goal of teaching. By further enhancing and expanding the school-enterprise collaboration, we provide students with more diversified social practice platforms to improve their employment rate.

Our schools have established collaborations with several leading and well-regarded enterprises and organizations in multiple industries including transportation, civil aviation and healthcare. Our schools work closely with these enterprises and organizations to develop and design applicable courses and practical programs for students. We have cooperated with them to compile textbooks for different disciplines. Moreover, we have established laboratories and simulation training bases with the great support from enterprises. We also have dedicated education or recruitment plan with a number of enterprises. We plan to further expand the scope of school-enterprise collaboration to cover other reputable industry leading enterprises and deepen our relationship with the local government agencies to provide our students with more major related internships, and to further improve their competitiveness in workplace.

OUR EDUCATIONAL PHILOSOPHY

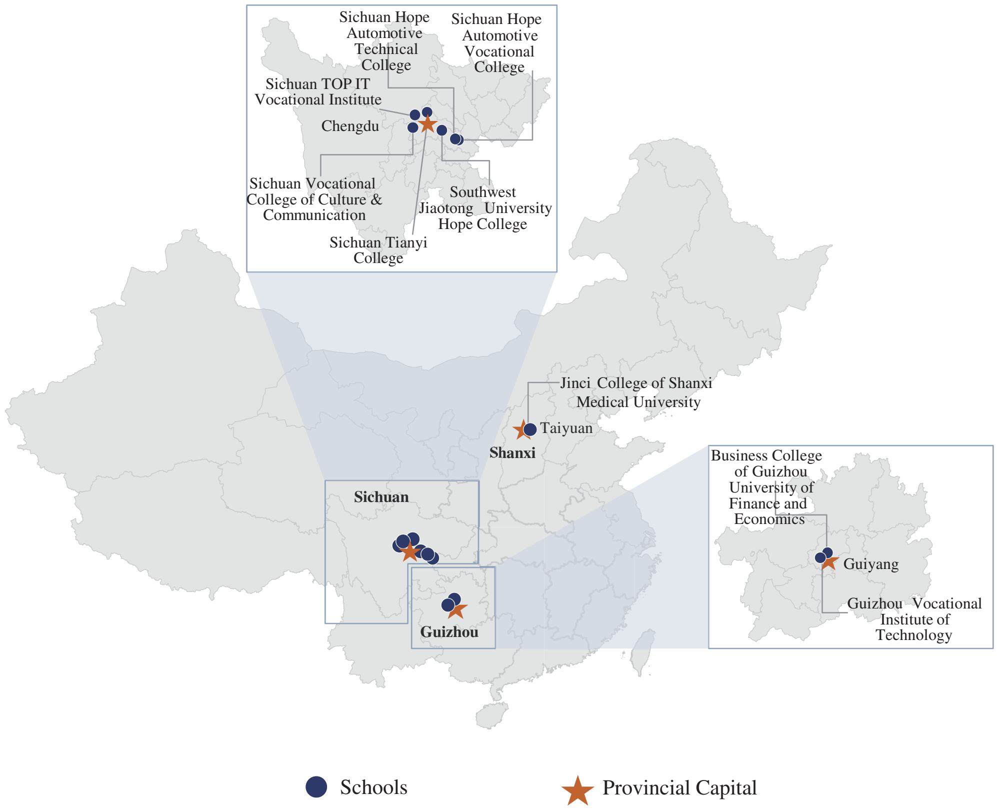
Our fundamental educational philosophy is "happy learning, happy living and happy working." We adhere to our core values of gratefulness, optimism, rigor and responsibility and focus on providing high-quality higher education to foster talent with competitive capabilities and practical skills to contribute to the social and economic development.

OUR EDUCATION SERVICES AND GEOGRAPHICAL COVERAGE

We focus on providing higher education services including bachelor's degree program and junior college diploma program. As of the Latest Practicable Date, we operated eight schools in China to provide higher education services.

We also provide other education services. We provide self-study examination education services and adult education services through some of the above-mentioned eight schools. Moreover, we operate Sichuan Hope Automotive Technical College to provide technical education services.

Our schools are located in three provinces in China, namely, Sichuan, Guizhou and Shanxi. The following map sets forth the geographical location of our schools as of the Latest Practicable Date:



OUR HIGHER EDUCATION SERVICES

Existing Schools

Overview

As of the Latest Practicable Date, we operated eight schools in China to provide higher education services, including (i) three independent colleges, namely Southwest Jiaotong University Hope College, Business College of Guizhou University of Finance and Economics and Jinci College of Shanxi Medical University; and (ii) five junior colleges, namely Sichuan Tianyi College, Sichuan Hope Automotive Vocational College, Sichuan Vocational College of Culture & Communication, Guizhou Vocational Institute of Technology and Sichuan TOP IT Vocational Institute.

The following table sets forth certain basic information for each of our schools as of March 31, 2018:

School	Education Programs(1)	History	Location	Number of Majors	Student Enrollment(2)	Number of Teachers(3)
Independent Colleges						
Southwest Jiaotong University Hope College	Bachelor's degree program; junior college diploma program	Established by our Group in April 2009 and commenced operation in September 2009	Sichuan	44(4)	15,129(5)	1,000
Business College of Guizhou University of Finance and Economics	Bachelor's degree program	Acquired by our Group in April 2014 and commenced operation under our management in September 2014	Guizhou	13	14,356	1,038
Jinci College of Shanxi Medical University	Bachelor's degree program	Acquired by our Group in April 2014 and commenced operation under our management in September 2014	Shanxi	10	4,801	491
Junior Colleges						
Sichuan Tianyi College	Junior college diploma program	Acquired by our Group in September 2011 and commenced operation under our management in September 2011	Sichuan	21	11,785	1,011
Sichuan Hope Automotive Vocational College	Junior college diploma program	Established by our Group in June 2013 and commenced operation in September 2013	Sichuan	19	4,571	284
Sichuan Vocational College of Culture & Communication	Junior college diploma program	Acquired by our Group in March 2014 and commenced operation under our management in September 2014	Sichuan	27	7,379	505
Guizhou Vocational Institute of Technology	Junior college diploma program	Established by our Group in June 2016 and commenced operation in September 2016	Guizhou	18	2,996	287
Sichuan TOP IT Vocational Institute(6)	Junior college diploma program	Acquired by our Group in December 2017 and commenced operation under our management in December 2017	Sichuan	35	12,556	713
Total					73,573	5,329

(1) Only include higher education programs. For details of other education programs offered by our schools, see "—Our Other Education Services."

(2) Only include students enrolled at our schools for higher education. For the number of student studying other education programs offered by our schools, see "—Our Other Education Services."

(3) Include full-time teachers, teaching-support staff and part-time teachers.

(4) Consists of 25 were majors granting bachelor's degrees and 19 majors granting junior college diplomas.

(5) Consists of 10,855 students enrolled in bachelor's degree program and 4,274 students enrolled in junior college diploma program.

(6) When our Group acquired Sichuan TOP IT Vocational Institute in December 2017, our Group received all of the students then enrolled at, and all of the teachers then employed by, the school.

Student Admission

We admit students to the bachelor's degree programs and junior college diploma programs of our schools based on the scores that students achieve in the PRC National Higher Education Entrance Exam, and pursuant to the admission standards and procedures specified by the MOE and the provincial-level education authorities in the provincial territories where the students take the PRC National Higher Education Entrance Exam. In addition, as for junior college diploma programs, Sichuan Tianyi College, Sichuan Vocational College of Culture & Communication, Guizhou Vocational Institute of Technology and Sichuan TOP IT Vocational Institute are also permitted by the provincial-level education authority in its corresponding province to admit students who pass the examination formulated by the provincial-level education authorities and the interview administered by those schools. The total number of students that each of our schools may enroll for each school year is subject to the admission quota set and approved by competent PRC education authorities for that school year.

In addition, undergraduate institutions and junior colleges are permitted by the provincial-level education authorities to jointly operate "junior college-undergraduate" programs. Under such programs, subject to, among others, passing the examination formulated by the provincial-level education authorities, a certain number of students who obtained junior college diplomas from junior colleges can be admitted by undergraduate institutions to study for another two years towards bachelor's degree. Currently, Southwest Jiaotong University Hope College and Jinci College of Shanxi Medical University have admitted students under the "junior college-undergraduate" programs.

Student Enrollment

For the 2017/2018 school year, we had an aggregate of 73,573 full-time students enrolled at our schools for higher education. The following table sets forth information relating to the student enrollment for each of our schools for the school years indicated:

	Student Enrollment[(1)]			
	School Year			
School	**2014/2015[(2)]**	**2015/2016[(2)]**	**2016/2017[(2)]**	**2017/2018[(3)]**
Independent Colleges				
Southwest Jiaotong University Hope College				
Bachelor's degree program	8,338[(4)]	9,029[(4)]	9,767[(4)]	10,855[(4)]
Junior college diploma program	4,623	4,791	4,783	4,274
School subtotal	12,961	13,820	14,550	15,129
Business College of Guizhou University of Finance and Economics	3,478[(5)]	6,817	10,642	14,356
Jinci College of Shanxi Medical University	2,027[(6)]	2,635[(7)]	3,621[(7)]	4,801[(7)]
Junior Colleges				
Sichuan Tianyi College	10,136[(8)]	9,563	10,716	11,785
Sichuan Hope Automotive Vocational College	2,037	3,303	3,642	4,571
Sichuan Vocational College of Culture & Communication	3,015[(9)]	3,909	5,959	7,379
Guizhou Vocational Institute of Technology	—	—	1,177	2,996
Sichuan TOP IT Vocational Institute	—	—	—	12,556[(10)]
Total	33,654	40,047	50,307	73,573

(1) The student enrollment information during the Track Record Period was based on the official records of the relevant PRC education authorities or the internal records of our schools, as the case may be.

(2) Our fiscal year ends on December 31 of each year and our school year ends in June or July. In this prospectus, our student enrollment data for the 2014/2015 school year, 2015/2016 school year and 2016/2017 school year was as of June 30, 2015, June 30, 2016 and June 30, 2017, respectively.

(3) In this prospectus, our student enrollment data for the 2017/2018 school year was as of March 31, 2018.

(4) Include 71, 223, 353 and 508 students enrolled in "junior college-undergraduate" program for the 2014/2015 school year, 2015/2016 school year, 2016/2017 school year and 2017/2018 school year, respectively.

(5) When our Group acquired Business College of Guizhou University of Finance and Economics in April 2014, our Group did not receive any students then enrolled at, or any teachers then employed by, the school. The first class of students under our management was admitted in the 2014/2015 school year. For further information of the history of the school, see "—Business College of Guizhou University of Finance and Economics."

(6) When our Group acquired Jinci College of Shanxi Medical University in April 2014, our Group received all of the students then enrolled at, and all of the teachers then employed by, the school. For further information of the history of the school, see "—Jinci College of Shanxi Medical University."

(7) Include 29, 150 and 601 students enrolled in "junior college-undergraduate" program for the 2015/2016 school year, 2016/2017 school year and 2017/2018 school year, respectively.

(8) When our Group acquired Sichuan Tianyi College in September 2011, our Group received all of the students then enrolled at, and all of the teachers then employed by, the school. For further information of the history of the school, see "—Sichuan Tianyi College."

(9) When our Group acquired Sichuan Vocational College of Culture & Communication in March 2014, our Group received all of the students then enrolled at, and all of the teachers then employed by, the school. For further information of the history of the school, see "—Sichuan Vocational College of Culture & Communication."

(10) When our Group acquired Sichuan TOP IT Vocational Institute in December 2017, our Group received all of the students then enrolled at, and all of the teachers then employed by, the school. For further information of the history of the school, see "—Sichuan TOP IT Vocational Institute."

Tuition Fees and Boarding Fees

We typically charge our students fees comprising tuition fees and boarding fees. We generally increase the fees charged to our students to reflect the increase in our operating costs, the improvements of our facilities and the changes in the market price for higher education services. Under the Interim Measures for the Fees Collection Management of Private Education (《民辦教育收費管理暫行辦法》) promulgated by the PRC government authorities on March 2, 2005, and implementation rules in terms of collection of fees issued by relevant government authorities in Sichuan and Shanxi, the types and amounts of fees charged by a private school providing educational qualifications must be approved by the relevant governmental pricing authority. As a result, our schools located in Sichuan and Shanxi are required to obtain approval from the relevant governmental pricing authority to increase the tuition and boarding fees. Our schools located in Guizhou are permitted to determine the education related fees without obtaining government's approval. See "Regulations — Regulations on Private Education in China —Interim Measures for the Management of the Collection of Private Education Fees" for more information.

During the Track Record Period, we increased tuition fees (i) at Southwest Jiaotong University Hope College for the 2015/2016 school year for both undergraduate and junior college programs and for the 2016/2017 and 2017/2018 school years for junior college programs, (ii) at Jinci College of Shanxi Medical University for the 2016/2017 school year, (iii) at Sichuan Tianyi College for the 2015/2016 and 2016/2017 school years, (iv) at Sichuan Hope Automotive Vocational College for the 2016/2017 school year, (v) at Sichuan Vocational College of Culture & Communication for the 2014/2015 school year and (vi) at Guizhou Vocational Institute of Technology for the 2017/2018 school year. In addition, Sichuan Tianyi College, Sichuan Vocational College of Culture & Communication and Sichuan Hope Automotive Vocational College have obtained approvals and plan to increase tuition fee levels from September 2018. New tuition fee standards are applicable only to students who enroll at our schools after we change the tuition fee standards. Students who have already enrolled at our schools continue to pay tuition fees at the rates applicable when they first enrolled at our schools.

The following table sets forth the tuition fee information for higher education programs for each of our schools for the school years indicated:

School	Tuition Fees per Student per School Year[1][2]			
	2014/2015	2015/2016	2016/2017	2017/2018
	(in RMB)			
Independent Colleges				
Southwest Jiaotong University Hope College				
Bachelor's degree program	13,000-15,000	15,000	13,000-15,000	13,000-15,000
Junior college diploma program	11,000-12,000	12,000	11,000-15,000	12,000-15,000
Business College of Guizhou University of Finance and Economics	12,000	12,000	12,000	12,000
Jinci College of Shanxi Medical University	13,200	13,200	15,120-16,080	15,120-16,080
Junior Colleges				
Sichuan Tianyi College	5,800-11,000	5,800-12,000	8,000-12,000	8,000-12,000
Sichuan Hope Automotive Vocational College	5,900-7,900	5,900-7,900	8,500	8,500
Sichuan Vocational College of Culture & Communication	7,000-12,000	7,000-12,000	7,000-12,000	7,000-12,000
Guizhou Vocational Institute of Technology	—	—	6,800	6,800-9,800
Sichuan TOP IT Vocational Institute	—	—	—	9,300-12,300

(1) Tuition fees shown above for all of our schools are applicable to students admitted in the relevant school year only, excluding boarding fees.

(2) The tuition fee range for each school represents different tuition fees depending on the majors it offers.

We generally require our students to board on campus. The following table sets forth the boarding fee information for each of our schools for the school years indicated:

School	Boarding Fees per Student per School Year(1) 2014/2015	2015/2016	2016/2017	2017/2018
	(in RMB)			
Independent Colleges				
Southwest Jiaotong University Hope College ...	1,000	1,000	1,000	1,000
Business College of Guizhou University of Finance and Economics	1,200	1,200	1,200	1,200
Jinci College of Shanxi Medical University	600	600	600	600-1,000
Junior Colleges				
Sichuan Tianyi College	1,000	1,000	800-1,200	800-1,200
Sichuan Hope Automotive Vocational College ..	800-1,200	800-1,200	800-1,200	800-1,200
Sichuan Vocational College of Culture & Communication..	1,000	1,000	800-1,200	800-1,200
Guizhou Vocational Institute of Technology	—	—	1,200	1,200
Sichuan TOP IT Vocational Institute	—	—	—	800-1,200

(1) Boarding fees shown above for all of our schools are applicable to all of our students, despite the education programs they study. For more information of our other education services, see "—Our Other Education Services."

For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, tuition fees from the higher education programs of our schools accounted for 100%, 99.7%, 99.3% and 98.7% of our total revenue from tuition fees, respectively, and 82.2%, 81.4%, 81.9% and 80.3% of our total revenue, respectively. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, boarding fees accounted for 8.4%, 8.2%, 8.4% and 9.4% of our total revenue, respectively. We generally require tuition and boarding fees for a full school year to be paid by students to our schools prior to the commencement of each school year, and recognize revenue from tuition and boarding fees proportionately over the relevant period of the applicable program. See "Financial Information — Critical Accounting Policies, Judgments and Estimates" for further information.

Student Withdrawals and Refund

We have tuition and boarding fee refund policies in place at each of our schools with respect to students who leave during the school year. These policies were formulated pursuant to the rules and regulations issued by the local education authorities where our schools are located.

With respect to Southwest Jiaotong University Hope College, Sichuan Tianyi College, Sichuan Hope Automotive Vocational College, Sichuan Vocational College of Culture & Communication and Sichuan TOP IT Vocational Institute, according to the Notice of Sichuan Department of Education and Sichuan Development and Reform Commission on Further Regulating the Fees Charged by Private Higher Education Institutions (《四川省教育廳、四川省發展和改革委員會關於進一步規範民辦高校收費管理的通知》), the refund policy is as follows: if a student withdraws from school, we refund the tuition fees and boarding fees for any remaining full academic months, calculated on a ten-academic-month per year basis. For calculation purpose, the time of being at school for less than one month equals to one month.

With respect to Business College of Guizhou University of Finance and Economics and Guizhou Vocational Institute of Technology, according to the Notice of Guizhou Development and Reform Commission, Guizhou Department of Education, Guizhou Human Resources and Social Security Department on Issuing Interim Measures on Regulating Fees Charged by Private Education Providers (《貴州省發展改革委、省教育廳、省人力資源和社會保障廳關於印發規範民辦教育收費行為暫行辦法的通知》), the refund policy is as follows: if a student withdraws from school (i) before attending any classes, 98% of the tuition and boarding fees shall be refunded; (ii) within the first month (one month included) after the commencement of the current school year, 90% of the tuition and boarding fees shall be refunded; (iii) after the first month but before completing half of the school year or semester (half included), 60% of the tuition and boarding fees shall be refunded; (iv) after completing half of the school year or semester but before completing three fourth of the school year or semester (three fourth included), 50% of the tuition and boarding fees shall be refunded; and (v) after completing three fourth of the school year or semester, neither tuition nor boarding fees will be refunded.

With respect to Jinci College of Shanxi Medical University, according to the Implementation Rules of the Interim Measures on Regulating the Fees Charged by Private Higher Education Providers of Shanxi (山西省《民辦教育收費管理暫行辦法》實施細則), the refund policy is as follows: If a student withdraws from the school (i) within three months after the commencement of the current school year for unsatisfactory education services, all of the tuition and boarding fees shall be refunded; (ii) within three months after the commencement of the current school year for personal reasons, two thirds of the tuition and boarding fees shall be refunded; (iii) after three months but within one semester (one semester included) after the commencement of the current school year for personal reasons, 50% of the tuition and boarding fees shall be refunded; (iv) after completing more than one semester, neither tuition nor boarding fees will be refunded.

The following table sets out the number of students who withdrew from our higher education programs for the school years indicated:

School	School Year			
	2014/2015(1)	2015/2016(1)	2016/2017(1)	2017/2018(2)
Independent Colleges				
Southwest Jiaotong University Hope College	26	18	28	13
Business College of Guizhou University of Finance and Economics	11	11	5	9
Jinci College of Shanxi Medical University	3	1	2	1
Junior Colleges				
Sichuan Tianyi College	3	67	72	23
Sichuan Hope Automotive Vocational College	21	97	12	15
Sichuan Vocational College of Culture & Communication	42	48	33	42
Guizhou Vocational Institute of Technology	—	—	1	62
Sichuan Top IT Vocational Institute	—	—	—	20
Total	106	242	153	185

(1) Our fiscal year ends on December 31 of each year and our school year ends in June or July. In this prospectus, the number of our students withdrew from our schools for the 2014/2015 school year, 2015/2016 school year and 2016/2017 school year was as of June 30, 2015, June 30, 2016 and June 30, 2017, respectively.

(2) In this prospectus, the number of our students withdrew from our schools for the 2017/2018 school year was as of March 31, 2018.

For the school years of 2014/2015, 2015/2016, 2016/2017 and 2017/2018, the retention rate of our students amounted to 99.7%, 99.4%, 99.7% and 99.8%, respectively.

The table below sets forth the amount of fees each of our schools refunded to the students, including tuition fees, boarding fees and miscellaneous fees, for the periods indicated:

School	Fees Refunded(1)			
	For the year ended December 31,			For the three months ended March 31,
	2015	2016	2017	2018
	(in thousands of RMB)			
Independent Colleges				
Southwest Jiaotong University Hope College	79	180	320	70
Business College of Guizhou University of Finance and Economics	40	110	84	35
Jinci College of Shanxi Medical University	—	29	103	—
Junior Colleges				
Sichuan Tianyi College	3,103	731	895	65
Sichuan Hope Automotive Vocational College	551	185	166	34
Sichuan Vocational College of Culture & Communication	320	330	224	24
Guizhou Vocational Institute of Technology	—	223	144	19
Sichuan Top IT Vocational Institute(2)	—	—	—	35
Total	4,092	2,030	2,310	282

(1) Only involve fees refunded to students enrolled at our schools for higher education.

(2) We obtained control of this school on December 28, 2017 and therefore no revenue from this school was consolidated into our Group during the Track Record Period.

Southwest Jiaotong University Hope College

Overview

Southwest Jiaotong University Hope College is an independent college located in Sichuan providing formal undergraduate and junior college educations. In April 2009, Southwest Jiaotong University Hope College was approved by the MOE to be established under the cooperation between Southwest Jiaotong University, West Hope and our Group. Its educational goal is to establish a people-oriented institution that provides quality education, develops specialties and focuses on talent cultivation.

As an independent college, Southwest Jiaotong University Hope College is a legal entity separate and independent from Southwest Jiaotong University. It carries out independent education administration, student recruitment, degree granting and financial accounting. Pursuant to the cooperation agreement between Southwest Jiaotong University, West Hope and our Group dated April 10, 2009 and the articles of association of Southwest Jiaotong University Hope College, (i) Southwest Jiaotong University agreed to contribute intangible assets including school branding, intellectual properties and management and educational resources to Southwest Jiaotong University Hope College; (ii) Southwest Jiaotong University Hope College agreed to pay an annual fee amounting to 15% of its tuition income and 5% of its scientific research income to Southwest Jiaotong University commencing the fourth year of Southwest Jiaotong University Hope College's recruitment of students. During the Track Record Period, Southwest Jiaotong University Hope College did not have any scientific research income and therefore did not pay any annual fee based on scientific research income to Southwest Jiaotong University; and (iii) Southwest Jiaotong University Hope College would implement a principal responsibility system led by the board of directors. Southwest Jiaotong University is entitled to recommend the principal with first priority and appoint three of the nine directors to the board of directors of Southwest Jiaotong University Hope College. The term of the cooperation agreement is 30 years commencing August 1, 2009 when Southwest Jiaotong University Hope College began recruiting students.

As of March 31, 2018, Southwest Jiaotong University Hope College had two campuses, one in Chengdu (Jintang) (the main campus for education) and one in Nanchong. Southwest Jiaotong University Hope College has used the campus in Chengdu (Jintang) as the main campus for education since the 2016/2017 school year and relocated its teaching staff and teaching operations in the campus in Nanchong to the campus in Chengdu (Jintang) at the same time. Southwest Jiaotong University Hope College plans to implement construction expansion of campus and the capital expenditure expected to be incurred by us for the expansion is RMB440.0 million. We are now applying for the approval from Sichuan Department of Education to construct the new campus. We expect the construction of the new campus to be initiated in the second half of 2018. For the 2017/2018 school year, Southwest Jiaotong University Hope College had a total of 15,129 students enrolled for higher education and had 1,000 teaching staff.

Curriculums and Majors

Southwest Jiaotong University Hope College currently offers bachelor's degree program and junior college diploma program. For the 2017/2018 school year, the school had 10,855 students enrolled in its bachelor's degree program and 4,274 students enrolled in its junior college diploma program.

As of March 31, 2018, Southwest Jiaotong University Hope College offered 44 majors primarily including urban rail transportation operation management, civil engineering, business and foreign languages, engineering management, electronic engineering and automation and e-commerce. Among the 44 majors, 25 are majors granting bachelor's degrees and 19 are majors granting junior college diplomas. Among those majors, civil engineering, project cost management, transportation, accounting, mechanical design, manufacturing and automation, and engineering management have been recognized as "provincial-level specialty majors" by Sichuan Department of Education and, transportation, mechanical design, manufacturing and automation, engineering management, civil engineering, project cost management, electronic engineering and automation, logistics engineering and accounting have been identified as "school specialty majors" by the school. As of March 31, 2018, the school's top five majors in terms of student enrollment were accounting, civil engineering, project cost management (granting bachelor's degree), urban rail transportation operation management and project cost management (granting junior college diploma). The total number of students enrolled in such top five majors accounted for 30.1% of the total number of student enrollment. In addition, the school has one course, namely Basics of Innovation and Entrepreneurship of College Students, has been recognized as "provincial-level high-quality curricular" by Sichuan Department of Education.

As an independent college with a focus on applied technologies, Southwest Jiaotong University Hope College provides employment-oriented teaching and training to prepare its students for their respective careers and enhance students' competitive advantages in the job market. The school has constructed large and comprehensive simulation training bases in order to enhance students' understanding, knowledge and skills. These simulation training bases are designed and constructed to provide an enterprise-like simulated training environment and implement task-based simulation training programs, aiming to provide students with a simulated work environment to ensure the seamless connection between school studies and work requirements. To better prepare its students for future employment, over 50% of our major-related courses are taught in the form of workplace simulation training. For example, leveraging Southwest Jiaotong University's strengths in the study of rail transportation, Southwest Jiaotong University Hope College has constructed a rail transportation simulation training base, providing students with sufficient enterprise-like practice opportunities. For instance, students majoring in urban rail transportation can practice driving the subway in a simulated subway cabin with a 4D tunnel-simulation screen ahead and operate the control system used in railway stations. Currently, the school is constructing additional simulation training bases for students majoring in mechanics, electrics, rail transportation, civil engineering and computer science to provide trainings for developing their interdisciplinary and application skills.

Graduation and Employment

Southwest Jiaotong University Hope College maintains close relationships with major employers in order to cooperate with them on graduate employment and internship placement opportunities. As of March 31, 2018, the school had over 180 school-enterprise collaboration programs and various external training and employment bases where its students can learn from experts in industry while enjoying valuable practical training, which we believe will better prepare them for the job market after graduation.

Furthermore, Southwest Jiaotong University Hope College offers majors which are designed to admit and train students specifically based on the demand of enterprises. The relevant enterprise enters into a collaboration agreement with the school, actively involves in the formulation of education plans, and arranges their experienced employees to teach certain courses in the school. The school offers curriculums and practical training designed to meet the specific needs of the relevant enterprise. The relevant enterprise participates in recruiting students for such majors and may employ qualified graduates upon graduation.

Southwest Jiaotong University Hope College achieved a high initial employment rate for graduates during the Track Record Period. For the 2014/2015, 2015/2016 and 2016/2017 school years, the school had 3,033, 3,382 and 4,240 graduates for higher education programs, and the initial employment rate was 95.3%, 95.9% and 96.2%, respectively. The following table sets forth the initial employment rate for the graduates from Southwest Jiaotong University Hope College by program for the school years indicated:

	School Year(1)					
	2014/2015		2015/2016		2016/2017	
Type of Graduates	**Number of graduates**	**Initial employment rate**	**Number of graduates**	**Initial employment rate**	**Number of Graduates**	**Initial employment rate**
Bachelor's degree program	1,965	97.5%	2,408	98.5%	2,204	98.7%
Junior college diploma program	1,068	91.21%	974	89.4%	2,036	93.6%
Total	3,033	95.3%	3,382	95.9%	4,240	96.2%

(1) Our fiscal year ends on December 31 of each year and our school year ends in June or July. In this prospectus, the number of graduates of each of our schools for the 2014/2015 school year, 2015/2016 school year and 2016/2017 school year was as of June 30, 2015, June 30, 2016 and June 30, 2017, respectively.

Featured Programs

Collaboration Program with Chengdu Technological University

In September 2016, Southwest Jiaotong University Hope College entered into a strategic cooperation agreement with Chengdu Technological University (成都工業學院), a higher education institution focusing on education of applied engineering technology, to promote sharing of faculties, facilities, training, employment information and other educational resources. The strategic cooperation between the two schools places particular emphasis on mechanical and electromechanical subjects and relevant experiments and internship programs based on the rail transportation simulation training base.

International Education Cooperation Programs

In 2012, Southwest Jiaotong University Hope College entered into a cooperation agreement for joint education program with University of Southern Queensland, one of Australia's leading providers of on-campus and online education programs in Australia, and Universal United New Zealand, one of the fastest growing business schools in New Zealand offering internationally recognized programs in conjunction with University of Southern Queensland. In 2017, Southwest Jiaotong University Hope College entered into a cooperation agreement for joint education program with Vistula University in Warsaw, a university in Poland known for its practical programs. The international education cooperation programs provide our students with opportunities to study abroad and improve their international horizon and employment competitiveness.

Business College of Guizhou University of Finance and Economics

Overview

Business College of Guizhou University of Finance and Economics is an independent college located in Guizhou providing formal undergraduate education. The school was established in 2004 and was acquired by our Group in April 2014. In September 2014, Business College of Guizhou University of Finance and Economics was approved by the MOE to be operated under the cooperation between Guizhou University of Finance and Economics and our Group. The educational goal of Business College of Guizhou University of Finance and Economics is to establish a first-class independent college in Guizhou with programs featuring economics and management and having advantages in business, serving the development of the national economy and local society.

As an independent college, Business College of Guizhou University of Finance and Economics is a legal entity separate and independent from Guizhou University of Finance and Economics. It carries out independent education administration, student recruitment, degree granting and financial accounting. Pursuant to the cooperation agreement between Guizhou University of Finance and Economics and our Group dated April 16, 2014, (i) Guizhou University of Finance and Economics agreed to contribute intangible assets including school branding, intellectual properties and management and educational resources to Business College of Guizhou University of Finance and Economics; (ii) Business College of Guizhou University of Finance and Economics agreed to pay an annual fee amounting to 30% of tuitions paid by students enrolled since the 2014/2015 school year in its campus in Huishui to Guizhou University of Finance and Economics; (iii) our Group agreed to pay Guizhou University of Finance and Economics a total amount of RMB100.0 million as compensation for its adjustment of school structure; and (iv) Guizhou University of Finance and Economics is entitled to appoint two of the five directors to the board of directors of Business College of Guizhou University of Finance and Economics. The term of the cooperation agreement is 30 years from April 16, 2014 to April 15, 2044.

As of March 31, 2018, Business College of Guizhou University of Finance and Economics had one campus in Qiannan Autonomous State of Miao and Buyi Ethnicities (Huishui).

Our Group acquired Business College of Guizhou University of Finance and Economics in April 2014 through acquiring the school sponsor's right in Business College of Guizhou University of Finance and Economics from Guizhou University of Finance and Economics (貴州財經大學), an Independent Third Party, at the consideration of RMB100 million, which was determined after arm's length negotiations between the parties with reference to the value of goodwill and other intangible assets. See "History, Reorganization and Corporate Structure — Our Consolidated Affiliated Entities — our schools" for more details.

According to the cooperation agreement between our Group and Guizhou University of Finance and Economics in April 2014, our Group (i) acquired the school sponsor's right in Business College of Guizhou University of Finance and Economics and had applied to be a joint school sponsor of the school with the designated location in Huishui, (ii) made investments to complete the construction of a new campus at a new location (i.e., Huishui campus) and would continue to expand the new campus, (iii) started to cooperate with Guizhou University of Finance and Economics to operate the school in Huishui campus with the first class of students to be admitted for the 2014/2015 school year, and (iv) would only be entitled to the financial results relating to students admitted in Huishui campus. The cooperation agreement also explicitly provided that (i) the cooperation between our Group and Guizhou University of Finance and Economics with respect to Business College of Guizhou University of Finance and Economics does not cover any existing assets and intangible assets of the school in Luchongguan campus, in other words, our Group did not take over or relocate any of this school's students who had not graduated and teachers who were employed in its Luchongguan campus at the time of the acquisition, (ii) Guizhou University of Finance and Economics continued its management and teaching activities and was responsible for the operations with respect to such students and teachers in Luchongguan campas until the graduation of such students; (iii) Guizhou University of Finance and Economics alone was fully responsible for all the costs and expenses and entitled to all the revenues with respect to all the 9,947 students and the operations in Luchongguan campus; and (iv) the disposal of Luchongguan campus is subject to the sole discretion of Guizhou University of Finance and Economics. As of the Latest Practicable Date, all of the students remained in Luchongguan campus had graduated. Prior to our acquisition of the Sponsor's right in the school in April 2014, Huishui campus had been under construction since April 2013. In September 2014, the construction of Huishui campus with a school capacity of 4,474 students was completed and ready for use. The first class of students under our management was admitted in the 2014/2015 school year in Huishui campus and we received tuition fees of RMB22.2 million from 3,478 students admitted and enrolled through the PRC National Higher Education Entrance Exam, which is in line with 3,503 students admitted for the previous school year in Luchongguan campus, and employeed 204 teaching staff, including 123 full-time teachers, 75 part-time teachers and six teaching-support staff, for the 2014/2015 school year. For the 2017/2018 school year, Business College of Guizhou University of Finance and Economics had a total of 14,356 students enrolled for higher education and 1,038 teaching staff.

Curriculums and Majors

Business College of Guizhou University of Finance and Economics currently offers bachelor's degree program. For the 2017/2018 school year, the school had 14,356 students enrolled in its bachelor's degree program.

As of March 31, 2018, Business College of Guizhou University of Finance and Economics offered 13 majors granting bachelor's degrees including economics, accounting, management, science, engineering, literature and legal studies. As of March 31, 2018, the school's top five majors in terms of student enrollment were accounting, finance, Chinese literature, financial management and administration. The total number of students enrolled in such top five majors accounted for 68.2% of the total number of student enrollment.

As a school focusing on profession-oriented education, Business College of Guizhou University of Finance and Economics established various laboratories to allow students to apply and practice the knowledge and skills they have learned. Currently, the school is constructing one additional simulation training base for students majoring in accounting and computer science.

Graduation and Employment

Business College of Guizhou University of Finance and Economics endeavors to cooperate with enterprises and establish external training and employment bases to provide on-site practical training for its students in addition to in-class training.

Business College of Guizhou University of Finance and Economics began admitting students in the 2014/2015 school year and the first class is expected to graduate in the 2017/2018 school year.

Jinci College of Shanxi Medical University

Overview

Jinci College of Shanxi Medical University is an independent college located in Shanxi providing formal undergraduate education. The school was established in June 2002 and was recognized as an independent college by the MOE in March 2004. In April 2014, our Group acquired Jinci College of Shanxi Medical University. In August 2014, Jinci College of Shanxi Medical University was approved by the MOE to be operated under the cooperation between Shanxi Medical University and our Group. Jinci College of Shanxi Medical University is one of the twelve private undergraduate medical schools in China and is the only independent college in Shanxi focused on medical education.

As an independent college, Jinci College of Shanxi Medical University is a legal entity separate and independent from Shanxi Medical University. It carries out its own day-to-day school administration, human resources management, student recruitment, curriculum and major design and formulation and financial accounting. In the meantime, the school develops a deep cooperative relationship with Shanxi Medical University in the curriculum and major design and formulation, human resources management and educational administration. Pursuant to the cooperation agreement between Shanxi Medical University and our Group dated August 5, 2014 and the articles of association of Jinci College of Shanxi Medical University, (i) Shanxi Medical University agreed to contribute intangible assets including school branding, management capabilities and educational resources to Jinci College of Shanxi Medical University; (ii) Jinci College of Shanxi Medical University agreed to pay an annual fee amounting to 20% of the tuition paid by enrolled students since the 2014/2015 school year to Shanxi Medical University; and (iii) Shanxi Medical University can appoint three of the seven directors to the board of directors of Jinci College of Shanxi Medical University and the other four directors were appointed by our Group. The term of the cooperation agreement is 30 years from July 31, 2014 to July 31, 2034.

As of March 31, 2018, Jinci College of Shanxi Medical University had one campus in Qixian and leased one campus in Taiyuan. Jinci College of Shanxi Medical University is planning to expand its existing campus in Qixian with estimated capital expenditure of RMB81.0 million. We are now applying for the land quota to be granted by the Qixian government.

Our Group acquired Jinci College of Shanxi Medical University in April 2014 through acquiring the entire interest of Taiyuan Xudong Technology Development Limited (太原旭東科技發展有限公司), an education investment platform holding the school sponsor's right in Jinci College of Shanxi Medical University, from Independent Third Parties at the consideration of RMB50 million, which was determined after arm's length negotiations between the parties with reference to the value of goodwill and other intangible assets. See "History, Reorganization and Corporate Structure — Our Consolidated Affiliated Entities — Our Education Investment Platforms — Acquired Education Investment Platforms" for more details. Pursuant to the acquisition arrangement, our Group received 2,438 students then enrolled at, and all 136 teachers then employed by, the school and the one campus in Taiyuan. For the 2017/2018 school year, Jinci College of Shanxi Medical University had a total of 4,801 students enrolled in bachelor's degree program and 491 teaching staff.

Curriculums and Majors

As of March 31, 2018, Jinci College of Shanxi Medical University offered 10 majors granting bachelor's degrees including clinical medicine, preventive medicine, dentistry, pharmaceutics, forensic medicine, nursing, public affairs management, information management and information system. As a school focusing on medical education, Jinci College of Shanxi Medical University has established four academies including clinical medical studies, nursing, dentistry and preventative medicine and management and one department of fundamental medical studies. The school endeavors to develop its majors with specialties. For example, with approval by the MOE in 2016, Jinci College of Shanxi Medical University established three new majors including medical examination science, rehabilitation therapy and optometry. As of March 31, 2018, the school's top five majors in terms of student enrollment were clinical medicine, nursing, dentistry, anesthesiology and preventive medicine. The total number of students enrolled in such top five majors accounted for 94.3% of the total number of student enrollment.

With a focus on the combination of in-class learning and practical skills, Jinci College of Shanxi Medical University has cooperated with a number of hospitals to provide students with the opportunity to have clinical practices. As of March 31, 2018, the school cooperated with over 40 hospitals nationwide.

Graduation and Employment

As of March 31, 2018, Jinci College of Shanxi Medical University maintained close relationships with over 40 hospitals to cooperate with them on graduate employment and internship placement opportunities.

Furthermore, to meet the needs of students with the intention to start their own businesses after graduation, the school obtained qualification of entrepreneurship training agency jointly granted by Shanxi Department of Human Resources and Social Security and Shanxi Department of Finance in January 2016 to organize training courses to its students for free.

For the 2014/2015, 2015/2016 and 2016/2017 school years, the school had 506, 382 and 514 graduates for higher education programs, and the initial employment rate was 77.9%, 81.9% and 79.6%, respectively.

Sichuan Tianyi College

Overview

Sichuan Tianyi College is a formal higher education institution located in Sichuan providing junior college education. Its predecessor was Sichuan Tianyi Open College (四川天一開放函授進修學院) which was established in 1991. In 1994, the school was approved by the State Education Commission (currently, the MOE) to become a formal junior-college-level higher education institution, making it one of the first private schools in China and the first private school in Southwest China approved by the MOE to be a formal private higher education institution. In June 2002, the school was approved to be established by Sichuan Department of Education. In September 2011, our Group became one of the three school sponsors of Sichuan Tianyi College by acquiring 70% interest in the school held by our wholly-owned subsidiary, Shanghai Shurui Investment Consultant Limited (上海舒瑞投資諮詢有限公司). In September 2016, Shanghai Shurui Investment Consultant Limited became the sole school sponsor of the school.

As of March 31, 2018, Sichuan Tianyi College had one campus in Mianzhu and was constructing new buildings such as teaching buildings and library to expand its existing campus. As of the same date, the total amount of capital expenditure already incurred and expected to be incurred by us was RMB163.3 million and RMB94.1 million, respectively. The construction of the new buildings was largely completed in June 2018.

Our Group acquired Sichuan Tianyi College in September 2011 through acquiring the entire interest of Shanghai Shurui Investment Consultant Limited, an education investment platform holding 70% interest of the school sponsor's right in Sichuan Tianyi College, from Independent Third Parties. In September 2016, upon approval by the MOE, Shanghai Shurui Investment Consultant Limited became the sole school sponsor through acquiring the remaining 30% interest of the school sponsor's right in Sichuan Tianyi College from Independent Third Parties. The total consideration for acquiring the entire interest of Shanghai Shurui Investment Consultant Limited and the entire interest of school sponsor's right it held in Sichuan Tianyi College was RMB110 million, which was determined after arm's length negotiations among the parties with reference to the total assets of Sichuan Tianyi College. See "History, Reorganization and Corporate Structure — Our Consolidated Affiliated Entities — Our Education Investment Platforms — Acquired Education Investment Platforms" for more details. Pursuant to the acquisition arrangement, our Group received all 7,450 students then enrolled at, and all 276 teachers then employed by, the school and the two campuses in Chengdu. For the 2017/2018 school year, Sichuan Tianyi College had a total of 11,785 students enrolled in junior college diploma program and 1,011 teaching staff. Other than admitting students based on the PRC National Higher Education Entrance Exam, since 2015, the school has been permitted by Sichuan Department of Education to admit students who pass the examination formulated by Sichuan Department of Education and the interview administered by the school.

Curriculums and Majors

As of March 31, 2018, Sichuan Tianyi College offered 21 majors granting junior college diplomas including tourism management, language and literature, art and design, civil engineering, computer science and technology, businesses, accounting, aviation and nursing. The school reviews and adjusts its major and course offerings according to changes in the labor market. For example, the school established majors including e-commerce, mobile Internet technology, investment and financial management, and landscape engineering and technology in 2015 and established majors including sports management, cuisine and nutrition, animation design and automobile marketing in 2016 to align with the employment trends. As of March 31, 2018, the school's top five majors in terms of student enrollment were nursing, accounting, project cost management, marketing and automobile use and maintenance. The total number of students enrolled in such top five majors accounted for 90.3% of the total number of student enrollment. In addition, the school has one course, namely Preparation and Establishment of Micro and Small Enterprises has been recognized as a "provincial-level high-quality curricular" by Sichuan Department of Education.

Sichuan Tianyi College focuses on cultivating students' practical skills. As of March 31, 2018, the school had a comprehensive simulation training base for nursing-related majors, which were constructed to simulate different hospital departments and functional areas, including a department of surgery, an operating room and a health assessment room, to provide students with a hospital-simulated working environment. The school also had established over 100 on-campus simulation training studios for other majors and over 100 off-campus simulation training studios in order to provide students with the opportunity to apply and practice the knowledge and skills they have learned.

Graduation and Employment

Sichuan Tianyi College endeavors to establish school-enterprise collaborations to provide opportunities for its students to learn from industry experts as well as receive practical training, which we believe will better prepare them for the job market after graduation. As of March 31, 2018, Sichuan Tianyi College had over 170 school-enterprise collaboration programs to serve the needs of students in different majors.

Sichuan Tianyi College achieved a high initial employment rate during the Track Record Period. For the 2014/2015, 2015/2016 and 2016/2017 school years, the school had 4,063, 2,981 and 2,611 graduates for higher education programs, and the initial employment rate was 93.9%, 94.8% and 96.8%, respectively.

Featured Programs

Sichuan Tianyi College cooperates with Southwest Jiaotong University Hope College, Yibin College (宜賓學院) and Sichuan Normal University (四川師範大學) to operate "junior college-undergraduate" program, respectively. Under such cooperation, subject to, among others, passing the examination formulated by Sichuan Department of Education, a certain number of students who obtained junior college diplomas from Sichuan Tianyi College can be admitted by such undergraduate institutions to their bachelor's degree programs for an additional two years of study to pursue a bachelor's degree.

Sichuan Hope Automotive Vocational College

Overview

Sichuan Hope Automotive Vocational College is a formal higher education institution located in Sichuan providing junior college education. The school was established by our Group in June 2013 and is the first formal higher education institution in Ziyang, Sichuan. Its educational goal is to establish a talent cultivation base featuring automobile and mechanical and electrical related majors.

As of March 31, 2018, Sichuan Hope Automotive Vocational College had one campus in Ziyang.

For the 2017/2018 school year, Sichuan Hope Automotive Vocational College had a total of 4,571 students enrolled in junior college diploma program and 284 teaching staff.

Curriculums and Majors

As of March 31, 2018, Sichuan Hope Automotive Vocational College offered 19 majors granting junior college diplomas including automobile engineering, automobile advanced technology, mechanical and electrical engineering, management engineering, automobile marketing and service and e-commerce and accounting. As of March 31, 2018, the school's top five majors in terms of student enrollment were automobile testing and maintenance, new energy vehicle technology, automobile marketing and service, automobile manufacturing and assembling technology and industrial robotics. The total number of students enrolled in such top five majors accounted for 40.0% of the total number of student enrollment.

Sichuan Hope Automotive Vocational College focuses on the application of knowledge. As of March 31, 2018, the school had established various laboratories and a comprehensive simulation training base for automobile-related majors covering automobile manufacturing and assembling, automobile sales and marketing, automobile inspection and maintenance and vehicle decoration. In this training base, the school has installed or assembled an array of equipment, including ordinary and luxury whole vehicles, automobile chassis, ignition system, steering system and engine models, enabling students to apply and practice their knowledge and skills in a full-range automobile industry situation. In addition, following the development trend in the high-tech automotive industry and to meet the increasing market demands for new energy vehicles, the school has set up a new energy vehicle training base focusing on energy-saving and emission-reduction.

Graduation and Employment

Sichuan Hope Automotive Vocational College set up external training and employment bases with reputable automobile and mechanical enterprises to provide its students with in-class learning with staff from enterprises, on-site practical training and diverse internship and employment opportunities.

Furthermore, Sichuan Hope Automotive Vocational College offers majors which are designed to admit and train students specifically based on the demand of enterprises. The relevant enterprise enters into a collaboration agreement with the school, actively involves in the formulation of education plans, and arranges their experienced employees to teach certain courses in the school. The school offers curriculums and practical training designed to meet the specific needs of the relevant enterprise. The relevant enterprise participates in recruiting students for such majors and may employ qualified graduates upon graduation.

Sichuan Hope Automotive Vocational College began admitting students in the 2013/2014 school year and had its first graduation class in the 2015/2016 school year. For the 2015/2016 and 2016/2017 school years, the school had 884 and 1,191 graduates for higher education programs, respectively and their initial employment rate were 95.6% and 87.1%, respectively.

Featured Programs

"Junior College-Undergraduate" Program

Sichuan Hope Automotive Vocational College cooperates with Southwest Jiaotong University Hope College to operate "junior college-undergraduate" program. Under such cooperation, subject to, among others, passing the examination formulated by Sichuan Department of Education, a certain number of students who obtained junior college diplomas from Sichuan Hope Automotive Vocational College can be admitted by Southwest Jiaotong University Hope College to its bachelor's degree program for an additional two years of study to pursue a bachelor's degree.

Cooperation Program with Tsinghua University

Sichuan Hope Automotive Vocational College entered into a cooperation agreement with the Department of Automobile Engineering of Tsinghua University in May 2014. Pursuant to the agreement, teachers from the Department of Automobile Engineering of Tsinghua University would teach courses, give lectures and provide training on teaching at Sichuan Hope Automotive Vocational College, and teachers from Sichuan Hope Automotive Vocational College can study in the Department of Automobile Engineering of Tsinghua University. In addition, both schools have jointly established a new energy vehicle training base focusing on energy saving and emission reduction.

Cooperation Program with Ajou Motor College

In May 2016, Sichuan Hope Automotive Vocational College entered into a cooperation agreement with Ajou Motor College, a private college providing technical education specialized in automobiles in South Korea, with respect to cooperation in establishing majors and sharing educational resources.

Sichuan Vocational College of Culture & Communication

Overview

Sichuan Vocational College of Culture & Communication is a formal higher education institution located in Sichuan providing junior college education and serving as a leading cultivation base of talents in television and aviation communication. In 2005, Sichuan Vocational College of Culture & Communication was established by Sichuan Yonghe Education Investment Limited (四川永和教育投資有限公司). In March 2014, our Group acquired the school through acquiring 100% of the equity interest in Sichuan Yonghe Education Investment Limited.

As of March 31, 2018, Sichuan Vocational College of Culture & Communication had one campus in Chongzhou and leased part of Sichuan Tianyi College's campus in Mianzhu to accommodate its increasing student enrollment. Sichuan Vocational College of Culture & Communication plans to implement construction expansion of campus.

Our Group acquired Sichuan Vocational College of Culture & Communication in March 2014 through acquiring the entire interest of Sichuan Yonghe Education Investment Limited, an education investment platform holding 100% interest of the school sponsor's right in Sichuan Vocational College of Culture & Communication, from an Independent Third Party at a consideration of RMB150 million, which was determined after arm's length negotiations between the parties with reference to the value of goodwill and total assets. See "History, Reorganization and Corporate Structure — Our Consolidated Affiliated Entities — Our Education Investment Platforms — Acquired Education Investment Platforms" for more details. Pursuant to the acquisition arrangement, our Group received all 3,060 students then enrolled at, and all 160 teachers then employed by, the school and the one campus in Chongzhou. For the 2017/2018 school year, Sichuan Vocational College of Culture & Communication had a total of 7,379 students enrolled in junior college diploma program and 505 teaching staff. Other than admitting students based on the PRC National Higher Education Entrance Exam, since 2015, the school has been permitted by Sichuan Department of Education to admit students who pass the examination formulated by Sichuan Department of Education and the interview administered by the school.

Curriculums and Majors

As of March 31, 2018, Sichuan Vocational College of Culture & Communication offered 27 majors granting junior college diplomas including art performance, film and television, art and design, culture management, electronic information and aviation services. As of March 31, 2018, the school's top five majors in terms of student enrollment were pre-school education, building interior design, music performance, art education and e-commerce. The total number of students enrolled in such top five majors accounted for 66.9% of the total number of student enrollment.

Sichuan Vocational College of Culture & Communication endeavors to promote the practical training of students. Currently, the school has constructed a comprehensive simulation training base for pre-school education majors. The training base is designed to resemble the classroom and sleeping room in a kindergarten, where students can practice in a simulated pre-school education environment and deal with real-life situations in the pre-school education industry. In addition, the school had various laboratories and simulation training studios in order to provide students with the opportunity to apply and practice the knowledge and skills they have learned. For example, the department of film and television established a television station with modern production equipment and a scenery area for students to practice their filming skills.

Graduation and Employment

As of March 31, 2018, Sichuan Vocational College of Culture & Communication had 17 school-enterprise collaboration programs to merge resources from the school and third-party enterprises in order to improve students' practical knowledge and capability, foster their entrepreneurial spirit and improve their overall competitiveness on the job market. For example, the school has established a collaboration program with Sichuan Airlines for the aviation service major and cooperated with a movie production company for the television performing major to provide students with valuable practical training and internship opportunities.

As of March 31, 2018, Sichuan Vocational College of Culture & Communication maintained 10 external training and employment bases with enterprises to provide its students with on-site practical training and diverse internship and employment opportunities.

Sichuan Vocational College of Culture & Communication achieved a high initial employment rate during the Track Record Period. For the 2014/2015, 2015/2016 and 2016/2017 school years, the school had 1,202, 791 and 1,247 graduates for higher education programs, and the initial employment rate was 90.2%, 94.7% and 94.0%, respectively.

Featured Programs

"Junior College-Undergraduate" Program

Sichuan Vocational College of Culture & Communication cooperates with Southwest Jiaotong University Hope College to operate "junior college-undergraduate" program. Under such cooperation, subject to, among others, passing the examination formulated by Sichuan Department of Education, a certain number of students who obtained junior college diplomas from Sichuan Vocational College of Culture & Communication can be admitted by Southwest Jiaotong University Hope College to its bachelor's degree program for an additional two years of study to pursue a bachelor's degree.

Guizhou Vocational Institute of Technology

Overview

Guizhou Vocational Institute of Technology is a formal higher education institution located in Guizhou providing junior college education. The school was established by our Group in June 2016. The educational goal of Guizhou Vocational Institute of Technology is to establish a talent cultivation base with high quality and specialty to provide students with ideal employment and happy life opportunities.

As of March 31, 2018, Guizhou Vocational Institute of Technology had one campus in Fuquan and was constructing new buildings to expand its existing campus. As of the same date, the total amount of capital expenditure already incurred and expected to be incurred by us was RMB17.9 million and RMB6.6 million, respectively. As of March 31, 2018, the construction of new buildings was carried out as scheduled. The construction of the new buildings was largely completed in June 2018.

For the 2017/2018 school year, Guizhou Vocational Institute of Technology had a total of 2,996 students enrolled in junior college diploma program and 287 teaching staff. Other than admitting students based on the PRC National Higher Education Entrance Exam, since 2016, the school has been permitted by Guizhou Department of Education to admit students who pass the examination formulated by Guizhou Department of Education and the interview administered by the school.

Curriculums and Majors

As of March 31, 2018, Guizhou Vocational Institute of Technology offered 18 majors granting junior college diplomas including accounting, automobile testing, e-commerce, automobile marketing and applied chemistry engineering. As of March 31, 2018, the school's top five majors in terms of student enrollment were accounting, nursing, automobile testing and maintenance technology, e-commerce and urban rail transportation operation management. The total number of students enrolled in such top five majors accounted for 96.4% of the total number of student enrollment. In March 2017, the school obtained the approval to establish the major of nursing and would start admitting the first class of students in the 2017/2018 school year.

To promote the practical training of students, the school set up 55 laboratories and 30 simulation training base as of March 31, 2018.

Graduation and Employment

As of March 31, 2018, Guizhou Vocational Institute of Technology maintained 47 school-enterprise collaboration programs and 30 external training and employment bases with enterprises, including automobile maintenance companies, automobile service centers, chemical plants and e-commerce companies, that enable the school to satisfy the practical training and internship demands of the different majors it offers.

Furthermore, Guizhou Vocational Institute of Technology offers majors which are designed to admit and train students specifically based on the demand of enterprises. The relevant enterprise enters into a collaboration agreement with the school, actively involves in the formulation of education plans, and arranges their experienced employees to teach certain courses in the school. The school offers curriculums and practical training designed to meet the specific needs of the relevant enterprise. The relevant enterprise participates in recruiting students for such majors and may employ qualified graduates upon graduation.

Guizhou Vocational Institute of Technology began admitting students in the 2016/2017 school year and the first class is expected to graduate in the 2018/2019 school year.

Sichuan TOP IT Vocational Institute

Overview

Sichuan TOP IT Vocational Institute is a formal higher education institution located in Sichuan providing junior college education and serving as a leading cultivation base of talents in information technology. In June 2000, Sichuan TOP IT Vocational Institute was established by Sichuan TOP Education Co., Ltd. (四川托普教育股份有限公司). In December 2017, our Group acquired the school through acquiring 100% of the equity interest in Sichuan TOP Education Co., Ltd. (四川托普教育股份有限公司).

As of March 31, 2018, Sichuan TOP IT Vocational Institute had one campus in Chengdu.

Our Group acquired Sichuan TOP IT Vocational Institute in December 2017 through acquiring the entire interest of Sichuan TOP Education Co., Ltd. an education investment platform holding 100% interest of the school sponsor's right in Sichuan TOP IT Vocational Institute, from an Independent Third Party at a consideration of RMB1,000 million, which was determined after arm's length negotiations between the parties with reference to the valuation report issued by an Independent Third Party. As part of the acquisition arrangements with respect to Sichuan TOP IT Vocational Institute, we agreed to provide Chengdu Wuhou Guixi Property Development Company Limited, which was controlled by the previous ultimate shareholder of Sichuan TOP IT Vocational Institute, a loan with total amount of RMB450.0 million. For the three months ended March 31, 2018, we provided the loan of RMB125.8 million with bearing interest at a rate of 15% per annum for a term of two years. See "History, Reorganization and Corporate Structure — Our Consolidated Affiliated Entities — Our Education Investment Platforms — Acquired Education Investment Platforms" and "Financial Information — Discussion of Key Balance Sheet Items — Assets — Prepayments, Deposits and Other Receivables" for more details. Pursuant to the acquisition arrangement, our Group received all 12,556 students then enrolled at, and all 713 teachers then employed by, the school and the one campus in Chengdu. For the 2017/2018 school year, Sichuan TOP IT Vocational Institute had a total of 12,556 students enrolled in junior college diploma program and 713 teaching staff. Other than admitting students based on the PRC National Higher Education Entrance Exam, since 2015, the school has been permitted by Sichuan Department of Education to admit students who pass the examination formulated by Sichuan Department of Education and the examination formulated by the school.

Curriculums and Majors

As of March 31, 2018, Sichuan TOP IT Vocational Institute offered 35 majors granting junior college diplomas including software technology, big data technology and application, mobile application development, computer network technology, accounting, automotive testing and maintenance technology and e-commerce. Software technology has been recognized as "provincial-level specialty majors" by Sichuan Department of Education. As of March 31, 2018, the school's top five majors in terms of student enrollment were software technology, computer network technology, accounting, automotive testing and maintenance technology and e-commerce. The total number of students enrolled in such top five majors accounted for 50.1% of the total number of student enrollment.

Sichuan TOP IT Vocational Institute endeavors to promote the practical training of students. As of March 31, 2018, the school had 62 laboratories and five simulation training studios in order to provide students with the opportunity to apply and practice the knowledge and skills they have learned. For example, Huadi Simulation Training Studio was awarded as the "Software Engineering Talent Training Base" and Computer Application and Software Technology Simulation Training Studio is funded by the central government as a vocational education training base.

Graduation and Employment

As of March 31, 2018, Sichuan TOP IT Vocational Institute had 45 school-enterprise collaboration programs to merge resources from the school and third-party enterprises in order to improve students' practical knowledge and capability, foster their entrepreneurial spirit and improve their overall competitiveness on the job market. For example, the school has established a collaboration program with an information technology company for the software technology major and cooperated with an e-commerce company for the business English major to provide students with valuable practical training and internship opportunities.

Furthermore, Sichuan TOP IT Vocational Institute offers majors which are designed to admit and train students specifically based on the demand of enterprises. The relevant enterprise enters into a collaboration agreement with the school, actively involves in the formulation of education plans, and arranges their experienced employees to teach certain courses in the school. The school offers curriculums and practical training designed to meet the specific needs of the relevant enterprise. The relevant enterprise participates in recruiting students for such majors and may employ qualified graduates upon graduation.

As of March 31, 2018, Sichuan TOP IT Vocational Institute maintained 28 external training and employment bases with enterprises to provide its students with on-site practical training and diverse internship and employment opportunities.

We started to operate Sichuan TOP IT Vocational Institute in December 2017, the school will have its first graduation class in the 2017/2018 school year.

Planned Additional School

We intend to leverage our existing operations and resources to further expand our school network in China. In May 2018, Hope Education entered into an agreement with the government of Xinfeng County People's Government, Guangdong Province, pursuant to which we will establish the Guangdong Agricultural Science and Technology Vocational College, a school for modern agriculture-focused higher education, in Shaoguan, Guangdong Province. We currently expect to obtain relevant approvals by 2020 subject to uncertainty or change and expect to establish the school in four phases with the first three phases completed in three years after obtaining such approvals and the fourth phase to be completed according to the requirements of "junior college-undergraduate" program. We expect that the school will start recruiting students upon the completion of the first phase construction and the school is expected to have 10,000 students within three years. We expect to fund capital expenditures relating to the establishment of the school with approximately RMB1.2 billion from internally generated funds.

OUR OTHER EDUCATION SERVICES

Self-study Examination Education Services

Southwest Jiaotong University Hope College, Business College of Guizhou University of Finance and Economics, Sichuan Tianyi College, Sichuan Hope Automotive Vocational College and Sichuan Vocational College of Culture & Communication offer self-study examination education and relevant services to persons who plan to take the self-study examination for higher education, which is administered by Sichuan Department of Education, to obtain a bachelor's degree or a junior college diploma, subject to student enrollment.

Self-study examination education in China is open to any person who wants to pursue higher education without any restrictions in admission. An applicant chooses his desired school, major and level of higher education (bachelor's degree or junior college diploma). The applicant prepares for and takes the required tests and may accumulate his/her credentials over time. When the applicant passes all of the school's required tests, he/she will be awarded with bachelor's degree or junior college diploma by the school.

For the 2014/2015 school year, 2015/2016 school year, 2016/2017 school year and 2017/2018 school year, we had a total of 3,119 students, 2,899 students, 4,426 students and 2,911 students, respectively, who received self-study examination education and relevant services offered by us.

Adult Education Services

Sichuan Tianyi College, Sichuan Hope Automotive Vocational College and Sichuan Vocational College of Culture & Communication offer adult education services to qualified adults who achieve the required score in the nationally administered entrance examination. Adults admitted and enrolled in the adult education program study junior college courses for three years and obtain a junior college diploma from our schools upon their completion of required courses and passing required exams.

For the 2014/2015 school year, 2015/2016 school year, 2016/2017 school year and 2017/2018 school year, we had a total of 4,602 students, 5,503 students, 7,928 students and 7,893 students, respectively, who received adult education services offered by us.

Secondary Vocational Education Services

During the Track Record Period, Guizhou Vocational Institute of Technology also provided secondary vocational education with a total of 953 students under enrollment for the 2017/2018 school year. In order to focus our resources on providing higher education, we plan to (i) cease enrolling new students under the secondary vocational education program from the 2018/2019 school year and (ii) discontinue the operation following the graduation of the currently enrolled students in such secondary vocational education program.

Technical Education Services

Overview

In July 2016, we obtained an approval from Sichuan provincial government for establishment of Sichuan Hope Automotive Technical College, making use of the venue and teaching resources of Sichuan Hope Automotive Vocational College to provide education training for meeting the demand for talents with professional skills in our community. This new technical college provides technical education primarily related to the automobile industry and started to enroll students in September 2016.

Currently, Sichuan Hope Automotive Technical College enrolls students, including middle school graduates and high school graduates, in Sichuan only, and it enrolls students in accordance with the school's self-administered recruitment procedures.

Student Enrollment

For the 2017/2018 school year, the school had a total of 2,121 students under enrollment and 198 teaching staff.

The following table sets forth information relating to the student enrollment for Sichuan Hope Automotive Technical College for the school years indicated:

	Student Enrollment[(1)]	
	School Year	
School	**2016/2017[(2)]**	**2017/2018[(3)]**
Sichuan Hope Automotive Technical College	1,365	2,121

(1) The student enrollment information was based on the official records of Sichuan Provincial Human Resources and Social Security Department or the internal records of the school, as the case may be.

(2) Sichuan Hope Automotive Technical College's fiscal year ends on December 31 of each year and its school year ends in June or July. In this prospectus, the student enrollment information of Sichuan Hope Automotive Technical College for the 2016/2017 school year was as of June 30, 2017.

(3) In this prospectus, the student enrollment information of Sichuan Hope Automotive Technical College for the 2017/2018 school year was as of March 31, 2018.

Tuition Fees and Boarding Fees

Sichuan Hope Automotive Technical College charges students tuition fees and boarding fees.

The following table sets forth the tuition fee information for Sichuan Hope Automotive Technical College for the school years indicated:

	Tuition Fee per Student(1)(2)	
	School Year	
School	2016/2017	2017/2018
	(in RMB)	
Sichuan Hope Automotive Technical College	2,775-4,750	3,000-3,400

(1) Tuition fees shown above for the school is applicable to students admitted in the relevant school year only, excluding boarding fees.

(2) The tuition fee range for the school represents different tuition fees depending on the majors it offers.

Sichuan Hope Automotive Technical College generally requires its students to board on campus. The following table sets forth the boarding fee information for the school years indicated:

	Boarding Fee per Student	
	School Year	
School	2016/2017	2017/2018
	(in RMB)	
Sichuan Hope Automotive Technical College	800	800

Student Withdrawals and Refund

According to the Notice of Sichuan Department of Education and Sichuan Development and Reform Commission on Further Regulating the Fees Charged by Private Higher Education Institutions (《四川省教育廳、四川省發展和改革委員會關於進一步規範民辦高校收費管理的通知》), if a student withdraws from the school, we refund the tuition fees and boarding fees for any remaining full academic months, calculated on a ten-academic-month per year basis. For calculation purpose, the time of being at school for less than one month equals to one month.

The following table sets out the number of students who withdrew from Sichuan Hope Automotive Technical College for the school years indicated:

	School Year	
School	2016/2017(1)	2017/2018(2)
Sichuan Hope Automotive Technical College	49	35

(1) Sichuan Hope Automotive Technical College's fiscal year ends on December 31 of each year and its school year ends in June or July. In this prospectus, the number of our students withdrew from our school for the 2016/2017 school year was as of June 30, 2017.

(2) In this prospectus, the number of our students withdrew from our school for the 2017/2018 school year was as of March 31, 2018.

The table below sets forth the amount of fees refunded to the students, including tuition fees, boarding fees and miscellaneous fees, for the periods indicated:

	Fees Refunded(1)		
	For the year ended December 31,		For the three months ended March 31,
School	2016	2017	2018
	(in thousands of RMB)		
Sichuan Hope Automotive Technical College	243	374	17

Curriculums and Majors

Sichuan Hope Automotive Technical College currently provides technician training education programs. A student will receive graduation certificates issued by the Ministry of Human Resources and Social Security after completing the full-time study in the enrolled program. At graduation, the students will generally take national professional qualification examination (國家職業資格考試) to obtain a technician-level certificate.

As of March 31, 2018, Sichuan Hope Automotive Technical College offered 18 majors, including applied technology of numerical control, automobile maintenance, accounting, applied computer science, comprehensive management of the rural economy, e-commerce and automobile marketing of vehicles and accessories. As of March 31, 2018, the school's top five majors in terms of student enrollment were automobile repair, new energy vehicles testing and maintenance, automobile decoration, automobile manufacturing and assembly and automobile sheet metal and painting. The total number of students enrolled in such top five majors accounted for 67.1% of the total number of student enrollment.

As of March 31, 2018, the school had set up 40 training and practicing laboratories in order to provide students with the opportunity to apply and practice the knowledge and skills they have learned.

Graduation and Employment

Sichuan Hope Automotive Technical College endeavors to cooperate with enterprises to provide its students with on-site practical training and diverse internship and employment opportunities. As of March 31, 2018, we entered into school-enterprise collaboration agreements with six enterprises and other institutions, and had deep cooperation with them in the areas of major and curriculum establishment, exchange of teachers, internship and simulation trainings and employment. As of December 31, 2017, we established four external training and employment bases with our cooperative enterprises and institutions, enabling our students to do internship and experience in the real workplace environment and daily operation. Our schools cooperated with two enterprises to offer majors which are designed to admit and train students specifically based on the demand of enterprises.

Sichuan Hope Automotive Technical College began admitting students in the 2016/2017 school year and the first class is expected to graduate in the 2018/2019 school year.

CAPACITY AND UTILIZATION OF OUR SCHOOLS

For the 2017/2018 school year, our schools had a total capacity to accommodate 95,776 students and the utilization rate of all of our schools as a whole was 80.8%. The following table sets forth information relating to the student capacity and utilization rate for each of our schools for the school years indicated:

	School Capacity[1]				**School Utilization Rate[2]**			
	School Year[3]				**School Year[3]**			
School	**2014/ 2015**	**2015/ 2016**	**2016/ 2017**	**2017/ 2018**	**2014/ 2015**	**2015/ 2016**	**2016/ 2017**	**2017/ 2018[4]**
	(Number of beds)				*(%)*			
Independent Colleges								
Southwest Jiaotong University Hope College	15,960[4]	19,184[5]	16,344[6]	16,344[6]	80.5%	71.0%	87.6%	92.1%
Business College of Guizhou University of Finance and Economics	4,474	8,924	11,794[7]	16,646[8]	84.0%	79.6%	90.2%	85.4%
Jinci College of Shanxi Medical University	2,808[9]	3,206[9]	3,206[9]	7,614[10]	53.9%	70.1%	96.4%[11]	53.4%
Junior Colleges								
Sichuan Tianyi College	18,499[12]	17,275[13]	16,349[14]	17,521[15]	79.7%	83.7%	99.4%	99.0%
Sichuan Hope Automotive Vocational College[25]	3,235[16]	3,449[17]	12,480[18]	11,222[19]	63.0%	95.8%[20]	39.5%[20]	59.6%[20]

School	School Capacity[(1)]				School Utilization Rate[(2)]			
	School Year[(3)]				School Year[(3)]			
	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018[(4)]
	(Number of beds)				*(%)*			
Sichuan Vocational College of Culture & Communication	4,000	5,728[(21)]	5,000	9,152[(22)]	48.5%	58.1%	99.8%[(23)]	87.0%
Guizhou Vocational Institute of Technology	—	—	4,720	4,720	—	—	24.7%	40.7%[(24)]
Sichuan TOP IT Vocational Institute	—	—	—	12,557	—	—	—	97.7%
Technical College								
Sichuan Hope Automotive Technical College[(25)]	—	—	—	—	—	—	—	—
Total	48,976	57,766	69,893	95,776	75.2%	76.3%	79.2%	80.8%

(1) The school capacity information during the Track Record Period was based on the internal records of our schools. All of our schools are boarding schools. The capacity at each of our schools is estimated based on the approximate number of beds available for such school.

(2) School utilization rate equals the number of students divided by the school capacity. Except indicated otherwise, the number of students of each of our schools refers to the total number of all the students studying all types of education programs offered by such school and boarding at the school. A student studying several types of education programs is only counted as one student.

(3) Our fiscal year ends on December 31 of each year and our school year ends in June or July. In this prospectus, student capacity and school utilization rate for the 2014/2015 school year, 2015/2016 school year, 2016/2017 school year and 2017/2018 school year was as of June 30, 2015, June 30, 2016, June 30, 2017 and March 31, 2018, respectively.

(4) Include (i) 21,936 beds in Chengdu (Jintang), 4,408 out of which were used by Sichuan Tianyi College and 8,816 out of which were leased to Chengdu Mayflower Computer Professional School (成都五月花計算機專業學校), and (ii) 7,248 beds in Nanchong.

(5) Include (i) 21,936 beds in Chengdu (Jintang), 4,408 out of which were used by Sichuan Tianyi College and 8,816 out of which were used by Chengdu Mayflower Computer Professional School (成都五月花計算機專業學校) , (ii) 7,248 beds in Nanchong, and (iii) 3,224 beds that were leased residential properties used as student dormitory. The increase in school capacity for 2015/2016 school year was primarily because Southwest Jiaotong University Hope College leased 3,224 beds from residential properties to be used as student dormitory in Jintang.

(6) Include (i) 21,936 beds in Chengdu (Jintang), 8,816 out of which were used by Chengdu Mayflower Computer Professional School (成都五月花計算機專業學校), (ii) 7,248 beds in Nanchong, all of which were leased to Nanchong Foreign Languages Secondary School (南充外國語中等專業學校) since September 2016, and (iii) 3,224 beds that were leased residential properties used as student dormitory. The decrease in school capacity for 2016/2017 school year was primarily because it leased 7,248 beds on Nanchong campus to Nanchong Foreign Languages Secondary School (南充外國語中等專業學校), an Independent Third Party, since September 2016.

(7) Include (i) 11,394 beds owned by Business College of Guizhou University of Finance and Economics, and (ii) 400 beds that were leased residential properties used as student dormitory.

(8) Include (i) 16,246 beds owned by Business College of Guizhou University of Finance and Economics, and (ii) 400 beds that were leased residential properties used as student dormitory. The increase in school capacity was primarily because Business College of Guizhou University of Finance and Economics constructed new dormitories to accommodate students.

(9) 2,808, 3,206 and 3,206 beds leased from Shanxi China-Japan Friendship College (山西中日友好學院).

(10) Include (i) 4,408 beds owned by Jinci College of Shanxi Medical University, and (ii) 3,206 beds leased from Shanxi China-Japan Friendship College (山西中日友好學院). The increase in school capacity was primarily because Jinci College of Shanxi Medical University started to put the new campus in Qixian into use.

(11) The increase in school utilization rate was primarily because the number of students boarding at school increased by approximately 800 and the school capacity remained unchanged for the 2016/2017 school year.

(12) Include (i) 16,297 beds owned by Sichuan Tianyi College, 3,109 out of which were leased to Chengdu Jinniu District Tianyi School (成都市金牛區天一學校), (ii) 4,408 beds owned by Southwest Jiaotong University Hope College and used by Sichuan Tianyi College, and (iii) 803 beds used by Sichuan Tianyi College and from Chengdu Mayflower Computer Professional School (成都五月花計算機專業學校).

(13) Include (i) 16,297 beds owned by Sichuan Tianyi College, 3,109 out of which were leased to Chengdu Jinniu District Tianyi School (成都市金牛區天一學校) and 1,224 out of which were used by Sichuan Vocational College of Culture & Communication, (ii) 4,408 beds owned by Southwest Jiaotong University Hope College and used by Sichuan Tianyi College, and (iii) 803 beds used by Sichuan Tianyi College and from Chengdu Mayflower Computer Professional School (成都五月花計算機專業學校).

(14) Include (i) 13,188 beds owned by Sichuan Tianyi College, (ii) 2,904 beds that were leased residential properties used as student dormitory , and (iii) 257 beds used by Sichuan Tianyi College and from Chengdu Mayflower Computer Professional School (成都五月花計算機專業學校).

(15) Include (i) 17,264 beds owned by Sichuan Tianyi College, (ii) 5,064 beds that were leased residential properties used as student dormitory, which were used by Sichuan Vocational College of Culture & Communication and (iii) 257 beds used by Sichuan Tianyi College and from Chengdu Mayflower Computer Professional School (成都五月花計算機專業學校).

(16) Include 7,750 beds owned by Sichuan Hope Automotive Vocational College, 4,515 out of which were leased to Ziyang Automotive Technology Vocational School (資陽汽車科技職業學校).

(17) Include 7,750 beds owned by Sichuan Hope Automotive Vocational College, 4,301 out of which were leased to Ziyang Automotive Technology Vocational School (資陽汽車科技職業學校).

(18) Include 15,350 beds owned by Sichuan Hope Automotive Vocational College, 2,870 out of which were leased to Ziyang Automotive Technology Vocational School (資陽汽車科技職業學校). The increase in school capacity was primarily due to an increase of approximately 7,600 beds owned by Sichuan Hope Automotive Vocational College as of result of purchase of dormitories.

(19) Include 16,230 beds owned by Sichuan Hope Automotive Vocational College, 5,008 out of which were leased to Ziyang Automotive Technology Vocational School (資陽汽車科技職業學校).

(20) The increase in school utilization rate for 2015/2016 school year was primarily because the number of students boarding at school increased by approximately 1,300 and the school capacity remain nearly unchanged for the 2015/2016 school year. The decrease in school utilization rate for 2016/2017 school year was primarily because the school capacity significantly increased by about 9,000 beds and the number of students boarding at school remain stable for the 2016/2017 school year. The increase in school utilization rate for 2017/2018 school year was primarily because the school capacity slightly decreased by about 1,200 beds as a result of the increased number of leased-out beds, while the number of students boarding at school increased by approximately 1,000 students for the 2017/2018 school year.

(21) Include (i) 4,504 beds owned by Sichuan Vocational College of Culture & Communication, and (ii) 1,224 beds from Sichuan Tianyi College and used by Sichuan Vocational College of Culture & Communication.

(22) Include (i) 4,088 beds owned by Sichuan Vocational College of Culture & Communication, and (ii) 5,064 beds from Sichuan Tianyi College and used by Sichuan Vocational College of Culture & Communication. The increase in school capacity was primarily due to an increase of approximately 3,800 beds from Sichuan Tianyi College used by Sichuan Vocational College of Culture & Communication.

(23) The increase in school utilization rate was primarily because the number of students boarding at school increased by approximately 1,600 and the school capacity remained unchanged for the 2016/2017 school year.

(24) The increase in school utilization rate was primarily because the number of students boarding at school increased by approximately 800 and the school capacity remain unchanged for the 2017/2018 school year.

(25) Sichuan Hope Automotive Vocational College and Sichuan Hope Automotive Technical College share the same campus and ancillary facilities. Their school capacity is calculated together using the capacity of the shared campus.

STUDENT RECRUITMENT

Our new student recruitment has historically been driven primarily by word-of-mouth referrals. Each of our schools has its own recruitment team, who visit high schools and participate in student recruitment sessions. We also organize information session where our students and graduates share school information and studying experience with prospective students. Furthermore, we have established on-campus student recruitment desks where we have our teachers, admission staff and students to answer questions from prospective students and their parents.

To attract more applications from high-quality students, we utilize a variety of marketing and recruitment tactics, which include, among other things, (i) designing attractive and informative school websites to promote our brand name and provide introductions to our schools, teachers, curriculums and other relevant information; (ii) designing and distributing comprehensive promotional materials; and (iii) utilizing various online and mobile channels such as Weibo, QQ and WeChat to publicize our schools and connect with candidates effectively and cost-efficiently.

To further attract high-quality students, we offer scholarships to outstanding applicants who demonstrate academic excellence or other commendable qualities, and also provide financial aid to needy students. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, we provided an aggregate of RMB5.7 million, RMB8.0 million, RMB8.0 million and RMB0.8 million, respectively, in scholarships and financial aid to qualified students.

EXAMINATIONS AND GRADE ASSESSMENT

Each of our schools administers examinations at the end of each semester and school year, which are aimed at demonstrating students' understanding in various subject matters. The final grade a student receives for a particular course generally consists of his or her performance in the written and/or oral examinations and/or coursework assessment, the form of which primarily includes written examinations, practical examinations, homework and in-class participation. As advised by our PRC Legal Advisor, pursuant to relevant PRC laws and regulations, the method for our schools to set examinations and assess grade shall be specified by the schools on their own.

CAREER PLANNING INITIATIVES AND GRADUATE EMPLOYMENT

We consider our schools' graduate employment rate as a key measurement of our teaching quality and we endeavor to prepare our students for their respective careers and equip them with competitive advantages in the job market in the followings: (i) when we design curriculums, we formulate employment-related training courses; (ii) we generally require our students to spend their last semester for full-time internship introduced by our schools; and (iii) we encourage students to obtain vocational qualification certificates in addition to educational degrees and provide students with relevant trainings for passing the required exams.

In addition, each of our schools has a dedicated career service office that provides students who seek employment or internship opportunities with a wide range of services, primarily including (i) designing and providing career-oriented courses to help students set a career planning map and develop job-seeking skills from the beginning of their enrollment and throughout their entire study period; (ii) establishing and maintaining school-enterprise collaboration programs to provide students with internship and employment opportunities; (iii) identifying and obtaining high-quality employment information and organizing on-campus recruitment sessions to assist students in finding suitable jobs; (iv) organizing competitions with respect to career planning and employment; (v) organizing information session where graduates share employment experience; and (vi) recording and tracking the graduates' employment status.

For details of the employment-related training courses, school-enterprise collaboration programs and our graduates' initial employment rates for each of our schools, see "— Our Schools."

ONLINE TEACHING PLATFORM

We provide our students access to online learning through online platforms operated by licensed third parties at Southwest Jiaotong University Hope College, Sichuan Vocational College of Culture & Communication, Guizhou Vocational Institute of Technology and Sichuan Tianyi College.

Southwest Jiaotong University Hope College offers a number of public courses, which cover a variety of topics and subject areas, such as trends and policies, histories, moral and legal basis. These online public courses are all credit courses. Students are required to watch these videos during a specified period, participate in online discussions and complete online tests to satisfy the academic requirements and receive the relevant credits.

To supplement student's in-class learning, Sichuan Vocational College of Culture & Communication offers non-credit online courses allowing students to study some basic courses for their majors.

To encourage students' after-class learning, Guizhou Vocational Institute of Technology offers non-credit online MOOC courses taught by professors from reputable undergraduate institutions on its school website with a wide range of topics including automobile chassis maintenance, automobile insurance, organic chemistry, financial management, micro economics and nursing.

Sichuan Tianyi College offers a number of online credit courses to students, which cover a variety of subject areas, such as architecture engineering management, business management, nursing, accounting, tourism management, hotel management, software technology and applied technology of computer science.

TEACHING STAFF, RECRUITMENT, TRAINING AND EVALUATION

Our Teaching Staff

We believe that our team of experienced and dedicated teachers has been crucial to our success. Our aim is to continue recruiting teachers who possess expertise and practical knowledge in their respective subject areas and sufficient teaching experience.

The following table sets forth the number of our teachers employed by each of our schools for school years indicated:

	Number of Teachers[1]			
	School Year			
School	**2014/2015[2]**	**2015/2016[2]**	**2016/2017[2]**	**2017/2018[3]**
Independent Colleges				
Southwest Jiaotong University Hope College	1,135	1,235	1,241	1,000
Business College of Guizhou University of Finance and Economics	204	446	765	1,038
Jinci College of Shanxi Medical University	398	496	507	491
Junior Colleges				
Sichuan Tianyi College	894	900	906	1,011
Sichuan Hope Automotive Vocational College	125	471	279	284
Sichuan Vocational College of Culture & Communication	329	502	450	505
Guizhou Vocational Institute of Technology	—	—	140	287
Sichuan TOP IT Vocational Institute	—	—	—	713
Technical College				
Sichuan Hope Automotive Technical College	—	—	169	198
Total	3,085	4,050	4,457	5,527

(1) Includes our full-time teachers, teaching-support staff and part-time teachers.

(2) Our fiscal year ends on December 31 of each year and our school year ends in June or July. In this prospectus, the number of our teachers for the 2014/2015 school year, 2015/2016 school year and 2016/2017 school year was as of June 30, 2015, June 30, 2016 and June 30, 2017, respectively.

(3) In this prospectus, the number of our teachers for the 2017/2018 school year was as of March 31, 2018.

The following table sets forth the number of our full-time teachers, part-time teachers and full-time teaching-support staff employed by each of our schools for school years indicated:

School	Number of full-time teachers				Number of part-time teachers				Number of full-time teaching-support staff			
	School Year				School Year				School Year			
	2014/ 2015[1]	2015/ 2016[1]	2016/ 2017[1]	2017/ 2018[2]	2014/ 2015[1]	2015/ 2016[1]	2016/ 2017[1]	2017/ 2018[2]	2014/ 2015[1]	2015/ 2016[1]	2016/ 2017[1]	2017/ 2018[2]
Independent Colleges												
Southwest Jiaotong University Hope College	782	840	843	516[3]	270	310	315	379	83	85	83	105
Business College of Guizhou University of Finance and Economics	123	228	425	603	75	176	324	410	6	42	16	25
Jinci College of Shanxi Medical University	44	74	92	349	354	422	393	37	—	—	22	105
Junior Colleges												
Sichuan Tianyi College	604	610	597	595	253	249	258	365	37	41	51	51
Sichuan Hope Automotive Vocational College	118	384	207	213	—	51	58	55	7	36	14	16
Sichuan Vocational College of Culture & Communication	240	379	352	259	69	100	74	216	20	23	24	30
Guizhou Vocational Institute of Technology	—	—	129	250	—	—	—	12	—	—	11	25
Sichuan TOP IT Vocational Institute	—	—	—	515	—	—	—	154	—	—	—	44
Technical College												
Sichuan Hope Automotive Technical College	—	—	159	161	—	—	7	10	—	—	3	27

(1) Our fiscal year ends on December 31 of each year and our school year ends in June or July. In this prospectus, the number of our teachers for the 2014/2015 school year, 2015/2016 school year and 2016/2017 school year was as of June 30, 2015, June 30, 2016 and June 30, 2017, respectively.

(2) In this prospectus, the number of our teachers for the 2017/2018 school year was as of March 31, 2018.

(3) The decrease in the number of full-time teachers was primarily as Southwest Jiaotong University Hope College has relocated its teaching staff and teaching operations in the campus in Nanchong to the campus in Chengdu (Jintang), which is its main campus for education, since the 2016/2017 school year and a number of teachers who used to work in the campus in Nanchong found it inconvenient to work in the campus in Chengdu after some time and gradually resigned in the 2017/2018 school year. Considering the decrease of full-time teachers, Southwest Jiaotong University Hope College has adopted a few measures to maintain the normal teaching activities, such as hiring more part-time teachers and combining a number of small-size teaching classes. The school has also been actively making efforts to retain and hire qualified teachers to fully comply with the regulatory requirements on student to teacher ratio, for which it is estimated the school needs to recruit additional 111 full-time teachers and 48 part-time teachers.

For the 2014/2015 school year, 2015/2016 school year, 2016/2017 school year and 2017/2018 school year, among all of our teaching staff, 2,064, 2,742, 3,028 and 3,889, respectively, were full-time teaching staff, 1,021, 1,308, 1,429 and 1,638, respectively, were part-time teaching staff. For the 2014/2015 school year, 2015/2016 school year, 2016/2017 school year and 2017/2018 school year, among all of our teaching staff, 153, 227, 224 and 428, respectively, were teaching-support staff. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, wages, salaries, welfare and pension scheme contribution for our teaching staff was RMB89.2 million, RMB115.1 million, RMB160.1 million and RMB59.4 million, respectively.

For the schools years of 2014/2015, 2015/2016, 2016/2017 and 2017/2018, the retention rate of our full-time teachers amounted to 98.2%, 98.3%, 98.5% and 98.5%, respectively. We plan to continue to provide our teachers with competitive compensation and benefits, better promotion opportunities and ongoing trainings to attract and retain qualified teachers. In March 2018, we adopted the 2018 Pre-IPO Share Option Scheme. Under the option scheme, we grant share options to teachers who have made significant contributions to our Group's education services as a reward to attract and retain outstanding teachers to serve at our Group.

Our Group has adopted the policy regarding the student to teacher ratio pursuant to the applicable regulatory requirements. Our PRC Legal Advisor advised us that, according to the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標（試行）》), the student to teacher ratio may not exceed 18:1 for comprehensive higher education institutions and finance and business higher education institutions and the student to teacher ratio may not exceed 16:1 for medical higher education institutions. As a result, our independent colleges (excluding Jinci College of Shanxi Medical University) and junior colleges are subject to the ratio of 18:1 and Jinci College of Shanxi Medical University is subject to 16:1 requirement. The below table sets forth the student to teacher ratio of each school for the school years indicated:

	Student to Teacher Ratio(1)			
	School Year			
School	**2014/2015(2)**	**2015/2016(2)**	**2016/2017(2)**	**2017/2018(3)**
Independent Colleges				
Southwest Jiaotong University Hope College	14:1	14:1	15:1	21:1
Business College of Guizhou University of Finance and Economics	22:1	22:1	18:1	18:1
Jinci College of Shanxi Medical University	9:1	9:1	13:1	13:1
Junior Colleges				
Sichuan Tianyi College	14:1	13:1	15:1	15:1
Sichuan Hope Automotive Vocational College	17:1	8:1	15:1	19:1
Sichuan Vocational College of Culture & Communication	11:1	9:1	15:1	20:1
Guizhou Vocational Institute of Technology	—	—	9:1	12:1
Sichuan TOP IT Vocational Institute	—	—	—	21:1
Technical College				
Sichuan Hope Automotive Technical College(4)	—	—	8:1	13:1

(1) According to the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標(試行)》), student to teacher ratio = number of students / (number of full-time teachers + number of part-time teachers*0.5). For the three independent colleges and five junior colleges, the students only include the students enrolled for higher education programs. Teachers include our full-time teachers and part-time teachers.

(2) Our fiscal year ends on December 31 of each year and our school year ends in June or July. In this prospectus, the number of our teachers for the 2014/2015 school year, 2015/2016 school year and 2016/2017 school year was as of June 30, 2015, June 30, 2016 and June 30, 2017, respectively.

(3) In this prospectus, the number of our teachers for the 2017/2018 school year was as of March 31, 2018.

(4) As advised by our PRC Legal Advisor, Sichuan Hope Automotive Technical College is not subject to the requirement under the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標(試行)》).

On May 3, 2018, April 23, 2018 and May 3, 2018, we consulted with the relevant officers of the Sichuan Department of Education, Guizhou Department of Education and Shanxi Department of Education, being the competent authorities as advised by our PRC Legal Advisor to confirm the matters relating to the basic conditions for the higher education institutions which were applicable to us. Based on the consultations, we were advised, (i) it was common that private higher education institutions could not fully meet the regulatory requirements in terms of the student to teacher ratio for a period of time, and (ii) we had been actively making efforts, such as offering competitive compensation and benefits packages to attract and retain qualified teachers and adopting pre-IPO option schemes and the post-IPO option schemes to grant share options to teachers who have made significant contributions to our Group's education services, to meet the regulatory requirements and the education authorities will not impose penalties against us, or impose restrictions on the students admission of our schools. In order to fully comply with the regulatory requirements on student to teacher ratios of each school, it is estimated that we need to recruit additional teachers for the following schools: (i) 111 full-time teachers and 48 part-time teachers for Southwest Jiaotong University Hope College; (ii) 13 full-time teachers for Sichuan Hope Automotive Vocational College; (iii) 33 full-time teachers and 20 part-time teachers for Sichuan Vocational College of Culture & Communication; and (iv) 92 full-time teachers and 28 part-time teachers for Sichuan TOP IT Vocational Institute.

As of March 31, 2018, about half of our teachers have a master's degree or above. We also value the recognition bestowed upon our teachers who have both subject matter expertise and relevant industry experience.

The below table sets forth the breakdown of the number of teachers by their education qualifications for the school years indicated:

Teachers with no bachelor's degree[1]				**Teachers with a bachelor's degree or above[1]**				**Teachers with a master's degree or above[1]**			
School Year				**School Year**				**School Year**			
2014/ 2015[3]	**2015/ 2016[3]**	**2016/ 2017[3]**	**2017/ 2018[4]**	**2014/ 2015[3]**	**2015/ 2016[3]**	**2016/ 2017[3]**	**2017/ 2018[4]**	**2014/ 2015[3]**	**2015/ 2016[3]**	**2016/ 2017[3]**	**2017/ 2018[4]**
120	77	193	188	2,965	3,973	4,264	5,339	1,405	1,933	2,162	2,848

(1) Include our full-time teachers, teaching-support staff and part-time teachers. The number of teachers with a bachelor's degree or above include the number of teachers with a master's degree or above.

(2) Our fiscal year ends on December 31 of each year and our school year ends in June or July. In this prospectus, the number of our teachers for the 2014/2015 school year, 2015/2016 school year and 2016/2017 school year was as of June 30, 2015, June 30, 2016 and June 30, 2017, respectively.

(3) In this prospectus, the number of our teachers for the 2017/2018 school year was as of March 31, 2018.

Teacher Recruitment

We recruit teachers based on the total number of our students and strive to maintain a reasonable student-to-teacher ratio. Before hiring a teacher, we consider his or her educational background, subject matter expertise and relevant work experience. For example, we generally consider hiring teaching candidates who (i) preferably have a master's degree or above, or hold relevant professional and technical qualifications; and (ii) have teaching experience on the same subject matter for which the teaching position is sought. We administer written assessments and in-person interviews by the human resources department staff of each of our schools and the dean of respective major of the school or other school officials, as the case may be. We may also require the applicant to teach a live class as part of his or her application process to evaluate his or her performance on a real-time basis. In addition, we consider other criteria, such as the applicant's prior teaching experience, awards and recognitions.

Teacher Training Programs

At each of schools, newly hired teachers undergo mandatory training programs which focus on teaching skills and techniques. We also provide continuing training for our existing teachers so that they can stay abreast of the changes in market demand, new teaching theories and/or methodologies and changing teaching and testing standards. Our training programs generally include (i) subject matters training; (ii) teaching theories and methodologies training, such as trainings on managing student behavior in the classroom; (iii) teaching skills and techniques training, such as training on how to use various hardware and software to prepare teaching materials and conduct in-class teaching; (iv) cultural training, such as training on academic and professional improvements and team building; and (v) professional training, such as training on stress management and professional image building. In addition to the training we provide in-house, we also encourage our teaching staff to attend external training courses and programs organized by third parties, such as local education authorities, and short-term training programs at schools having cooperative relationships with us.

Teacher Performance Evaluations

To ensure we continuously provide high quality education to our students, we implement ongoing monitoring and evaluation procedures for our teachers. We typically conduct periodic teacher performance reviews during each school year. Our evaluation process generally involves teacher's self-evaluation, teacher satisfactory surveys by students and assessments conducted by school principals and administrators, including in-class observation of our teachers' preparation and teaching effectiveness and the assessment based on complaints and feedbacks from our compliant channels. We may take into consideration the performance of each teacher when making decisions regarding their compensation.

As a private higher education service provider, we believe that we offer relatively competitive compensation to our teachers. Our teachers' compensation package typically includes a base salary, compensation for teaching courses, a subsidy and a performance bonus.

TEACHING MATERIALS AND TEXTBOOKS

We adhere to strict procedures for selecting teaching materials and textbooks in order to maintain the quality of our education. Each of our schools has implemented a set of teaching material management policies, which generally covers the selection, procurement, distribution and management of the teaching materials to be used by each school. We generally require our schools to adopt and use teaching materials published recently, which must comply with the course syllabuses for each major offered by our schools. Subject to the approval by the teaching management department of each school, our teachers recommend a number of teaching materials and textbooks with priority sequence which they believe are suitable for teaching requirements for our Group-level centralized procurement and distribution.

OUR CENTRALIZED MANAGEMENT MODEL

We have established a centralized management model through which we consistently manage certain aspects of the schools we operate to support the provision of high quality education by each of our schools.

Our Education Management Committee

In October 2016, we established a group-level education management committee. The committee currently comprises five highly qualified experts with extensive experiences in the higher education industry and one senior vice president of our Group. Fully utilizing their experiences, these experts provide guidance for and supervise the teaching activities in all our schools. The Education Commission assists us in the following aspects: (i) strengthening the research for and understanding of the regulations in and policies for the higher education industry in China and communication with higher education regulators; (ii) listening to the needs of our schools and acting as a channel for communication and feedback at the group level; (iii) enhancing teacher training and capacity development; (iv) enhancing the building of curricula with professional knowledge and specialized skills to improve teaching quality; (v) giving advice with an aim to optimize daily operations and student management of our schools; and (vi) providing guidance for our schools in going through assessment by education departments, including the assessment for permission of upgrade from junior college to undergraduate institution, as well as enhancing the overall teaching quality of our schools.

Market Research and Major Establishment

Through conducting extensive market research and analyzing our graduating students' employment data, we have the ability to keep abreast of the local employment market and identify key industry segments where we believe the demands for professional talent is strong. We then create and update our majors and curriculum offerings at different schools to gauge the changes in market demand.

Our centralized management model allows us to utilize the strengths and specialties of each of our schools when formulating major establishment plans and avoid competition within our Group. It also enables us to leverage the resources of our Group when making an official application to create new majors at the relevant school to the local PRC education authorities for approval. Moreover, we organize teaching competition among our schools to encourage our teaching staffs to improve teaching capabilities and curriculum design. We also allocate internal resources to support the development of schools or departments which have received high ratings in such competition.

Teaching Resource Sharing

In order to maintain and improve the quality of the educational services we provide, we have established a Group-level education management committee allowing our schools to share the senior experts' abundant experiences in the higher education industry. Our schools also share their teaching resources in case of need, such as the short-term engagement of certain teachers from one of such schools to teach particular courses at another. Moreover, our schools share with each other teaching and operating experiences, which has supported the rapid expansion of our schools.

Student Recruitment

In order to improve the student recruitment efficiency, we have established a Group-level recruitment management department to provide coordination on the student recruitment team of each of our schools in the following aspects: (i) providing guidance to our schools to enhance their understanding on the national and local student recruitment policies, (ii) encouraging our schools to share recruiting resources, information and experiences, and (iii) providing trainings to the student recruitment team of our schools to improve their recruitment capability.

School Administration

In order to lower our operating costs, control operating risks and elevate our corporate efficiency, we have implemented a series of measures to administer our schools in a centralized and coordinated manner, including, among others, (i) our Group oversees and manages the logistics, supply and service procurement and infrastructure construction at each of our schools, (ii) we have established a Group-level audit department to supervise the operation of each of our schools and (iii) our Board has also approved a series of policies and procedures relating to, among others, corporate governance, risk management, anti-bribery and conflicts of interest matters, which are aimed at strengthening the management and governance of our Group and our schools.

Information Technology System

In order to strengthen centralized management of our schools and improve management and operation efficiency, we use the unified system (including management system and application system) to carry out centralized budget management, business management, teaching management, student management and performance management through such systems and conduct real-time monitoring of our finance, operations, students and teaching activities.

Campus Services

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

Meal Catering Services

As of the Latest Practicable Date, we had 16 canteens at our schools, which are outsourced to catering service providers who are Independent Third Parties. Under our outsourcing agreements with these third-party catering service providers, we provide premises required to operate a canteen for a specified amount of management fees. We require all catering service providers to obtain relevant licenses and permits required by applicable laws and regulations. The catering providers are obliged to ensure the food quality and safety. To oversee the catering services, we conduct inspection of the daily operation of the canteens at each of our schools. For risks associated with meal catering services, see "Risk Factors — Risks Related to Our Business and Our Industry — We could be liable and suffer reputational harm if a third-party service provider provides inferior food or medical care services or harm our students, which may have a material adverse effect on our business and reputation."

Medical Care Services

We have five schools offering free general medical services to students and teachers by operating on-campus medical rooms or engaging qualified medical care providers who are Independent Third Parties. All of the medical staff and health care personnel engaged by us hold the required licenses. We require third-party medical care providers to hold all licenses and permits required by law and regulations. In certain serious and emergency medical situations, we will promptly send our students to local hospitals for treatment.

THE DECISION ON AMENDING THE LAW FOR PROMOTING PRIVATE EDUCATION OF THE PRC

On November 7, 2016, the Standing Committee of the National People's Congress published 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 "**Amendment**"), which became effective on September 1, 2017. According to the Amendment, as long as the school does not involve in the provision of compulsory education, school sponsors of the private school are allowed to register and operate the school as for-profit or non-profit private schools.

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

Item	For-profit private school	Non-profit private school
Receipt of operating profits	School sponsors are allowed to receive operating profits, and the surplus from operations shall be handled in accordance with the provisions of the PRC Company Law and other laws and regulations	School sponsors are not allowed to receive operating profits, and all surplus from operations shall be used for the operation of the school
Licenses and registration	Private school operating licenses, business licenses and other registrations required to go through by a corporate legal person	Private school operating licenses and registration certificate of private non-enterprise entities
Fees to be charged	Determined based on school operating costs and market demand, and no prior regulatory approval is required	Determined pursuant to the measures stipulated by the government authorities of provincial level
Tax treatment	Preferential tax treatment as stipulated by the State	Same preferential tax treatment as public schools
Land	Acquired according to the laws and regulations of the State	Acquired through land allocation or other means according to the same principle of public schools
Public funding	Public funding in the form of purchase of services, student loans, scholarships, lease or acquisition of unused State-owned assets	Public funding in the form of purchase of services, student loans, scholarships, lease or acquisition of unused State owned assets, and government grants, incentive funds and donations
Liquidation	Liquidated in accordance with the provisions of the PRC Company Law. School sponsors can obtain the school's remaining assets after the settlement of the school's indebtedness	School sponsors will be compensated or rewarded when the private school is liquidated. The remaining portion of school assets should continually be used for the operation of a non-profit private school

In addition to the Amendment, certain implementation rules, including the Several Opinions of the State Council on Encouraging the Operation of Education by Social Force and Promoting the Healthy Development of Private Education, the Implementation Rules on the Classification Registration of Private Schools and the Implementation Rules on the Supervision and Administration of For-profit Private Schools were jointly promulgated by certain government authorities at state level in December 2016. For more details of such implementation rules, please see "Regulations — Regulations on Private Education in the PRC — The Amendment to the Law for Promoting Private Education".

We consulted relevant officers of (1) the Development and Planning Division of Sichuan Department of Education (四川省教育廳發展規劃處) on January 16, 2018 and May 3, 2018; (2) Guizhou Department of Education (貴州省教育廳) on January 15, 2018 and April 23 2018; (3) Sichuan Provincial Human Resources and Social Security Department (四川省人力資源和社會保障廳) on January 16, 2018 and April 23, 2018; and (4) the Adult Education Division (成人教育處) and the Higher Education Division (高等教育處) of Shanxi Department of Education (山西省教育廳) on January 23, 2018 and May 3, 2018, respectively, being the competent authorities, as advised by our PRC Legal Advisor, to confirm when our schools are required to choose to register as a for-profit private school or a non-profit private school. Based on the consultations, we have been advised that (a) our schools are not required to choose and will not be required to choose to register as a for-profit private school or a non-profit private school before the provincial implementation rules for the Amendment are promulgated and require so; and (b) our schools will be able to renew the licenses in accordance with the law without being required to choose to register as a for-profit or a non-profit private school before the provincial implementation rules for the Amendment require so.

According to the Amendment, if we choose to register and operate our schools as non-profit private schools, we shall procure the schools to amend the articles of association in accordance with the Amendment and continue the operation pursuant to such revised articles of association. If we choose to register and operate our schools as for-profit private schools, the schools shall go through certain procedures, including but not limited to, conducting financial settlement, clarifying the property ownership, paying relevant taxes and fees and re-applying for registration, the details of which shall be subject to the implementation rules to be promulgated by the provincial government. As of the Latest Practicable Date, two general regulations regarding the registration of private schools have been issued jointly by the Sichuan Department of Education and other five government authorities of Sichuan provincial level which became effective on June 1, 2018 and is valid for five years, see "Regulations — Regulations on Private Education in the PRC — The General Regulations of Sichuan Province for the Amendment." However, these regulations of Sichuan province are silent on taxation policies, tuition fee policies, financing policies of schools, public funding policies, clear financial settlement rules, specific and clear timeframe for choosing to be non-profit or for-profit schools and completing registration and procedure requirements and clear re-applying requirements. We are not aware as to when more implementation measures in these respect will be promulgated. It is noted that as of the Latest Practicable Date, the provincial implementation rules for the Amendment have not been published in Guizhou and Shanxi.

There are uncertainties involved in interpreting and implementing the Amendment and relevant regulations by government authorities with respect to various aspects of the operations of a private school, such as (i) the specific requirements, policies and procedures for registration as for-profit or non-profit private schools; (ii) respective preferential tax treatment which may be enjoyed by a for-profit school and a non-profit school; and (iii) respective public funding that can be obtained by a for-profit school and a non-profit school.

Under the existing regulatory environment, we are unable to choose to register as for-profit or non-profit schools as we are unable to accurately evaluate the potential impact of such regulatory charges on our operations at this stage, such as tax liabilities our schools may be exposed to if we choose for our schools to be for-profit private schools, the land and buildings ownerships our schools may be required to obtain as a result of the regulatory requirements, and public funding our schools may be able to receive. We will establish and assign the responsibility to a special committee led by Mr. Wang Huiwu, our chief executive officer and executive Director, to pay close attention to rules and regulations to be promulgated by relevant authorities at all levels regarding interpretation and implementing the Amendment. We will consult with our PRC Legal Advisor when such rules and regulations are promulgated regarding the potential impact on all aspects of operation of our schools, and make relevant public announcements when appropriate.

As of the Latest Practicable Date, as confirmed by the competent local tax bureaus, Southwest Jiaotong University Hope College, Sichuan Tianyi College, Sichuan Hope Automotive Vocational College, Sichuan Hope Automotive Technical College, Business College of Guizhou University of Finance and Economics, Sichuan TOP IT Vocational Institute are not required to pay PRC enterprise income tax during the Track Record Period. Pursuant to the Amendment, a non-profit private school may enjoy the same preferential tax treatments as a public school. In addition, pursuant to the Amendment, a for-profit private school may enjoy preferential tax treatments in accordance with relevant PRC laws and regulations. However, the existing PRC laws and regulations, the Amendment and the provincial implementation rules for the Amendment in Sichuan have not set forth any details regarding the preferential tax treatments that may be enjoyed by a for-profit private school, including any restriction on tax exemption amount or preferential tax rate. Based on the review of relevant laws and regulations, interviews with our management and the relevant government authorities, our PRC Tax Consultant is of the view that the existing preferential taxtreatment will remain unchanged until the provincial implementation rules for the Amendment are promulgated. Moreover, our PRC Legal Advisor is of the view that, in the event that we decide to convert our schools to for-profit schools, based on the current legal framework, there is insufficient legal basis to determine that our schools will lose the preferential tax treatment currently enjoyed by them. However, the relevant government authorities may promulgate detailed rules and regulations regarding the preferential tax treatments that may be enjoyed by a for-profit private school in the future. There is a possibility that such rules and regulations will reduce or eliminate the preferential tax treatments currently enjoyed by our schools. Please see "Risk Factors — Risks Relating to Doing Business in China — The discontinuation of any preferential tax treatment currently available to us, in particular the tax exempt status of our schools, could materially and adversely affect our results of operations" for details.

If our schools become no longer entitled to preferential tax treatment under the Amendment, our enterprise income tax rate would be 25.0% in the worst case scenario and our net profit would be expected to decrease by approximately 45%, 27% and 15% and 34% for the years ended December 31, 2015, 2016 and 2017 and for the three months ended March 31, 2018, respectively compared to that of the current situation, without taking any other variables into account.

COMPETITION

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

- brand recognition;
- the reputation of each of our schools;
- our extensive operating experience and centralized management system;
- the abundance of practice and training opportunities we are able to provide to our students;
- our ability to attract and retain highly qualified teachers; and
- overall student experience and satisfaction.

We expect the competition in the private higher education market to persist and intensify. We believe we are able to compete effectively due to our strong reputation, established practical training-focused programs and high employment rate. However, some of our existing and potential competitors, especially public universities, have governmental support in the form of government subsidies and other payments or fee reductions. Our competitors may devote greater resources, financial or otherwise, than we can to student recruitment, campus development and brand promotion, and respond more quickly than we can to changes in student demands and market needs. See "Risk Factors — Risks Relating to Our Business and Our Industry — We face intense competition in the PRC higher education industry, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departures of qualified employees and increased capital expenditure" and "Industry Overview — Competitive Landscape of Private Higher Education Industry in China" for further details.

CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students. We did not have any single customer who accounted for more than 5% of our revenue for each of the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018.

Our suppliers primarily comprise construction companies, properties development companies, teaching equipment vendors and universities with which we entered into cooperation agreements. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, purchases from our five largest suppliers amounted to RMB128.7 million, RMB488.3 million, RMB601.5 million and RMB77.2 million, respectively, representing 62.2%, 68.0%, 70.5% and 86.1% of our total purchases in the same period. During the same periods, purchases from our largest supplier amounted to RMB34.5 million, RMB249.4 million, RMB423.2 million and RMB33.8 million, respectively, representing 16.7%, 34.7%, 49.6% and 37.6% of our total purchases in the same period. One of our five largest suppliers during the Track Record Period is Sichuan Wuyang Construction Co. Ltd. (四川五陽建築工程有限公司). See "Connected Transactions" for more details. As of the Latest Practicable Date, certain of our Directors and Shareholders holding more than 5% of our issued share capital held interests in certain of our five largest suppliers during the Track Record Period as follows:

- Mianzhu May Sunshine Property Development Co., Ltd. (綿竹市五月陽光房地產開發有限公司), in which (i) an entity held as to 96.0% by Mr. Wang Huiwu held a 42.6% equity interest, (ii) Sichuan Tequ Investment held a 44.4% equity interest and (iii) CEL Maiming held an 8.7% equity interest;

- Guizhou Mayflower Property Development Co., Ltd. (貴州五月花房地產開發有限公司), in which (i) an entity held as to 96.0% by Mr. Wang Huiwu held a 42.6% equity interest, (ii) Sichuan Tequ Investment held a 44.4% equity interest and (iii) CEL Maiming held an 8.7% equity interest; and

- Ziyang May Sunshine Property Development Co., Ltd. (資陽五月陽光房地產開發有限公司), in which an entity that was (i) indirectly owned as to 42.6% by Mr. Wang Huiwu (through another entity in which he held a 96.0% equity interest), (ii) 44.4% owned by Sichuan Tequ Investment and (iii) 8.7% owned by CEL Maiming, respectively, held a 48.78% equity interest.

Save as disclosed above, to the knowledge of our Directors, none of our Directors and their respective associates or any Shareholders holding more than 5% of our issued share capital had any interests in any of our five largest suppliers for each year of the Track Record Period as of the Latest Practicable Date.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we owned eight registered trademarks, one patent under application and 15 domain names in the PRC and registered two trademarks in Hong Kong. See "B. Further Information about Our Business — 2. Intellectual Property Rights" in Appendix V to this prospectus for more information.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement claims which had any material impact on our Group. See "Risk Factors — Risks Relating to Our Business and Our Industry — We may be involved in legal and other disputes and claims from time to time arising out of our operations."

EMPLOYEES

As of June 30, 2015, 2016 and 2017 and March 31, 2018, we had 4,007, 4,931, 5,388 and 6,721 employees, respectively. The following table sets forth the total number of employees by function as of March 31, 2018:

Function	Number of Employees	% of Total
Teachers [1]	5,527	82.2%
Marketing staff	109	1.6%
Administrative and other staff	1,085	16.1%
Total	6,721	100.0%

(1) Include teaching-support staff, which primarily consists of counsellors, laboratory staff and teaching assistants.

As required by the PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including, among others, pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance, as well as housing provident fund.

During the Track Record Period and up to the Latest Practicable Date, we had not made full contributions to the social insurance plan and housing provident fund based on the actual salary level of some of our employees as prescribed by relevant laws and regulations. We made the under-provision for social insurance contributions of RMB2.9 million, RMB5.4 million, RMB10.8 million and RMB3.4 million for the years ended December 31, 2015, 2016 and 2017 and three months ended March 31, 2018, respectively, and the under-provision for housing provident fund contributions of RMB1.8 million, RMB2.7 million, RMB4.1 million and RMB1.5 million for the same periods, respectively.

In accordance with the regulations of the social security and housing provident fund administrative authorities and based on consultations with the relevant authorities, we can only adjust the social insurance and housing provident fund at certain time of each year.

As at the latest Practicable Date, (1) with respect to Sichuan Tianyi College, Sichuan Vocational College of Culture & Communication, Sichuan TOP IT Vocational Institute and Southwest Jiaotong University Hope College, the social insurance contributions can only be declared pursuant to relevant policies and we intend to adjust the social insurance contribution in accordance with the relevant policies that are expected to be published around mid-2018. We have adjusted the housing provident fund on March 2018 and we intend to make another adjustment at the beginning of 2019; (2) with respect to Sichuan Hope Automotive Vocational College and Sichuan Hope Automotive Technical College, the social insurance contributions can only be declared at the beginning of each year and we intend to adjust the social insurance contribution at the beginning of 2019. We also intend to adjust the housing provident fund at the beginning of 2019 in accordance with relevant policies that are expected to be published around mid-2018; (3) with respect to Business College of Guizhou University of Finance and Economics and Guizhou Vocational Institute of Technology, the social insurance contributions can only be declared at the beginning of each year and we intend to adjust the social insurance contribution at the beginning of 2019. We also intend to adjust the housing provident fund at the beginning of 2019 in accordance with relevant policies that are expected to be published around mid-2018 and (4) with respect to Jinci College of Shanxi Medical University, the social insurance contributions can only be declared pursuant to relevant policies and we intend to adjust the social insurance contribution in accordance with the relevant policies that are expected to be published around mid-2018. The housing provident fund can only be declared at the beginning of each year and we intend to make the adjustment at the beginning of 2019.

We had reviewed our internal control policy and have designated a vice president at each of the relevant schools who is in charge of human resources to closely monitor our on-going compliance with social insurance and housing provident fund contribution regulations and oversee the implementation of any necessary measures. We intend to make social insurance and housing provident fund contributions in accordance with the applicable laws and regulations going forward.

We have designated Mr. Wu Jianwei, who is responsible for human resources management to directly assist our Board to keep track of the contribution schedules of social insurance.

Our PRC Legal Advisor has advised us that, pursuant to the Social Insurance Law of the PRC, if we fail to make the full contribution of social insurance premiums as required, the local social insurance agencies may require us to pay the overdue amount within a certain stipulated period and may impose a fine equivalent to 0.05% of the overdue payment per day from the date on which the payment is payable. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of the overdue payment. We have obtained confirmations from relevant local competent authorities, which confirmed that (i) they did not find any material violation of laws and regulations by our schools in terms of social insurance registration and the making of contributions; and (ii) they will not impose penalty for not making contributions to the social insurance plan based on the actual salary level of our employees. Our Directors confirm that as of the Latest Practicable Date, none of our schools had received any written notice from social insurance authorities requiring them to make contributions within a stipulated time period or make supplementary contributions. We undertake in the event that competent social insurance authorities require our schools to make contributions within a stipulated time period or make supplementary contributions and overdue fine, we will ensure our schools to duly comply on a timely manner. Based on the above, our PRC Legal Advisor is of the view that (i) the authorities from which we obtained the confirmation letters are the competent authorities to issue such confirmation letters and to provide such confirmations, and (ii) the risk that our schools to be imposed of any fines or penalties by competent authorities is remote.

Our PRC Legal Advisor has further advised us that, pursuant to the Regulations on Management of Housing Provident Fund, if we do not pay the full amount of housing provident fund as required, the housing provident fund management center may order us to make the payment outstanding within a stipulated period; if the payment is not made within the stipulated period, an application may be made to the Chinese courts for compulsory enforcement. We have obtained confirmations from relevant local competent authorities, which confirm that (i) they did not find any material violation of laws and regulations by our schools in terms of housing provident fund registration and the making of contributions; and (ii) they will not impose penalty for not making contributions to the housing provident fund based on the actual salary level of our employees. Our Directors confirm that as of the Latest Practicable Date, none of our schools had received any written notice from housing provident fund authorities requiring them to make contributions within a stipulated time period or make supplementary contributions. We undertake in the event that competent housing provident fund authorities require our schools to make contributions within a stipulated time period or make supplementary contributions and overdue fine, we will ensure our schools to duly comply on a timely manner. Based on the above, our PRC Legal Advisor is of the view that (i) the authorities from which we obtained the confirmations are the competent authorities to issue such confirmation letters and to provide such confirmations, and (ii) the risk that our schools to be imposed of any fines or penalties by competent authorities is remote.

We have, however, made provisions based on our best estimation for the social insurance premium and housing provident fund contributions which were unpaid so that we will be able to meet the competent authorities' request for payments in the unlikely event that any of them requests so. For the reasons set out above, our Directors are of the view that this will not have a material adverse impact on our business operations or financial condition as a whole. Going forward, we will make relevant contributions in accordance with the relevant PRC laws and regulations.

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

PROPERTIES

As of the Latest Practicable Date, we occupied an aggregate 27 parcels of land in the PRC with a total gross site area of approximately 2.9 million sq.m., owned 186 buildings (including 169 completed buildings and 17 buildings under construction) with a total gross floor area of approximately 1.5 million sq.m., and 1,426 units (including 217 parking spaces) with a total gross floor area of approximately 0.09 million sq.m. All of the above properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. The total value of our property interests as of May 31, 2018 was RMB1,095.3 million, according to the property valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited as set out in Appendix III to this prospectus. As of the Latest Practicable Date, we, as the landlord, leased out 13 parcels of land and seven buildings and, as the tenant, leased six buildings.

Owned Properties

Land

As of the Latest Practicable Date, we owned land use rights in the PRC for 27 parcels of land with a total gross site area of approximately 2.9 million sq.m.

As of the Latest Practicable Date, we had not obtained the land use right certificates for three of the 27 parcels of land used by our schools with a gross site area of approximately 0.4 million sq.m., representing 13.2% of the total land used by our schools. The lack of land use right certificates is due to the insufficient quota for the land for educational use as a result of government's zoning policies. The competent authories are completing their internal procedures to modify the zoning policies and to issue the land use right certificates. The following table sets forth details of the lands that we had not obtained the land use right certificates as of the Latest Practicable Date.

Land Used by	Gross Site Area (sq.m)	Location
Southwest Jiaotong University Hope College	333,382.49	Sanxing Town, Jintang County
Jinci College of Shanxi Medical University	27,019.47	Dongguan Town, Qixian
Guizhou Vocational Institute of Technology	20,326.79	Shuangqiao Village, Jinshan Street, Fuquan City

According to the relevant provisions in the PRC Law of Land Administration and the PRC Urban and Rural Planning Law, we are required to apply for and obtain the land use right certificates for all of the land used by us. Our PRC Legal Advisor advises that pursuant to these provisions, the land administration authority above county level in the PRC may re-enter and regain possession of the lands for which we have not obtained the land use right certificates, confiscate the buildings and facilities on such lands and impose fines on us. For further details on the risks associated with the lack of land use right certificates, see "Risk Factors — Risks Relating to Our Business and Our Industry — We are subject to extensive governmental approvals and compliance requirements for the construction and development of our schools and in relation to the land and buildings that we own."

As of the Latest Practicable Date, we were not aware of any actual or contemplated actions, claims or investigations by any government authorities or third parties against us with respect to the lack of land use right certificates for the three parcels of lands used by our schools. We are in the process of applying for the land use right certificates and are closely following up with the government authorities with respect to our applications. In this respect, we obtained confirmations from the relevant and competent government authorities, (i) we and our schools will not be subject to above mentioned administrative penalties; and (ii) there is no legal impediment for the relevant schools to obtain the land use right certificates. Our PRC Legal Advisor is of the view that (i) those government authorities are the competent authorities in giving such confirmations, (ii) based on such confirmations the risk that competent authorities regain possession of the lands for which we have not obtained the land use right certificates or impose penalty or fine on us as a result of such usage is remote, and (iii) the risk that we are forced to relocate our schools is remote.

Based on the above, our Directors are of the view that the lack of land use right certificates for the three parcels of lands is not material to our business operations or financial conditions as a whole.

Buildings and Buildings under Construction

As of the Latest Practicable Date, we owned 169 completed buildings located in the PRC with an aggregate gross floor area of approximately 1.3 million sq.m. All of these buildings have been designed mainly for education-related usage (including teaching facilities, canteens, dormitories and recreational usage). We have also acquired 1,426 units (including 217 parking spaces) with an aggregate gross floor area of approximately 0.09 million sq.m. which have been used primarily as student dormitories.

As of the Latest Practicable Date, we had not obtained the building ownership certificates or other requisite certificates or permits for 101 of our 169 owned buildings with a gross floor area of approximately 0.7 million sq.m., primarily due to the lack of construction planning permit (建設工程規劃許可證), construction commencement permit (施工許可證) and acceptance inspection upon completion (竣工驗收), having not passed fire control assessment and/or environmental protection inspection assessment as required under relevant PRC laws and regulations. The following table sets forth the details of the buildings/units that we had not obtained the building ownership certificates or other requisite certificates or permits as of the Latest Practicable Date.

Buildings/ Units Used by	No. of Buildings/Units that had not obtained the building ownership certificates	Reasons						
			Without land use right certificates	Without construction planning permit	Without construction commencement permit	Without acceptance inspection upon completion	Without fire control assessment	Without environment protection inspection
Sichuan Top IT Vocational Institute	40	The buildings were obtained by acquisition. The original owner failed to obtain relevant certificates for oversight and lack of fund.	—	3	3	• 27 (have obtained the completion inspection reports pending filing with competent construction authorities after completion of the environment protection inspection) • 3 (pending acceptance inspection upon completion)	3	• 35 (have obtained the environmental protection inspection reports pending the competent authority to conduct an on-site review and review the reports • 5 (pending environment protection inspection)
Southwest Jiaotong University Hope College	21	The Company did not obtain relevant certificates in time primarily because certain buildings are on parcels of lands that have no land use right certificates.	19	—	—	• 19 (have obtained the completion inspection reports pending receiving construction documents from construction undertaking entities (建設單位) to file with competent construction authorities) • 2 (pending acceptance inspection upon completion)	—	• 2 (have obtained the environmental protection inspection reports pending the competent authority to conduct an on-site review and review the reports

Buildings/ Units Used by	No. of Buildings/Units that had not obtained the building ownership certificates	Reasons						
			Without land use right certificates	Without construction planning permit	Without construction commencement permit	Without acceptance inspection upon completion	Without fire control assessment	Without environment protection inspection
Business College of Guizhou University of Finance and Economics	5	The Company has completed the rectification according to the requirements of the fire department and waiting for the inspection.	—	—	—	—	5	—
Sichuan Tianyi College	7	The applications for relevant certificates are under government internal procedures	—	—	—	• 7 (have obtained the completion inspection reports pending filing with competent construction authorities after completion of the fire control assessment and pending receiving construction documents from construction undertaking entities (建設單位)	7	—
Jinci College of Shanxi Medical University	7	The Company did not obtain relevant certificates in time because certain buildings are on parcels of lands that have no land use right certificates.	7	7	7	7	7	—
Sichuan Vocational College of Culture & Communication	14	The original owner failed to obtain relevant certificates for oversight and lack of fund.	—	—	—	14	—	—
Guizhou Vocational Institute of Technology	7	The applications for relevant certificates are under government internal procedures	—	—	—	• 7 (have obtained the completion inspection reports pending filing with competent construction authorities after completion of the fire control assessment)	7	—

In addition, as of the Latest Practicable Date, we held 17 buildings under construction with a total planned gross floor area of approximately 0.2 million sq.m., including 14 buildings under construction with a total planned gross floor area of approximately 0.1 million sq.m. that we had obtained requisite certificates and permits and the remaining three constructions with a total planned gross floor area of approximately 0.1 million sq.m. without certain requisite certificates or permits.

As advised by our PRC Legal Advisor, according to the relevant PRC laws and regulations generally,

(i) with respect to failure to obtain the construction planning permit, (a) in the event that remedial measures can be adopted to eliminate any impact on the implementation of government's city planning, we are subject to the risk of being required to adopt such remedial measures within a given time limit and being fined 5% to 10% of the construction costs; or (b) in the event that no remedial measures can be adopted to eliminate such impact on the implementation of government's city planning, we are subject to the risk of being ordered to demolish the relevant buildings within a given time limit (or if demolition is not practicable, the confiscation of such buildings or the relevant illegal income) and being fined not more than 10% of the construction costs;

(ii) with respect to failure to obtain construction commencement permit, we are subject to the risk of being required to adopt remedial measures within certain time limit and being fined 1% to 2% of the contract price of the construction project;

(iii) with respect to failure to conduct acceptance inspection upon completion, (a) we may be fined between RMB200,000 and RMB500,000 for failure of filing the report for acceptance inspection upon completion, relevant authorization documents or permitting documents according to relevant regulations; or (b) we are subject to the risk of being ordered to adopt remedial measures, being fined 2% to 4% of the contract price of the construction project, and being ordered to compensate for any loss incurred; and

(iv) with respect to failure to pass fire control assessment, we are subject to the risk of being prohibited from using these buildings and being fined between RMB30,000 and RMB300,000 per building.

(v) With respect to failure to pass the environmental protection inspection assessment, we are subject to the risk of being required to adopt remedial measures within certain period with a fine between RMB200,000 and RMB1,000,000 or being fined between RMB1,000,000 and RMB2,000,000 for failure to adopt remedial measures within certain period.

As of the Latest Practicable Date, we were not aware of any actual or contemplated actions, claims or investigations by any government authorities or third parties against us with respect to the lack of land use right certificates, building ownership certificates and other relevant certificates or permits for certain of our owned buildings and buildings under construction. For further details on the risks associated with the lack of the requisite certificates or permits, see "Risk Factors — Risks Relating to Our Business and Our Industry — We are subject to extensive governmental approvals and compliance requirements for the construction and development of our schools and in relation to the land and buildings that we own."

We have implemented extensive and comprehensive measures to rectify the above defects in our owned buildings and buildings under construction. We are in the process of applying to relevant government authorities for the relevant outstanding certificates and permits and are closely following up with the government authorities with respect to our applications. In this respect, we obtained confirmations from the relevant and competent government authorities, (a) we and our schools will not be subject to above mentioned administrative penalties; and (b) there is no legal impediment for the relevant schools to obtain the relevant outstanding certificates and permits for our buildings. Our PRC Legal Advisor is of the view that (a) those government authorities are the competent authorities in giving such confirmations, (b) based on such confirmations, the risk that competent authorities order us to demolish the relevant buildings as a result of such construction and usage is remote, and (c) the risk that we are forced to relocate our schools is remote.

We have obtained inspection reports from third-party agencies that the buildings meet the relevant safety standards. We have also obtained inspection reports from third-party agencies that the buildings meet the relevant fire-control standards. Based on the qualifications and licenses of the third-party agencies, our Directors are of the view that the third party agencies are competent and qualified to provide such assurance. We inspect and maintain the properties on a regular basis with a view to ensuring satisfactory safety conditions. Based on the safety records and the measures that we have taken, we believe the buildings are fit and safe for education purposes.

Based on the above, our Directors are of the view that the above defects in our owned properties will not have a material adverse effect on our overall operations and financial condition as a whole.

Leased Properties

As of the Latest Practicable Date, we, as the landlord, leased out 13 parcels of land and seven buildings. See "Financial Information — Contractual Commitments — Operating Lease Commitments" for more details.

In addition, as of the Latest Practicable Date, we, as the tenant, leased six buildings used for office and education related purposes. See "Financial Information — Contractual Commitments — Operating Lease Commitments" for more details. The relevant lease agreements we have entered into with our landlords were not registered with relevant PRC government authorities. Our PRC Legal Advisor has advised us that we may be required by the relevant PRC authorities to register the relevant lease agreements within a prescribed time limit. If we fail to do so, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease. However, as of the Latest Practicable Date, we have not been fined by the relevant PRC authorities with respect to these non-registered leases, and our PRC Legal Advisor has advised us that the non-registration of such lease agreements would not affect their validity. For further details on the risks associated with our leased properties, see "Risk Factors — Risks Relating to Our Business and Our Industry — Failure to register lease arrangements with relevant PRC authorities may subject us to penalties."

Our PRC Legal Advisor advised us that, according to the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標(試行)》), (i) the teaching and administrative building area per student for Southwest Jiaotong University Hope College and our junior colleges should not be less than 14 sq.m.; (ii) the teaching and administrative building area per student for Jinci College of Shanxi Medical University should not be less than 16 sq.m.; (iii) the teaching and administrative building area per student for Business College of Guizhou University of Finance and Economics should not be less than 9 sq.m.; (iv) the site area per student for our independent colleges (excluding Jinci College of Shanxi Medical University) and junior colleges should not be less than 54 sq.m.; (v) the site area per student for Jinci College of Shanxi Medical University should not be less than 59 sq.m.

The below table sets forth the teaching and administrative building area per student for the school years indicated and the prescribed requirement for each school:

School	Teaching and Administrative Building Area per Student (1)				Prescribed requirement
	School Year				
	2014/2015(2)	2015/2016(2)	2016/2017(2)	2017/2018(3)	
	(in sq.m.)				
Independent Colleges					
Southwest Jiaotong University Hope College	14	13*	12*	12*	14
Business College of Guizhou University of Finance and Economics	26	13	9	6*	9
Jinci College of Shanxi Medical University	12*	10*	7*	10*	16
Junior Colleges					
Sichuan Tianyi College	5*	5*	5*	14	14
Sichuan Hope Automotive Vocational College	19	12*	17	13*	14
Sichuan Vocational College of Culture & Communication	9*	7*	4*	10*	14
Guizhou Vocational Institute of Technology	—	—	32	13*	14
Sichuan TOP IT Vocational Institute	—	—	—	8*	14
Technical College					
Sichuan Hope Automotive Technical College(4)	—	—	—	—	—

(1) According to the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標(試行)》), the teaching and administrative building area per student = total floor area of teaching and administrative buildings / number of full-time students. For the three independent colleges, the students only include the students enrolled for higher education programs. The floor area refers to the floor area of the teaching and administrative buildings used by the school.

(2) Our fiscal year ends on December 31 of each year and our school year ends in June or July. In this prospectus, the floor area and number of our students for the 2014/2015 school year, 2015/2016 school year and 2016/2017 school year was as of June 30, 2015, June 30, 2016 and June 30, 2017, respectively.

(3) In this prospectus, the floor area and number of our students for the 2017/2018 school year was as of March 31, 2018.

(4) As advised by our PRC Legal Advisor, Sichuan Hope Automotive Technical College is not subject to the requirement under the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標(試行)》).

(5) The ratios marked with "*" represents the ratios that are lower than the corresponding prescribed ratio.

The below table sets forth the site area per student for the school years indicated and the prescribed requirement for each school:

School	Site Area per Student(1) School Year 2014/2015(2)	2015/2016(2)	2016/2017(2)	2017/2018(3)	Prescribed requirement
	(in sq.m.)				
Independent Colleges					
Southwest Jiaotong University Hope College	53*	50*	47*	46*	54
Business College of Guizhou University of Finance and Economics	159	81	52*	39*	54
Jinci College of Shanxi Medical University	39*	32*	48*	36*	59
Junior Colleges					
Sichuan Tianyi College	36*	39*	69	57	54
Sichuan Hope Automotive Vocational College	100	62	56	49*	54
Sichuan Vocational College of Culture & Communication	25*	20*	19*	22*	54
Guizhou Vocational Institute of Technology	—	—	146	57	54
Sichuan TOP IT Vocational Institute	—	—	—	28*	54
Technical College					
Sichuan Hope Automotive Technical College(4)	—	—	—	—	—

(1) According to the the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標(試行)》), the site area per student = total site area / number of full-time students. For the three independent colleges and five junior colleges, the students only include the students enrolled for higher education programs. The site area refers to the site area of the land used by the school.

(2) Our fiscal year ends on December 31 of each year and our school year ends in June or July. In this prospectus, the site area and number of our students for the 2014/2015 school year, 2015/2016 school year and 2016/2017 school year was as of June 30, 2015, June 30, 2016 and June 30, 2017, respectively.

(3) In this prospectus, the site area and number of our students for the 2017/2018 school year was as of March 31, 2018.

(4) As advised by our PRC Legal Advisor, Sichuan Hope Automotive Technical College is not subject to the requirement under the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標(試行)》).

(5) The ratios marked with "*" represents the ratios that are lower than the corresponding prescribed ratio.

During the Track Record Period, some of our schools did not fully meet the regulatory requirements in terms of the teaching and administrative building area per student area or the site area per student.

According to the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標(試行)》), the teaching and administrative building area per student belongs to the basic index. In the event one of the basic conditions of a school does not meet the regulatory requirement, the school shall be subject to a yellow card issued by the competent government authority and being restricted on student admission and in the event a school receives a yellow card for three consecutive years, then it shall be subject to a red card issued by the competent government authority and being suspended from admitting students.

According to the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標(試行)》), the site area per student belongs to the monitoring index, which is supplementary to the basic index to primarily reflect improvements to the operation conditions of such higher education institution. As advised by our PRC Legal Advisor, as of the Latest Practicable Date, the relevant legislation does not state any legal consequences for a breach of the monitoring index.

On May 3, 2018, April 23, 2018 and May 3, 2018, we consulted with the relevant officers of the Sichuan Department of Education, Guizhou Department of Education and Shanxi Department of Education, being the competent authorities as advised by our PRC Legal Advisor to confirm the matters relating to the basic conditions for the higher education institutions which were applicable to us. Based on the consultations, we were advised, (i) it was common that private higher education institutions could not fully meet the regulatory requirements in terms of the teaching and administrative building area per student or the site area per student for a period of time, and (ii) we had been actively making efforts, such as the construction of new buildings or expansion of campus for certain schools, to meet the regulatory requirements and the education authorities will not impose penalties against us, or impose restrictions on the students admission of the schools.

In addition, our schools passed each of the annual inspections conducted by the relevant education authorities during the Track Record Period. Each of our schools also obtained a confirmation from the competent education authorities, which confirmed that there was no record of administrative penalty imposed on our schools caused by their breach of PRC laws and regulations.

Based on the foregoing, our PRC legal Advisor is of the view that (i) our ratios between teaching and administrative building area and the number of students as set out above would not constitute material breach under the standard of relevant PRC laws and regulations of the Group as a whole, and (ii) our failure to comply with the ratio between the site area and the number of students does not constitute a non-compliance incident.

INSURANCE

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

LICENSES AND PERMITS

Our PRC Legal Advisor has advised that during the Track Record Period and up to the Latest Practicable Date, except for certain non-compliance matters as disclosed in this prospectus, we had obtained all licenses, permits, approvals and certificates necessary to conduct our operations in all material respects from the relevant government authorities in the PRC, and such licenses, permits, approvals and certificates remained in full effect. The table below sets forth details of our material licenses and permits:

Holder	License/Permit[1]	Granting authority	Grant date	Expiry date
Southwest Jiaotong University Hope College	Private school operating license	Sichuan Department of Education	November 2015	October 2021
	Registration certificate for private non-enterprise legal entities	Sichuan Civil Affairs Bureau	March 1, 2018	February 28, 2022
Business College of Guizhou University of Finance and Economics	Private school operating license	Guizhou Department of Education	N/A[2]	November 20, 2018
	Registration certificate for private non-enterprise legal entities	Guizhou Civil Affairs Bureau	August 30, 2016	August 30, 2020
Jinci College of Shanxi Medical University	Private school operating license	People's Government of Shanxi	January 18, 2006	N/A[3]
	Registration certificate for private non-enterprise legal entities	Shanxi Civil Affairs Bureau	May 31, 2016	May 31, 2020

Holder	License/Permit[1]	Granting authority	Grant date	Expiry date
Sichuan Tianyi College...	Private school operating license	Sichuan Department of Education	November 2016	October 2022
	Registration certificate for private non-enterprise legal entities	Sichuan Civil Affairs Bureau	November 29, 2016	November 28, 2020
Sichuan Hope Automotive Vocational College......................	Private school operating license	Sichuan Department of Education	April 2016	March 2022
	Registration certificate for private non-enterprise legal entities	Sichuan Civil Affairs Bureau	June 15, 2016	June 15, 2020
Sichuan Vocational College of Culture & Communication..........	Private school operating license	Sichuan Department of Education	January 2014	December 2018
	Registration certificate for private non-enterprise legal entities	Sichuan Civil Affairs Bureau	June 7, 2016	June 7, 2020
Guizhou Vocational Institute of Technology................	Private school operating license	Guizhou Department of Education	June 3, 2016	June 3, 2019
	Registration certificate for private non-enterprise legal entities	Guizhou Civil Affairs Bureau	June 12, 2016	June 12, 2020
Sichuan TOP IT Vocational Institute	Private school operating license	Sichuan Department of Education	November 2015	October 2021
	Registration certificate for private non-enterprise legal entities	Sichuan Civil Affairs Bureau	June 8, 2016	June 8, 2020
Sichuan Hope Automotive Technical College	Private school operating license	Ziyang Human Resources and Social Security Bureau	November 4, 2016	November 4, 2019
	Registration certificate for private non-enterprise legal entities	Sichuan Civil Affairs Bureau	Jan 23, 2017	Jan 22, 2021

(1) Each school is required to pass an annual inspection regardless of whether such license bears an expiry date. As of the Latest Practicable Date, all of our schools had passed the latest local annual inspection.

(2) No grant date is recorded on the license.

(3) No expiry date is recorded on the license.

As of the date of this prospectus, the two general regulations regarding the registration of private schools in Sichuan have been issued by relevant government authorities, which became effective on June 1, 2018 and will be valid for five years. For details of such regulations, see "Regulations — Regulations on Private Education in the PRC — The General Regulations of Sichuan Province for the Amendment." As of the date of this prospectus, the provincial implementation rules for the Amendment or the relevant regulations adopted by competent government authorities in Guizhou and Shanxi have not been published. Several provincial implementation rules for the Amendment have been published by relevant authorities of certain other provinces, pursuant to which a "transitional period" shall be granted to the applicants for each private school to choose to register as a for-profit private school or a non-profit private school. See "Risk Factors — Risks Relating to Our Business and Our Industry — We are subject to uncertainities brought by the Amendment of Law for Promoting Private Education of the PRC."

HEALTH AND SAFETY MATTERS

We are dedicated to protecting the health and safety of our students. Each of our schools has adopted and implemented student health and safety measures and procedures to protect its students from bodily harm and other health and safety risks. For details of the meal catering services and medical care services we provide, see "— Our Centralized Management Model — Campus Services."

With respect to school safety, we always consider campus safety as a top priority for our school operations. We promote the security of our schools by employing our own security personnel or by engaging third-party security companies to provide the routine security service. In order to control any safety risks and ensure that we are able to timely and effectively respond to any safety incidents, we have established a safety work leading group at each of our schools and formulated a set of safety management rules regarding safety inspection, reporting and responding.

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

For more information, see "Risk Factors — Risks Relating to Our Business and Our Industry — Accidents or injuries suffered by our students or our employees on or outside our school campuses or by other personnel on our school campuses may adversely affect our reputation and subject us to liabilities."

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

From time to time, we are involved in legal proceedings, investigations and claims incidental to the conduct of our business. In 2016, we accrued RMB23.0 million as the settlement for a lawsuit in relation to the loan dispute between Sichuan Guojian Investment Limited and Wu Zufa involving the loan agreement dated September 25, 2008, prior to our acquisition of Sichuan Guojian. According to the loan agreement, Sichuan Guojian Investment Limited borrowed RMB8.0 million from Wu Zufa at the interest rate of 2% per month, which was required to be paid every year. In 2016, Wu Zufa brought a lawsuit, alleging no interest thereof has ever been paid to him since the entering of the loan agreement. We fully paid the settlement in 2017.

On July 1, 2011, Mr. Wang Huiwu, our chief executive officer and executive Director, and Mr. Qu Xiaojing ("**Mr. Qu**", and together with Mr. Wang Huiwu, the "**Parties**") entered into a share swap agreement, pursuant to which (i) Mr. Wang Huiwu agreed to transfer 10% equity interest in Chengdu Red May Film Production Advertising Limited (成都紅五月影視製作廣告有限公司) ("Red May"), a then subsidiary of Hope Education which was spun off from the Group as part of the reorganisation as it did not provide higher education. (the "**Transfer of 10% in Red May**"), in exchange for (ii) Mr. Qu's 90% equity interest in Chengdu Zhengdao Investment Management Co., Ltd (成都正導投資管理有限公司) ("**Zhengdao**"), an Independent Third Party engaged in the provision of secondary vocational education (the "**Transfer of 90% in Zhengdao**"). The Parties successfully registered the Transfer of 90% in Zhengdao. However, the Parties did not file the registration for the Transfer of 10% in Red May and the Parties subsequently verbally agreed that instead of the Transfer of 10% in Red May, Mr. Wang Huiwu would inject funds and facilities into Zhengdao in order to improve the operations of Zhengdao. In accordance with the verbal agreement, the Parties entered into a supplemental agreement (the "**Zhengdao Supplemental Agreement**") on January 20, 2014, pursuant to which, the Parties further agreed to transfer 20% equity interest in Zhengdao from Mr. Wang Huiwu back to Mr. Qu (the "**Transfer of 20% in Zhengdao**"). This new arrangement was mainly because the value of Zhengdao had appreciated following Mr. Wang Huiwu's acquisition of Zhengdao, and as a result of which, Mr. Wang Huiwu was entitled to retain the 10% equity interest in Red May. The Transfer of 20% in Zhengdao was not filed for registration as the relevant administration and industry authority would not accept the registration due to relevant policy implemented at the time. As such, the Transfer of 20% in Zhengdao was not registered and Mr. Wang Huiwu retained ownership of the full 90% equity interest in the company. When the relevant administration and industry authority accepted the registration of the Transfer of 20% in Zhengdao in 2016, Mr. Qu, however, refused to complete the registration and filed a lawsuit against Mr. Wang Huiwu on October 15, 2016, asking for the court to grant an order for Mr. Wang Huiwu to return the 90% equity interest held in Zhengdao to Mr. Qu. The trial was held on June 15, 2018 and as of the date of this prospectus, the court did not render judgment for this case. According to the pleadings submitted by Mr. Qu and the factual information as described above, Mr. Qu no longer holds any claim to the 10% equity interest in Red May, and the ownership of the 10% interest in Red May is not in dispute and not within the subject matter of the lawsuit. In addition, the business of Red May and Zhengdao do not fall within the scope of the business of the Group and based on the relevant evidence currently available, even if the court of this case supports Mr. Qu 's claim, ruling Mr. Wang Huiwu to return the 90% equity interest held in Zhengdao to Mr. Qu, it will not have any impact on the Group's business operations or financial condition. Therefore, our Directors, as advised by the PRC Legal Advisor of our Company, are of the view that the dispute will not have a material adverse effect on the Group's business operations or financial condition as a whole. 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 pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors which, in the opinion of our management, could have a material adverse effect on our operations or financial condition as a whole.

Compliance Matters

During the Track Record Period and up to the Latest Practicable Date, we did not commit any material or systematic noncompliance of the laws or regulations, which taken as a whole, in the opinion of the Directors, are likely to have a material and adverse effect on our business, financial condition or results of operations. During the same periods, we also did not experience any noncompliance of the laws or regulations, which taken as a whole, in the opinion of the Directors, reflects negatively on the ability or tendency of our Company, the Directors or our senior management, to operate our business in a compliant manner. According to our PRC Legal Advisor, other than as disclosed in "— Employees" and "— Properties," 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.

See "— Employees" and "— Properties" for a description of certain legal matters relating to our compliance which, for the reasons described therein, our Directors consider to be immaterial in nature.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

We have engaged an independent consulting firm (the "**Internal Control Consultant**") in March 2017 to conduct an independent review on the key internal control measures and procedures at (i) the entity level including control environment, risk assessment, control activities, information and communication and monitoring; and (ii) the process level over financial reporting, including revenue and collection, purchase and payment, fixed asset management, treasury management and other major business processes. The Internal Control Consultant provided recommendations in relation to strengthening the internal controls over the aforesaid major business processes to our management for consideration. We have taken the recommendations and have implemented relevant control measures. The Internal Control Consultant performed follow-up review on our rectified controls in January 2018. Having considered the report prepared by our internal control consultant, our Director confirmed that all of major recommendations provided by the Internal Control Consultant have been followed and corrective actions were taken accordingly to address our internal control deficiencies and weaknesses.

We have designated responsible personnel in our Company who will monitor the ongoing compliance by our Company and our schools 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/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to any potential noncompliance. Mr. Li Xiao, our senior vice president, is responsible for ensuring our overall ongoing compliance.

With respect to our properties, we have implemented the following internal control measures to ensure our compliance with property laws and regulations:

- before we purchase any properties and enter into any new lease, our Directorsand senior management will conduct enhanced due diligence to ensure there are no title issues and legal issues. The enhanced due diligence includes, among others, (i) examining the relevant land use right certificates and building title ownership documents; (ii) verifying such certificates and documents with the land administration authority and building administration authority and confirming the ownership; (iii) checking with building administration authority to ascertain whether any mortgage, charge or other security are attached to the building; and (iv) conducting site visits;

- we will obtain the requisite licenses and permits (including but not limited to land use right certificates and building ownership certificates) as and when required by the laws and regulations and follow the requisite procedures relating to construction and work completion of buildings;

- we will seek our PRC Legal Advisor's opinion on the issues relating to title of properties and compliance of property laws and regulations;

- we have established a set of policies and procedures for property purchase and leasing arrangement to enhance our internal approval process; and

- Mr. Jiang Lin, our chief operating officer and executive vice president, will monitor the implementation of the above measures and will check whether there is any non-compliance going forward.

With respect to our employee social security plan, we have implemented the following internal control measures to ensure our compliance with relevant social security laws and regulations:

- the manager of the human resources department of our Group will review the reporting and contributions of social insurance and housing provident fund for the employees of our Group regularly;

- our human resources department will also consult our PRC Legal Advisor, on the requirements under the relevant PRC laws and regulations in relation to social insurance and housing provident fund;

- training on relevant social security and housing provident fund laws and regulations will be arranged for our management from time to time to keep them informed of the latest development in these areas;

- our human resources department will also organize information sessions for our employees and urge them to make contributions/payments in accordance with relevant social security and housing provident fund laws and regulations; and

- the manager of the human resources department will report to Mr. Jiang Lin, our chief operating officer and executive vice president, on the legal and regulatory compliance and provide improvement recommendations when required.

With respect to our on-going compliance generally, we have implemented the following internal control measures to ensure our compliance with applicable laws and regulations and to enhance our internal control:

- internal control system manuals on corporate governance, operations, management, legal matters, finance and auditing setting out the internal approval and review procedures pursuant to which our employees are mandated to comply with;

- supervision and guidance by our audit committee, which is empowered to provide an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group and the relevant audit processes;

- hiring additional personnel to support our continued growth and development including candidates with professional experience and qualifications; and

- engaging external professional advisors (including our compliance advisor, as well as legal advisors as to Hong Kong laws, PRC laws and laws of the jurisdiction in which we may expand our operations, and tax advisors) to provide professional advice and guidance to our Group to ensure compliance with applicable laws and regulations. We will also arrange our external professional advisors to provide internal training to our Directors and employees from time to time to ensure our Directors and employees are kept up-to-date with any legal and regulatory developments.

Taking into account the internal control measures implemented by us in connection with the non-compliance incidents disclosed in "— Legal Proceedings and Compliance," the ongoing monitoring and supervision by our Board and the principals of our schools with the assistance from professional external advisors where required, and the fact that, as confirmed by the Directors, the non-compliance incidents did not involve fraud or dishonesty, our Directors are of the view that our enhanced internal control measures are adequate and effective; the suitability of our Directors is compliant with Listing Rules 3.08 and 3.09; and our Company is suitable for listing under Listing Rule 8.04.

Risk Management

Our business is exposed to various risks and we believe that risk management is essential to our growth and success. Key operational risks faced by us include, among other things, changes in general market conditions and perceptions of private higher education, changes in the regulatory environment in the PRC education industry, our ability to offer high quality education to our students, our ability to increase student enrollment and/or raising tuition rates based on the corresponding educational service we provide, our potential expansion into other regions in China or overseas, availability of financing to fund our expansion and business operations and competition from other school operators that offer similar quality of education and have a similar operating scale. See "Risk Factors" for disclosures on various risks we face. In addition, we also face numerous market risks, such as interest rate, credit and liquidity risks that arise in the ordinary course of our business. For a discussion on these market risks, see "Financial Information — Quantitative and Qualitative Disclosures about Market Risk."

To properly manage these risks, we have established the following risk management structures and measures:

- our Board of Directors is responsible and has the general power to manage the operations of our schools, and is in charge of managing the overall risks of our Group. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures, such as our decision to expand our school network into new geographic areas, to raise our tuition or boarding fees, and to enter into cooperative business relationships with third parties to establish new schools;

- we maintain insurance coverage, which we believe is in line with customary practice in the PRC education industry, including school liability insurance; and

- we have made arrangements with certain banks to ensure we are able to obtain credits to support our business operation and expansion.

Immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised at all and without taking into account any Shares which may be issued upon the exercise of the Pre-IPO Share Options, Tequ Group A Limited, Tequ Group Limited and Maysunshine Limited will be interested in and control indirectly, through Hope Education Investment Limited, in aggregate 62.11% of the issued share capital of our Company. Accordingly, Hope Education Investment Limited, Tequ Group A Limited, Tequ Group Limited, Maysunshine Limited and their respective shareholders, namely, Tequ Group (Hong Kong) Company Limited, Spring Breeze Limited, Puhua Limited, Striving Origin Co., Ltd., Puhua Agriculture Limited, Shanghai Yi Zeng Management Co., Ltd. (上海乙增管理有限公司), Sichuan Tequ Investment, West Hope, Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司), Sichuan Shengbo Genyuan Trade Limited (四川生搏根源貿易有限公司), Chen Yuxin (陳育新), Zhao Guiqin (趙桂琴), Zhang Qiang (張強), Wang Degen (王德根), Tang Jianyuan (唐健源), Liu Birong (劉碧容), Wang Qiang (王強), Lan Hai (蘭海), Zeng Zheng (曾正), Zhou Xingbang (周興幫), Wang Xiaoguo (王孝國), Xiao Song (肖崧), Mei Shaofeng (梅紹鋒), Wang Huiwu (汪輝武) and Fu Wenge (付文革), are our Controlling Shareholders. The Hope Education Investment Limited, Tequ Group A Limited, Tequ Group Limited and shareholding structure of Maysunshine Limited are as follows:

Shareholders of Hope Education Investment Limited	Shareholding
Tequ Group A Limited[1]	34.39%
Tequ Group Limited[2]	16.61%
Maysunshine Limited[3]	49.00%

Notes:

(1) Tequ Group A Limited is an investment holding company and is wholly-owned by Tequ Group (Hong Kong) Company Limited ("Tequ Hong Kong"). Tequ Hong Kong is an investment holding company and is a wholly owned subsidiary of Shanghai Yi Zeng Management Co., Ltd. (上海乙增管理有限公司), which is in turn wholly-owned by Sichuan Tequ Investment.

The shareholders and their corresponding shareholdings in Sichuan Tequ Investment are: West Hope: 55.00%; Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司): 45.00%.

The shareholders and their corresponding shareholdings in West Hope are: Chen Yuxin (陳育新): 60.00%; Zhao Guiqin (趙桂琴): 40.00%.

The shareholders and their corresponding shareholdings in Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司) are: Zhang Qiang (張強): 52.20%; Wang Degen (王德根): 9.00%; Sichuan Shengbo Genyuan Trade Limited (四川生搏根源貿易有限公司): 10.00%; Tang Jianyuan (唐健源): 20.00%; Wang Qiang (王強): 4.0%; Lan Hai (蘭海): 2.00%; Zeng Zheng (曾正): 1.00%; Zhou Xingbang (周興幫): 1.00%; Wang Xiaoguo (王孝國): 0.40%; Xiao Song (肖崧): 0.20%; Mei Shaofeng (梅紹鋒): 0.20%.

(2) Tequ Group Limited is an investment holding company. The shareholders and their corresponding shareholdings in Tequ Group Limited are: Spring Breeze Limited: 55.00%; Puhua Limited: 23.50%; Striving Origin Co., Ltd.: 13.50% and Puhua Agriculture Limited: 8.00%.

Spring Breeze Limited is an investment holding company. The shareholders and their corresponding shareholdings in Spring Breeze Limited are: Chen Yuxin (陳育新): 60.00%; Zhao Guiqin (趙桂琴): 40.00%.

Puhua Limited is an investment holding company incorporated and wholly owned by Zhang Qiang (張強).

Striving Origin Co., Ltd. is an investment holding company. The shareholders and their corresponding shareholdings in Striving Origin Co., Ltd. are: Tang Jianyuan (唐健源): 82.96%; Liu Birong (劉碧容): 17.04%.

Puhua Agriculture Limited is an investment holding company. The shareholders and their corresponding shareholdings in Puhua Agriculture Limited are: Wang Degen (王德根): 51.00%; Wang Qiang (王強): 22.00%; Zeng Zheng (曾正): 6.00%; Zhou Xingbang (周興幫): 6.00%; Xiao Song (肖崧): 1.00%; Wang Xiaoguo (王孝國): 2.00%; Mei Shaofeng (梅紹鋒): 1.00%; Lan Hai (蘭海): 11.00%.

(3) Maysunshine Limited is an investment holding company. The shareholders and their corresponding shareholdings in Maysunshine Limited are: Wang Huiwu (汪輝武): 96.00%; Fu Wenge (付文革): 2.00%; Wang Degen (王德根): 2.00%.

(4) Chen Yuxin (陳育新) and Zhao Guiqin (趙桂琴), Wang Degen (王德根) and Zhang Qiang (張強), and Tang Jianyuan (唐健源) and Liu Birong (劉碧容) are spouses.

For further details of shareholdings of our Controlling Shareholders, see "History — Group Structure — Immediately prior to the Global Offering".

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Delineation of Business

Our Controlling Shareholders currently engage in other businesses in the PRC primarily including feed Business production and sales, and breeding and sales of poultry and livestock ("**Non-education Business**"). The details of our corporate Controlling Shareholders and their respective principal business activities are set forth as below:

Controlling Shareholders	Principal Business Activities
Hope Education Investment Limited	Investment holding
Maysunshine Limited	Investment holding
Tequ Group A Limited	Investment holding
Tequ Group Limited	Investment holding
Tequ Group (Hong Kong) Company Limited	Investment holding
Spring Breeze Limited	Investment holding
Puhua Limited	Investment holding
Puhua Agriculture Limited	Investment holding
Striving Origin Co., Ltd.	Investment holding

Controlling Shareholders	Principal Business Activities
Sichuan Tequ Investment	Feed production and sales, poultry farming, poultry breeds selection and improvement and real estate development and sales
West Hope	Tourism, hotel and real estate development
Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司)	Feed development and sales, and agricultural technology research
Shanghai Yi Zeng Management Co., Ltd (上海乙增管理有限公司)	Company management, marketing plan, commercial information consultancy

Our Directors are of the view that the Non-education Business is clearly delineated from and are not directly or indirectly in competition with those carried by out by our Group.

Further, our Controlling Shareholders will also hold the entire interests in the following 13 non-higher education schools ("**Non-higher Education Schools**") through Sichuan Tequ Education after the division as discussed in "History — Our Consolidated Affiliated Entities — Reorganization of Our Consolidated Affiliated Entities".

School Name	Principal Business Activities
Chengdu Mayflower Senior Technical School (成都五月花高級技工學校)	Provision of secondary vocational education services
Chengdu Pixian Hope Vocational School (成都郫縣希望職業學校)	Provision of secondary vocational education services
Ziyang Automobile Science And Technology Vocational School (資陽汽車科技職業學校)	Provision of secondary vocational education services
Chengdu Jinniu District Tianyi School (成都市金牛區天一學校)	Provision of primary and secondary education services
Sichuan Mayflower Training College (四川五月花專修學院)	Provision of vocational skills training services
Chengdu Mayflower Labor Vocational Skills Training School (成都五月花勞動職業技能培訓學校)	Provision of vocational skills training services
Chengdu Hope English School (成都希望英語學校)	Provision of training services
Chengdu Xietai Accounting Training School (成都協泰會計培訓學校)	Provision of accounting training services
Sichuan Rongxing Driving School Co., Ltd. (四川省容興駕校有限責任公司)	Provision of driving training services
Chengdu Longquan Fuanda Driving School Co., Ltd. (成都市龍泉福安達駕校有限公司)	Provision of driving training services

School Name	Principal Business Activities
Guizhou Mayflower Driving Training Co., Ltd. (貴州五月花駕駛培訓有限公司)	Provision of driving training services
Mianzhu Mayflower Motor Vehicle Driving Training Co., Ltd. (綿竹市五月花機動車駕駛培訓有限公司)	Provision of driving training services
Ziyang Hope Automobile Driving Training Center (資陽市希望汽車駕校培訓中心)	Provision of driving training services

The business of Non-higher Education Schools does not directly or indirectly compete with our Group's business primarily for the following reasons:

Applicable laws and regulations

Our education business falls within the "restricted" category under the Foreign Investment Catalogue and is mainly regulated by, among other things, the Law for the Higher Education Law of the PRC (中華人民共和國高等教育法). The current business of Non-higher Education Schools, including vocational education and training does not fall within the "restricted" category under the Foreign Investment Catalog.

See "Regulations" for further details.

Students Base

Our Group mainly provides comprehensive higher education to students, while Non-higher Education Schools mainly provide vocational education to students. Save as disclosed below, we are not engaged in, and have no intention to engage in, the operation of vocational education as of the Latest Practicable Date.

Guizhou Vocational Institute of Technology of our Group mainly provides higher education to students, while it also currently provides secondary vocational education to approximately 4,300 students. In order not to jeopardize the interests of students, Guizhou Vocational Institute of Technology will continue to provide secondary vocational education to the current students until their graduation in June 2020 and the revenue generated will be kept to a minimum. Unless our Controlling Shareholders cease to provide secondary vocational education, Guizhou Vocational Institute of Technology will not further admit students for secondary vocational education.

Given that the provision of secondary vocational education by Guizhou Vocational Institute of Technology is only a transitional arrangement and the proportion of relevant students and revenue are minimal to our Group as a whole, our Directors are of the view that there is no material competition between us and our Controlling Shareholders.

Sichuan Hope Automotive Technical College provides technical education to students and part of the admitted students are middle school graduates. See "Business - Technical Education Services" for details. Our Company is of the view that the technical education offered by Sichuan Hope Automotive Technical College is distinguished from that of the secondary vocational schools operated by our Controlling Shareholders considering (i) the technical education and vocational education are two different types of education administered by different regulatory authorities, namely the Ministry of Human Resources and Social Securities and the MOE, respectively; and (ii) the middle school graduates admitted by Sichuan Hope Automotive Technical College typically target to obtain an advanced technician's diploma (高級技工證) or technician-level certificate (技師證) that are equivalent to a junior college diploma or bachelor degree, while the secondary vocational schools operated by our Controlling Shareholders only have the qualification to grant secondary vocational certificate (中等職業技術證書). In any event, the number of middle school graduates admitted and the revenue generated therefrom are not material to our Group as a whole. Therefore, our Directors are of the view that there is no material competition between us and our Controlling Shareholders.

Operation

The operation of Non-higher Education Schools involves resources and personnel, such as properties and teachers that are substantially different from the operation of the schools operated by our Group. Our Directors are of the view that the business activities of Non-higher Education Schools are clearly delineated from those of our Group and the potential competition between Non-higher Education Schools and our Group is minimal.

In addition, our Controlling Shareholders will indirectly hold 70% interests in Jiexing Huilv through Sichuan Tequ Education upon completion of the disposal of Jiexing Huilv as discussed in "History, Reorganization and Corporate Structure — Our Consolidated Affiliated Entities — Our Education Investment Platforms — Jiexing Huilv". Jiexing Huilv is the school sponsor of The College of Science and Technology of Guizhou University, which currently also provides higher education to students. According to the Frost & Sullivan Report, the higher education institutions in each provincial administrative regions mainly enroll the students from the local region. Notwithstanding Guizhou Vocational Institute of Technology and the Business College of Guizhou University of Finance and Economics of our Group also provide higher education to students in Guizhou, we consider that there is no material competition between our Group and The College of Science and Technology of Guizhou University for the following reasons: (i) The College of Science and Technology of Guizhou University is in an early stage of development and its contribution to us is limited. For the year ended December 31, 2017, The College of Science and Technology of Guizhou University generated a revenue of RMB13,524,000, which only represented less than 1.8% of the total revenue of our Group during the same period; (ii) Guizhou Vocational Institute of Technology of our Group is a junior college, which has different student base as compared with The College of Science and Technology of a Guizhou University, an independent college established under the cooperation with a university. The students admitted by Guizhou Vocational Institute of Technology target to obtain a junior college degree while the students of The College of Science and Technology of Guizhou University are expected to be granted with an undergraduate degree upon graduation; and (iii) higher education is a highly regulated industry in the PRC. Both of the Business College of Guizhou University of Finance and Economics of our Group and The College of Science and Technology of Guizhou University are supervised by Guizhou Department of Education. With the guidance from Guizhou Department of

Education, especially on the determination of the student enrollment quota for each school, the two schools are not in direct competition with each other in terms of admissions since the higher education is in short supply in China. Our Directors are of the view that the operation of The College of Science and Technology of Guizhou University by our Controlling Shareholders is not expected to lead to any material competition with our Group.

We disposed of our 70% interest in Jiexing Huilv to the Controlling Shareholders solely because we cannot control or consolidate the financial statements of The College of Science and Technology of Guizhou University for the reasons as further described below, and the disposal is not relevant to any material non-compliance incidents or litigations of either Jiexing Huilv or The College of Science and Technology of Guizhou University, or disputes between the other shareholder of Jiexing Huilv and us:

(i) The board of directors of The College of Science and Technology of Guizhou University (the "**ST College Board**") currently consists of seven directors (the "**ST College Directors**"), among whom four ST College Directors were appointed by Guizhou University (貴州大學) while only three ST College Directors were appointed by Jiexing Huilv. As a result, Jiexing Huilv does not have control over the majority of the ST College Board.

(ii) The principal of The College of Science and Technology of Guizhou University is appointed by Guizhou University (貴州大學).

(iii) The articles of association of The College of Science and Technology of Guizhou University (the "**ST College Articles**") provides that a number of major matters (such as appointment and removal of principal of The College of Science and Technology of Guizhou University, amendments to the ST College Articles and merger and dissolution of The College of Science and Technology of Guizhou University) shall be approved by a resolution passed by votes of two-thirds majority of the members of the ST College Board, namely five out of seven ST College Directors in the actual situation.

As such, the Group cannot effectively control the business operation as well as the major decisions of The College of Science and Technology of Guizhou University, and thereby cannot consolidate its financial statements into those of the Group. For more details, please see Note 33 to the Accountants' Report, the full text of which is set out in Appendix I to this prospectus.

In light of the above, the Directors are of the view that the entering into of the Contractual Arrangement by Hope Education with the WFOE would not enable the Company to exercise effective control over The College of Science and Technology of Guizhou University. Accordingly, we believe there is no basis and it is not in the interests of the Company or its Shareholders as a whole to consolidate Jiexing Huilv as part of the Group for the purpose of the Listing that Jiexing Huilv does not exert effective control over The College of Science and Technology of Guizhou University.

Following the disposal of our 70% interest in Jiexing Huilv, our Controlling Shareholders have been taking active measures to enable Jiexing Huilv to gain effective control over The College of Science and Technology of Guizhou University. As of the Latest Practicable Date, the Controlling

Shareholders are in the process of negotiating with Guizhou University (貴州大學) in respect of amendments to the ST College Articles to the effect that (i) major corporate matters will only require approval by a simple majority of the ST College Directors; (ii) the ST College Board shall consist of seven members, three of whom shall be appointed by Guizhou University (貴州大學) and four of whom shall be appointed by Jiexing Huilv such that Jiexing Huilv can control the majority of the ST College Board; and (iii) the principal of The College of Science and Technology of Guizhou University shall be appointed by Jiexing Huilv.

The Controlling Shareholders have undertaken to transfer their interest in Jiexing Huilv to us after the Listing when they can effectively control and consolidate the financial statements of The College of Science and Technology of Guizhou University. Such equity transfer from the Controlling Shareholders to our Group after the Listing, if materialized, will be subject to the relevant requirements under Chapter 14A of the Listing Rules.

Management Independence

Our Board consists of three executive Directors, three non-executive Directors and three independent non-executive Directors. Our senior management team comprises six members. Save as disclosed below, none of our Directors or members of senior management serves as directors or members of senior management in any close associates of our Controlling Shareholders.

Name	Position in our Company Name of company	Directorships and/or senior management positions in our Controlling Shareholder and/or its close associates other than us	
Wang Huiwu (汪輝武)	Executive Director, Chief Executive Officer	Maysunshine Limited	Director
		Hope Education Investment Limited	Director
Tang Jianyuan (唐健源)	Non-executive Director	Tequ Limited	Director
		Tequ Group Limited	Director
		Tequ Group A Limited	Director
		Hope Education Investment Limited	Director
Wang Degen (王德根)	Non-executive Director	Tequ Group (Hong Kong) Company Limited	Director
		Hope Education Investment Limited	Director

Note: all of the abovementioned entities are investment vehicles holding interests in our Company.

Notwithstanding the above, we believe that the Board, as a whole, together with our senior management team, is able to perform the managerial roles in us independently for the following reasons:

- Xu Changjun (徐昌俊) and Li Tao (李濤), our two other executive Directors, do not have any overlapping role in the Controlling Shareholders or their close associates;

- Tang Jianyuan (唐健源) and Wang Degen (王德根) are our non-executive Directors, therefore are not involved in the day-to-day management of our Company;

- each Director is aware of his or her fiduciary duties as a Director of our Company which requires, among other things, that he or she acts for the benefit and in the best interest of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest;

- none of our member of senior management are our Controlling Shareholders or hold any position in our Controlling Shareholders;

- in order to achieve a balanced composition between the interested Directors and the independent non-executive Directors, we have appointed three independent non-executive Directors (representing one-third of the Board);

- our senior management team makes independent business decisions. Our independent non-executive Directors also bring independent judgment to the decision-making process of the Board and are entitled to engage advisors or professionals to advise them in this regard;

- our Company has established internal control mechanisms to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions; and

- in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director is obliged to declare and fully disclose such potential conflict of interest and shall abstain from attending and voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

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 students 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 connected transactions in relation to property construction, property leasing and insurance brokerage service. Please see "Connected Transactions" for details. We consider that the relevant agreements are on normal commercial terms (or commercial terms that are better to us), and in the interests of the Shareholders as a whole.

Financial Independence

Our Group has its own financial management system, internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payments and the ability to operate independently from our Controlling Shareholders from a financial perspective. Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

As of May 31, 2018, we had an amount of RMB457.5 million due from related parties, where were non-trade in nature. All the receivables due from related parties that are non-trade in nature will be fully settled before the Listing.

As of May 31, 2018, we had a total borrowing amounting to RMB230 million guaranteed by one of our Controlling Shareholders, Mr. Wang Huiwu (汪輝武). Such guarantee provided by Mr. Wang Huiwu will be fully released before the Listing.

Save as disclosed above, as of the Latest Practicable Date, there were no other loans, advances or balances due to or from our Controlling Shareholders or their respective close associates which had not been fully settled nor were there any pledges and guarantees provided by any of our Controlling Shareholders or their respective close associates on the Group's financing which had not been fully released or discharged.

Having considered the above reasons, our Directors are of the view that our Group is capable of carrying its business independently of our Controlling Shareholders and their respective close associates after the Listing.

NON-COMPETE UNDERTAKING

Each of West Hope, Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司), Chen Yuxin (陳育新), Zhao Guiqin (趙桂琴), Zhang Qiang (張強), Wang Degen (王德根), Tang Jianyuan (唐健源), Liu Birong (劉碧容), Wang Qiang (王強), Lan Hai (蘭海), Zeng Zheng (曾正), Zhou Xingbang (周興幫), Wang Xiaoguo (王孝國), Xiao Song (肖崧), Mei Shaofeng (梅紹鋒), Wang Huiwu (汪輝武) and Fu Wenge (付文革), being our Controlling Shareholders undertake to our Company and WFOE as part of the Contractual Arrangements that, unless with the prior written consent of WFOE and Sichuan Hope Education, so long as he/she/it remains a shareholder of Sichuan Hope Education, each of the aforementioned Controlling Shareholders and their respective close associates will not directly or indirectly engage in, possess, invest, participate in or operate any businesses or activities which compete or might compete with the existing businesses of Sichuan Hope Education and its subsidiaries ("**Competing Businesses**") for interests of itself or other parties, or engage in Competing Businesses with any information obtained from Sichuan Hope Education or its subsidiaries, or derive any benefits from any Competing Businesses.

CORPORATE GOVERNANCE MEASURES

We will adopt the following corporate governance measures to avoid any potential conflicts of interest arising from any future potential competing business of 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 terms of the non-competition undertaking by the relevant Controlling Shareholders and the enforcement of the non-competition undertaking.

- Our independent non-executive Directors who do not have a material interest will be responsible for deciding, without attendance by any executive Director (except as invited by our independent non-executive Directors to assist them or provide any relevant information but in no circumstances shall the executive Directors participate in such meeting be counted towards the quorum or allowed to vote in such meeting).

- Each of the relevant Controlling Shareholders will provide all information necessary or desirable for the annual review by our independent non-executive Directors of the compliance with, and the enforcement of, the non-compete undertakings.

- We will disclose the review by our independent non-executive Directors relating to the compliance with, and the enforcement of, the non-compete undertakings in our annual report.

- Each of the relevant Controlling Shareholders will make an annual declaration of their compliance with the non-compete undertakings in our annual reports.

ONE-OFF TRANSACTIONS

Construction Agreements

We have entered into construction agreements with Sichuan Wuyang Construction Project Company Limited (四川五陽建築工程有限公司) ("**Sichuan Wuyang**") for two construction projects of Sichuan Tianyi College. All relevant construction projects were on-going as of the Latest Practicable Date and the salient terms of the respective agreement are set out as follows:

1.	Date	April 25, 2017
	Parties	Sichuan Tianyi College and Sichuan Wuyang
	Scope	Construction project, decoration project and installment project for ten buildings, and assembly layout project (總平工程) for one of the buildings
	Area	a site area of approximately 61,400 sq.m.
	Fees	The estimated amount of the total construction fee is approximately RMB89 million. The parties agree that Sichuan Tianyi College shall pay the construction fee by instalments as follows: 1. The payment should be made on monthly basis. The amount of monthly payment was determined by reference to the completed construction work of the month. Sichuan Tianyi College should have made the payment within seven days after verification. 2. After all construction work being accepted, the Sichuan Tianyi College should have made the payment of 90% of the total construction fee within 20 days. After the construction completion audit report (竣工結算審計報告) being issued, the Sichuan Tianyi College should have made the payment of 95% of the total construction fee (audited) within 30 days. The remaining 5% of the total construction fee (audited) will be regarded as the warranty. The 80% of the warranty should be paid within one week after the expiration of two years' general warranty period. The remaining 20% of the warranty should be paid within one week after five years' water-proof warranty period.
	Construction Permits	Sichuan Wuyang should be responsible for the application for construction work planning permits, construction work commencement permits and other permits required for the projects.

	Work Commencement Date	March 18, 2017
	Expected Completion Date	June 30, 2018
2.	Date	April 25, 2017
	Parties	Sichuan Tianyi College and Sichuan Wuyang
	Scope	Construction project, decoration project and installment project for four buildings
	Area	a site area of approximately 69,100 sq.m.
	Fees	The estimated amount of the total construction fee is approximately RMB70 million.

The parties agree that Sichuan Tianyi College shall pay the construction fee by instalments as follows:

1. The payment should be made on monthly basis. The amount of monthly payment was determined by reference to the completed construction work of the month. Sichuan Tianyi College should have made the payment within seven days after verification.

2. After all construction work being accepted, the Sichuan Tianyi College should have made the payment of 90% of the total construction fee within 20 days. After the construction completion audit report (竣工結算審計報告) being issued, the Sichuan Tianyi College should have made the payment of 95% of the total construction fee (audited) within 30 days. The remaining 5% of the total construction fee (audited) will be regarded as the warranty. The 80% of the warranty should be paid within one week after the expiration of two years' general warranty period. The remaining 20% of the warranty should be paid within one week after five years' water-proof warranty period.

Construction Permits	Sichuan Wuyang should be responsible for the application for construction work planning permits, construction work commencement permits and other permits required for the projects.
Work Commencement Date	March 20, 2017
Expected Completion Date	June 30, 2018

Listing Rules Implication

Sichuan Wuyang is a majority-controlled company held by Wang Huiming (汪輝明), who is a sibling of Wang Huiwu (汪輝武), a Director, the chief executive officer and a substantial Shareholder. Therefore, Sichuan Wuyang is our connected person under Rule 14A.07(4) and 14A.12(2)(b) of the Listing Rules.

Although the construction projects of Sichuan Tianyi College were on-going as of the Latest Practicable Date, and we expect to make further payments to Sichuan Wuyang after the Listing pursuant to the terms of the relevant construction agreements, given the construction agreements were entered into prior to the Listing and the transactions thereunder are one-off in nature, these transactions (including further payments to be made by us pursuant to the terms of the construction agreements) will not be classified as connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, and will not be subject to any of the reporting, announcement, annual review or independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In the event that there are any material changes to the terms and conditions of any of such construction agreements (including where the actual fee to be incurred under any of such agreements exceeds the fee estimate as disclosed in this prospectus), we shall comply with Chapter 14A of the Listing Rules (as the case may be) in respect of such agreement (as amended) as and when appropriate, including, where required, making announcement and/or seeking independent Shareholders' approval prior to effecting such changes.

Following the Listing, we may enter into further construction agreements to engage Sichuan Wuyang for the construction of new schools or the expansion of existing schools from time to time. In such event, we shall also comply with the relevant requirements under the Listing Rules as and when appropriate including any reporting, annual review by our independent non-executive Directors, announcement and independent shareholders' approval requirements.

Reasons for the Transactions

We engaged Sichuan Wuyang to provide construction related services to our Group for constructing our campuses, buildings and other facilities as (i) Sichuan Wuyang has extensive knowledge and experience in providing construction and project contracting services; (ii) the construction service fee charged by Sichuan Wuyang is in line with market price with reference to national standards as described below; (iii) Sichuan Wuyang is more familiar with our business as compared to other Independent Third Parties. Leveraging on their better understanding on our business and through more efficient and effective communication, Sichuan Wuyang can complete the project within a shorter period; and (iv) procuring relevant materials through an experienced service provider could help us obtain more favorable terms.

Pricing Policy

The fees under the existing project contracting agreements are determined with reference to Standard of Project Quantities Detailed Pricing List for Engineering Construction (建設工程工程量清單計價規範) (GB50500-2013) issued by Ministry of Housing and Urban-Rural Development of the PRC and Sichuan Quota of Project Quantities Detailed Pricing List for Engineering Construction

(2015 version) (四川省建設工程工程量清單計價定額)(2015年版) issued by Sichuan Housing and Urban-Rural Development Department with its ancillary documents or applicable revised version. The national and provincial standards provide pre-determined formulas for service fees calculation by setting out each category of fees to be charged and the formula for calculating the fees in different scenarios under each category.

Pre-IPO Composite Instrument Agreement with Zhuhai Maiwen

On August 7, 2017, Zhuhai Maiwen, as lender, and Hope Education, as borrower, entered into the Original Zhuhai Maiwen Investment Agreement. Pursuant to the Original Zhuhai Maiwen Investment Agreement, Hope Education has borrowed, among other things, the Fixed Interest Loan with principal amount of RMB400 million.

See "History, Reorganization and Corporate Structure — Pre-IPO Investments — Pre-IPO Composite Instrument" for details.

Interest

The Fixed Interest Loan carries an interest of 7% per annum, of which the first interest payment date was September 30, 2017, followed by interest payment due every six months payable in cash within seven days and the last interest payment date being the date of repayment of the principal of the Fixed Interest Loan.

Term

The term of the Fixed Interest Loan is three years commencing on the date of when the loan was deposited to the account designated by the borrower, which may extended twice, the maximum term of each extension being one year.

Repayment Schedule

Unless Zhuhai Maiwen agrees to extend the term of the Fixed Interest Loan and notified Hope Education the same before July 1, 2019, Hope Education shall repay the principal of the loan in one or two installments between July 1, 2019 and October 30, 2020.

Collateral

Hope Education agreed to pledge the following interests in favour of Zhuhai Maiwen for all responsibilities and obligations assumed by Hope Education under the Zhuhai Maiwen Investment Agreements (i) the account receivables, including all existing and future monetary claims and proceeds, of Sichuan Tianyi College; and (ii) 67% of Hope Education's interests in Shanghai Shurui Investment Consultant Limited, representing RMB67 million of Shanghai Shurui Investment Consultant Limited's registered capital.

Early Termination and Repayment of the Fixed Interest Loan

Zhuhai Maiwen may terminate the Fixed Interest Loan prior to maturity and require early repayment of the Fixed Interest Loan where, amongst other customary events of default, Hope Education fails to use the Fixed Interest Loan for the purposes prescribed under the Zhuhai Maiwen Investment Agreements, any of the representations and warranties under the Zhuhai Maiwen Investment Agreements are false or misleading, or the obligations or undertakings of Hope Education under the Zhuhai Maiwen Investment Agreements are not fulfilled, or any breach of the Zhuhai Maiwen Investment Agreements occurs.

Listing Rule Implications

Zhuhai Maiwen is a connected person of the Company by virtue of being an associate of a substantial shareholder of the Company. Zhuhai Maiwen is a limited partnership with CEL Huiling Investment (Shanghai) Co., Limited (光控匯領投資(上海)有限公司) as its general partner. CEL Huiling Investment (Shanghai) Co., Limited (光控匯領投資(上海)有限公司) is wholly-owned by CEL Venture Capital (Shenzhen) Co., Limited (光大控股創業投資(深圳)有限公司), which is in turn wholly owned by China Everbright Limited (中國光大控股有限公司). Please refer to "Substantial Shareholders" for details.

Notwithstanding the Fixed Interest Loan is still outstanding as of the Latest Practicable Date, and we are required to make repayment and interest payment to Zhuhai Maiwen after the Listing pursuant to the terms of the Zhuhai Maiwen Investment Agreements, given the Zhuhai Maiwen Investment Agreements were entered into prior to the Listing and the Fixed Interest Loan was one-off in nature, such transaction (including the repayment and further interest payments to be made by us pursuant to the terms of the Zhuhai Maiwen Agreements) will not be classified as connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, and will not be subject to any of the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In the event that there are any material changes to the terms and conditions in respect of the Fixed Interest Loan of the Zhuhai Maiwen Investment Agreements, we shall comply with Chapter 14A of the Listing Rules as and when appropriate, including, where required, making announcement and/or seeking independent Shareholders' approval prior to effecting such changes.

Reasons for the Transactions

Zhuhai Maiwen and Hope Education entered into the Zhuhai Maiwen Investment Agreements for the purpose of providing finance to Hope Education for the repayment of bank loans and other daily operating expenses.

The Board considers that the terms of the Fixed Interest Loan to be on normal commercial terms, fair and reasonable and in the interests of our Company and the Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

We have entered into the following continuing agreements and arrangements with our connected persons in our ordinary and usual course of business. Upon the Listing, these transactions will constitute continuing connected transactions under the Listing Rules.

	Transactions	Applicable Listing Rules	Waiver Sought	Proposed annual cap for the year ending 31 December 2018 (in RMB)	2019 (in RMB)	2020 (in RMB)
	Fully-exempt continuing connected transaction					
1	Insurance Brokerage Service Framework Agreement	14A.07(4), 14A.12(2)(b), 14A.34 and 14A.76(1)(b)	N/A	N/A	N/A	N/A
	Non-exempt continuing connected transactions					
2	Property Leasing Framework Agreement	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement	27,000,000.0	29,000,000.0	31,000,000.0
3	Equipment Procurement Framework Agreement	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement	6,000,000	6,000,000	6,000,000
4	Contractual Arrangements..................	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 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

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTION

Insurance Brokerage Service Framework Agreement

We entered into an insurance brokerage service framework agreement with Sichuan Tianyuan Insurance Agency Company Limited (四川天源保險經紀有限公司) ("**Sichuan Tianyuan**") and Sichuan Hope Insurance Agency Company Limited (四川希望保險代理有限公司) ("**Sichuan Hope Insurance**") on July 20, 2018 (the "**Insurance Brokerage Service Framework Agreement**"), whereby Sichuan Tianyuan and Sichuan Hope Insurance have agreed to provide us with quotations of students' insurance, schools' insurance and other types of insurance offered by insurance companies (all Independent Third Parties) from time to time and upon our request. Upon our agreement to the quotation, we will pay the relevant insurance premium to Sichuan Tianyuan and Sichuan Hope Insurance's client accounts. Sichuan Tianyuan and Sichuan Hope Insurance shall pay the relevant insurance companies the total insurance premium and then the relevant insurance company shall pay commissions to Sichuan Tianyuan and Sichuan Hope Insurance. Sichuan Tianyuan and Sichuan Hope Insurance shall not charge us any administrative fees nor any additional charges. The Insurance Brokerage Services Framework Agreement is for a three-year term commencing from the Listing Date. If neither party raises any objection and subject to the regulatory requirements in the place where our Shares are listed, the term will be automatically renewed for a further term of three years upon expiry.

Listing Rules Implication

Each of Sichuan Tianyuan and Sichuan Hope Insurance is a majority-controlled company held by Ying Xuequn (應雪群), who is the spouse of Wang Huijun (汪輝君), a director of Hope Education. Therefore, Sichuan Tianyuan and Sichuan Hope Insurance are our connected persons at the subsidiary level under Rules 14A.07(4) and 14A.12(2)(b) of the Listing Rules.

The transactions contemplated under the Insurance Brokerage Service Framework Agreement will be conducted in the ordinary and usual course of business on normal commercial terms (or terms that are better to us). We expect that all the applicable percentage ratios (other than the profit ratio) for the Insurance Brokerage Service Framework Agreement calculated in accordance with Rule 14A.77 of the Listing Rules will be less than 1% and thus the transactions contemplated under the Insurance Brokerage Service Framework Agreement constitute continuing connected transactions of our Company which are exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(1)(b) of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Property Leasing Framework Agreement

Since 2014 and during the Track Record Period, our schools have leased certain properties to certain of the 30%-controlled companies of Wang Huiwu (汪輝武) and the then subsidiaries of Hope Education, which became subsidiaries of Sichuan Tequ Education following the division as discussed in "History — Reorganization of our Consolidated Affiliated Entities — The Division of Hope Education for Delineation of Business". Our Company, Wang Huiwu (汪輝武) and Sichuan Tequ Education entered into a property leasing framework agreement (the "**Framework Agreement**") on July 20, 2018 in respect of the leasing of land, buildings, ancillary facilities from us to Sichuan Tequ Education and/or its associates. The following table sets forth a summary of the Property Leasing Framework Agreement.

Lessee	Lessor	Duration of the Lease	Description of the properties leased	Historical amounts for the year ended December 31,			Historical amounts for the three months ended March, 31	Proposed annual cap for the year ending December 31,		
				(in millions of RMB)						
				2015	2016	2017	2018	2018	2019	2020
Wang Huiwu (汪輝武) and Sichuan Tequ Education and/or their respective associates	Our Company	For a period of three years commencing on the Listing Date; If neither party raises any objection and subject to the regulatory requirements in the place where our Shares are listed, the term will be automatically renewed for a further term of three years upon expiry.	Land area of approximately 0.4 million sq.m.; gross floor area of approximately 0.2 million sq.m.	22.4	24.6	23.3	6.4	27.0	29.0	31.0

Listing Rules Implication

As Wang Huiwu is an executive Director and Sichuan Tequ Education is an associate of our Substantial Shareholders, each of Wang Huiwu and Sichuan Tequ Education is our connected persons under Rules 14A.07(1), 14A.07(4) and 14A.13(1) of the Listing Rules.

The transactions contemplated under the Property Leasing Framework Agreement will be conducted in the ordinary and usual course of business on normal commercial terms (or terms that are better to us). Based on the current annual rent receivable by us, we expect that one or more of the applicable percentage ratios (other than the profit ratio) for the Property Leasing Framework Agreement calculated in accordance with Rule 14A.77 of the Listing Rules will be more than 0.1% but are all less than 5% and thus the transactions contemplated under the Property Leasing Framework Agreement constitute continuing connected transactions of our Company which are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements and are subject to the annual review, reporting and announcement requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

Reasons for the Transactions

Wang Huiwu (汪輝武) and Sichuan Tequ Education and/or their respective associates lease certain of our properties for the use of teaching, training and ancillary activities, and we expect that we will continue to lease such properties to Wang Huiwu (汪輝武) and Sichuan Tequ Education and/or its associates following the Listing to better utilize our idle properties.

Pricing Policy

The rental receivable per annum is decided with reference to the market rate as determined by our property valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, pursuant to applicable laws and regulations and the Listing Rules.

Historical Amounts and Basis of the Annual Caps

The amounts of rent paid by Sichuan Tequ Education and/or its associates to us for the three years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018 were RMB22.4 million, RMB24.6 million, RMB23.3 million and RMB6.4 million, respectively. The annual caps are estimated based on the rental payable as determined with reference to (i) the historical amounts; and (ii) as advised by our property valuer, generally, as a market practice for long-term leases of large site, a discounted rental rate is usually offered by the landlord in the first several years and the rentals will gradually increase over the course of the lease term. Our property valuer has confirmed that (i) the terms and conditions of the Property Leasing Framework Agreement are normal commercial terms, fair and reasonable and on market rate; and (ii) the total amount payable to us under the Property Leasing Framework Agreement is no less favorable to us than those offered by Independent Third Parties.

2. **Equipment Procurement Framework Agreement**

We entered into an equipment procurement framework agreement with Sichuan Mayflower Precision Instrument Co., Ltd. (四川五月花精密機械有限公司) ("**Mayflower Precision Instrument**") on July 20, 2018 (the "**Equipment Procurement Framework Agreemen**t"), whereby Mayflower Precision Instrument has agreed to sell certain equipment to our Group, including but not limited to dormitory bed, student training equipment such as models and tools.

The Equipment Procurement Framework Agreement will become effective on the Listing Date and is valid for a term of three years. If neither party raises any objection and subject to the regulatory requirements in the place where our Shares are listed, the term will be automatically renewed for a further term of three years upon expiry.

Listing Rules Implication

Mayflower Precision Instrument is a majority-controlled company of Mr. Wang Huiwu, an executive Director. Therefore, Mayflower Precision Instrument is a connected person under Rules 14A.07(1) and 14A.12(1)(c) of the Listing Rules.

We expect that one or more of the applicable percentage ratios (other than the profit ratio) for the Equipment Procurement Framework Agreement calculated in accordance with Rule 14A.77 of the Listing Rules will be more than 0.1% but are all less than 5%. Accordingly, the transactions contemplated under the Equipment Procurement Framework Agreement constitute continuing connected transactions of our Company which are subject to the annual review, reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

Reasons for the Transaction

The Group has from time to time purchased equipment including dormitory bed and student training equipment from Mayflower Precision Instrument during the Track Record Period. Based on the established long-term cooperation relationship between Mayflower Precision Instrument and our Group, Mayflower Precision Instrument has a track record of providing stable supply of quality and customized equipment. As compared to many other suppliers who are Independent Third Parties, Mayflower Precision Instrument has a better understanding of the equipment required by educational institutions, and our needs. Furthermore, there had not been any material disputes between our Group and Mayflower Precision Instrument with regard to settlement and quality of the equipment procured. Our Directors (including the non-executive Directors) are of the view that it is in the interest of our Company and the Shareholders as a whole to enter into the Equipment Procurement Framework Agreement and continue to procure equipment from Mayflower Prevision Instrument.

Pricing Policy

Under the Equipment Procurement Framework Agreement, the procurement costs shall be determined on a cost-plus basis, with a mark-up rate of no more than 5%, which is arrived at after arm's length negotiation between the parties and with reference to market price for similar products provided by suppliers who are Independent Third Parties in the vicinity. With respect to the assessment and selection of equipment suppliers, the Group will compare the quotations submitted by no less than two suppliers who are Independent Third Parties with that of Mayflower Precision Instrument before entering into any definitive equipment procurement agreement, taking into account a variety of the factors including but not limited to price, quality of products and prior cooperation relationship.

Historical Amounts

The procurement costs paid by our Group to Mayflower Precision Instrument for the three years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018 were nil, RMB4.89 million, RMB3.78 million and RMB3.73 million, respectively.

Proposed Annual Caps and Basis of Annual Caps

The maximum amount of procurement costs payable to Mayflower Precision Instrument for each of the three years ending December 2018, 2019 and 2020 shall not, as the Directors currently expect, exceed the caps set out below:

	Proposed annual cap for the year ending December 31,		
	2018	**2019**	**2020**
		(RMB'000)	
Total amount	6,000	6,000	6,000

In arriving at the above annual caps, our Directors have considered (i) the prevailing market rates for the similar types of equipment in the vicinity; (ii) the historical procurement costs incurred by our Group during the Track Record Period; and (iii) the expected increase in demand for relevant equipment in light of our potential business development and expansion plan to construct new schools.

Application for Waiver

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

Directors' Confirmation

Our Directors (including the independent non-executive Directors) are of the view that (i) the transactions contemplated under the Property Leasing Framework Agreement and the Equipment Procurement Framework Agreement have been and will be entered into in the ordinary and usual course of business, on normal terms or better that are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) the proposed annual caps for the transactions contemplated under the Property Leasing Framework Agreement and the Equipment Procurement Framework Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

Joint Sponsors' Confirmation

Based on the relevant documents and information provided by our Group and reviewed by the Joint Sponsors, the necessary representations and confirmations provided by our Company and our Directors to the Joint Sponsors and the participation of the Joint Sponsor in the due diligence process and discussions with our management and our PRC Legal Advisor, the Joint Sponsors are of the view that (i) the transactions contemplated under the Property Leasing Framework Agreement and the Equipment Procurement Framework Agreement have been and will be entered into in the ordinary and usual course of business, on normal terms or better that are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) the proposed annual caps for the transactions contemplated under the Property Leasing Framework Agreement and the Equipment Procurement Framework Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

Contractual Arrangements

As disclosed in "Contractual Arrangements", due to regulatory restrictions on foreign ownership in our schools in the PRC, we conduct a substantial portion of our business through our Consolidated Affiliated Entities in the PRC. We do not hold any equity interests in our Consolidated Affiliated Entities which are held by the Registered Shareholders. Through the Contractual Arrangements, we effectively control these Consolidated Affiliated Entities and are able to derive substantially all of their economic benefits, and expect to continue to do so. The Contractual Arrangements among us, WFOE, our Consolidated Affiliated Entities and the Registered Shareholders enable us to (i) receive substantially all of the economic benefits from our Consolidated Affiliated Entities in consideration for the services provided by WFOE; (ii) exercise effective control over our Consolidated Affiliated Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests in our Consolidated Affiliated Entities when and to the extent permitted by PRC laws.

The Contractual Arrangements consist of six types of agreements: (a) the Exclusive Management Consultancy and Business Cooperation Agreement, (b) the Exclusive Call Option Agreement, (c) the Equity Pledge Agreement, (d) the Powers of Attorney; (e) the Spouse's Undertakings; and (f) Shareholders' Undertakings (terms are defined in "Contractual Arrangements"). See "Contractual Arrangements" for detailed terms of these agreements.

Listing Rules implications

The table below sets forth the connected persons of our Company involved in the Contractual Arrangements and the nature of their connection with our Group. The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing.

Name	Connected relationships
Sichuan Tequ Investment and Chengdu Mayflower Investment Management	A substantial shareholder of Hope Education, and therefore it is a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Wang Huiwu (汪輝武) and Tang Jianyuan (唐健源)	Substantial shareholders and Directors of the Company and therefore connected persons of our Company under Rule 14A.07(1) of the Listing Rules
Wang Degen (王德根)	A Director of the Company, and a substantial shareholder and a director of Hope Education and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules
Sichuan Tequ Investment, West Hope, Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司), Fu Wenge (付文革), Chen Yuxin (陳育新), Zhao Guiqin (趙桂琴), Zhang Qiang (張強), Liu Birong (劉碧容), Wang Qiang (王強), Lan Hai (蘭海), Zeng Zheng (曾正), Zhou Xingbang (周興幫), Wang Xiaoguo (王孝國), Xiao Song (肖崧), Mei Shaofeng (梅紹鋒)	Substantial shareholders of the Company and therefore connected persons of our Company under Rule 14A.07(1) of the Listing Rules
Chengdu Mayflower Investment Management, CEL Maiming, Guangwei Qinghe	Substantial shareholders of Hope Education and therefore connected persons of our Company under Rule 14A.07(1) of the Listing Rules
Spouses of the Substantial Shareholders (as applicable)	Spouses of the Substantial Shareholders of the Company and therefore connected persons of our Company under Rule 14A.07(1) and Rule 14A.12(1)(a) of the Listing Rules

Directors' confirmation

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business, that such transactions have been and will 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. Our Directors also believe that our structure, where by the financial results our Consolidated Affiliated Entities are consolidated into our financial statements as if they were our Company's wholly-owned subsidiaries, and all the economic benefits of their business flows to our Group, places our Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that 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 other things, the announcement and independent shareholders' approval requirements.

In addition, given the Contractual Arrangements were entered into prior to the Listing and are disclosed in this prospectus, and potential investors of our Company will participate in the Global Offering on the basis of such disclosure, our Directors consider that compliance with the announcement and the independent shareholders' approval requirements in respect thereof immediately after Listing would add unnecessary administrative costs to our Company.

Internal control

To ensure sound and effective operation of our Group after the adoption of the Contractual Arrangements, the management of our Group plans to take the following measures:

(1) as part of the internal control measures, major issues arising from implementation and performance of the Contractual Arrangements will be reviewed by the Board on a regular basis which will be no less frequent than a quarterly basis. Our Board will determine, as part of its periodic review process, where legal advisors and/or other professionals will need to be retained to assist the Group to deal with specific issues arising from the Contractual Arrangements;

(2) matters relating to compliance and regulatory enquiries from governmental authorities, if any, will be discussed by the Board on a regular basis which will be no less frequent than on a quarterly basis;

(3) the relevant operating departments of our Group will report regularly, which will be no less frequent than on a monthly basis, to the senior management of our Company on the compliance and performance conditions under the Contractual Arrangements and other related matters; and

(4) our Company shall comply with the conditions prescribed under the waiver granted by the Stock Exchange in connection with the continuing connected transactions contemplated under the Contractual Arrangements.

Application for Waiver

In view of the Contractual Arrangements, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Hong Kong Stock Exchange subject however to the following conditions:

No Change without Independent Non-executive Directors' Approval

No change to the Contractual Arrangements (including with respect to any fees payable to WFOE thereunder) will be made without the approval of the independent non-executive Directors.

No Change without Independent Shareholders' Approval

Save as described in "- Renewal and Reproduction" below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our 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 Contractual Arrangements in the annual reports of our Company (as set out in "- Renewal and Reproduction" below) will however continue to be applicable.

Economic Benefits Flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through (i) our Group's option (if and when so allowed under the applicable PRC laws) to acquire, all or part of the entire equity interests in the Consolidated Affiliated Entities for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations, (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the WFOE by our Consolidated Affiliated Entities under the exclusive management consultancy and business cooperation agreements, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the Consolidated Affiliated Entities.

Renewal and Reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and the Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and, or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

Ongoing Reporting and Approvals

Our Group will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- the Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules;

- our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts 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 Contractual Arrangements, (ii) no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entities during the relevant financial period are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of the Shareholders as a whole;

- for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", our Consolidated Affiliated Entities will be treated as our Company's subsidiaries, and at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and their associates will be treated as connected persons of our Company (excluding for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules;

- our Consolidated Affiliated Entities will undertake that, for so long as the Shares are listed on the Hong Kong Stock Exchange, the Consolidated Affiliated Entities will provide our Group's management and our Company's auditor full access to its relevant records for the purpose of our Company's auditor's review of the connected transactions.

Joint Sponsors' Confirmation

Based on the relevant documents and information provided by our Group and reviewed by the Joint Sponsors, the necessary representations and confirmations provided by our Company and our Directors to the Joint Sponsors and the participation of the Joint Sponsors in the due diligence process and discussions with our management and our PRC Legal Advisor, the Joint Sponsors are of the view that the Contractual Arrangements are fundamental to our Group's legal structure and business operations and that the Contractual Arrangements have been entered into in our ordinary and usual course of business, on normal commercial terms and are fair and reasonable and are in the interests of the Shareholders as a whole.

The Joint Sponsors are of the view that with respect to the term of the relevant agreements underlying the Contractual Arrangements which is of an indefinite duration, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of the Consolidate Affiliated Entities can be effectively controlled by the WFOE, (ii) the WFOE can obtain the economic benefits derived from the Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of the Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

OVERVIEW

Our Board of Directors comprises nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. Our Directors are elected to serve a term of three years, which is renewable upon re-election.

The following table sets out information in respect of our Directors and senior management.

Directors and senior management

The following table sets out key information in respect of the Directors of our Company:

Name	Age	Date of Joining the Group	Position	Date of Appointment	Responsibility
XU Changjun (徐昌俊).......	61	April 18, 2012	Chairman, Executive Director	February 2, 2018 March 13, 2017	Responsible for overseeing the affairs of the Board
WANG Huiwu (汪輝武).......	45	January 5, 2005	Executive Director, Chief Executive Officer, President	March 13, 2017 February 2, 2018 February 2, 2018	Responsible for implementing Board resolutions, overall strategic planning and operational management of the Group
LI Tao (李濤)..	48	December 5, 2010	Executive Director, Chief Strategy Officer	March 13, 2017 February 2, 2018	Responsible for business development and mergers and acquisitions of the Group
TANG Jianyuan (唐健源).......	50	September 7, 2016	Non-executive Director	March 13, 2017	Responsible for monitoring overall management and strategic planning of the Group
LU Zhichao (呂志超).......	47	March 13, 2017	Non-executive Director	March 13, 2017	Responsible for monitoring overall management and strategic planning of the Group

Name	Age	Date of Joining the Group	Position	Date of Appointment	Responsibility
WANG Degen (王德根).......	47	October 15, 2007	Non-executive Director	March 13, 2017	Responsible for monitoring overall management and strategic planning of the Group
ZHANG Jin (張進)..........	59	July 14, 2018	Independent Non-executive Director	July 14, 2018	Responsible for monitoring the Group and providing independent advice
CHEN Yunhua (陳雲華).......	66	July 14, 2018	Independent Non-executive Director	July 14, 2018	Responsible for monitoring the Group and providing independent advice
GAO Hao (高皓)..........	35	July 14, 2018	Independent Non-executive Director	July 14, 2018	Responsible for monitoring the Group and providing independent advice

The following table sets out key information in respect of the senior management of our Company:

Name	Age	Date of First Joining the Group	Position	Date of Appointment	Roles and Responsibilities
WANG Huiwu (汪輝武).......	45	January 5, 2005	Chief Executive Officer, President	February 2, 2018 February 2, 2018	Responsible for implementing Board resolutions, overall strategic planning and operational management of the Group
JIANG Lin (蔣林)..........	51	February 18, 2016	Chief Operating Officer, Executive Vice President	February 2, 2018 February 2, 2018	Responsible for overseeing the day-to-day operations of the Group

Name	Age	Date of First Joining the Group	Position	Date of Appointment	Roles and Responsibilities
CHEN Houyi (陳厚義).......	62	April 4, 2016	Senior Vice President, Education Management Committee Director	February 2, 2018 February 2, 2018	Responsible for the operation and management of the Group's schools
LOU Qunwei (婁群偉).......	49	January 12, 2005	Senior Vice President	February 2, 2018	Responsible for the teaching and management of students
LI Tao (李濤) ..	48	December 5, 2010	Chief Strategy Officer	February 2, 2018	Responsible for business development and mergers and acquisitions of the Group
LI Xiao (李驍)	38	June 5, 2013	Senior Vice President	February 2, 2018	Responsible for the construction of the Group's schools and administrative management
He Xuan (何旋)	47	June 20, 2017	Chief Financial Officer	February 2, 2018	Responsible for capital operations and investor relations

DIRECTORS

XU Changjun (徐昌俊), aged 61, is the chairman of the Board and an executive Director. Mr. Xu has been appointed as chairman of the Company since February 2, 2018 and executive Director of the Company since March 13, 2017. Mr. Xu has been a director of Hope Education since April 2012; the chairman of Hope Education since September 2016; a council member of Southwest Jiaotong University Hope College since June 2016; and a director of WFOE since January 19, 2018.

Mr. Xu was the chief auditor and director of financial supplies of Xihua University (formerly Chengdu Normal College (成都師範高等專科學校)) from 1989 to 1997, during which he was also the vice president of Sichuan Accounting Association of Colleges (四川省高校會計學會). From March 1997 to June 2010, he served as the director of the finance department, the supervision and audit department and the investment department of East Hope Group Co., Limited. The main businesses of East Hope Group Co. Limited are agriculture and heavy chemical industry; heavy chemical industry involves power, non-ferrous metals, bio-chemicals, coal chemical, chlor-alkali chemical, petrochemical, mining and building materials.

Mr. Xu received his master's education in statistics at Southwestern University of Finance and Economics in June 1989 and was qualified as a certified accountant in June 2000. He was selected as "Outstanding CFO in China" by Xin Li Cai Magazine (《新理財》) in April 2009 and was chosen to be featured on the cover page of CFO World in April 2010.

WANG Huiwu (汪輝武), aged 45, is an executive Director, the chief executive officer and the president. Mr. Wang has been appointed as executive Director of the Company since March 13, 2017 and chief executive officer and president of the Company since February 2, 2018. Mr. Wang has been the chairman of Sichuan Mayflower Professional College (四川五月花專修學院) since December 2004; a director and the president of Hope Education since October 2007; a supervisor of Sichuan Guojian Investment Limited since December 2007; a director of Southwest Jiaotong University Hope College since January 2009; an executive director of Shanghai Shurui Investment Consultant Limited since September 2011; a director of Sichuan Tianyi College since September 2011; a director of Ziyang Maysunshine Education Investment Limited since November 2012; the chairman of the council of Sichuan Hope Automotive Vocational College since May 2013; a director of Business College of Guizhou University of Finance and Economics since September 2014; a director of Jinci College of Shanxi Medical University since December 2014; the chairman of the council of Sichuan Hope Automotive Technical College since January 2017; and a director of WFOE since January 19, 2018.

Mr. Wang served as the principal and managing director of Chengdu Mayflower Computer Science Professional College (成都五月花計算機專業學校) from March 1999 to September 2007; and a supervisor of Hope Education from January 2005 to October 2007.

Mr. Wang graduated from Sichuan Normal University (Adult Higher Education)（四川師範大學（成人高等教育））in June 2009, majoring in business administration, and from Sichuan Normal University with a bachelor's degree in education in June 2013.

LI Tao (李濤), aged 48, is an executive Director and the chief strategy officer. Mr. Li has been appointed as executive Director of the Company since March 13, 2017 and chief strategy officer of the Company since February 2, 2018. Mr. Li has served as a director of Sichuan Tianyi College since September 2011; a director of Business College of Guizhou University of Finance and Economics since August 2014; a senior vice president of Hope Education since October 2014; a director of Jinci College of Shanxi Medical University since December 2014.

Mr. Li was the general manager of Chengdu Hanwang Technology Co., Ltd. (成都漢王科技有限公司) from July 1999 to December 2010. Chengdu Hanwang Technology Co., Ltd. is principally engaged in development of computer hardware technologies, technology transfer, technology consultation, technology services, investment consultation (excluding securities, finance, futures), sales of computer software, hardware and external equipment, machinery equipment and communication equipment (excluding radio equipment).

Mr. Li has been enrolled in the executive master of business administration distance learning program at China Europe International Business School in Beijing since May 2016.

TANG Jianyuan (唐健源), aged 50, is a non-executive Director. Mr. Tang has been appointed as non-executive Director of the Company since March 13, 2017. Mr. Tang has served as standing vice president and vice chairman of Sichuan Tequ Investment since December 2010 and a director of Hope Education since September 2016.

Mr. Tang served as the general manager at AnShun Tequ Feed Limited (安順特驅飼料有限公司) from April 2003 to December 2010. AnShun Tequ Feed Limited is principally engaged in process and sales of pigs and livestock feed.

Mr. Tang graduated from the executive master of business administration program at the School of Business of Renmin University of China (中國人民大學) in October 2006. In December 2016, he was elected vice president of Feed Industry Association of Sichuan Province (四川省飼料工業協會) and was awarded the National Science and Technology Progress Second Prize issued by the State Council in January 2018.

LU Zhichao (呂志超), aged 47, is a non-executive Director. Mr. Lu has been appointed as a non-executive Director of the Company since March 13, 2017. Mr. Lu has served as the managing director of the Renminbi Mezzanine Fund at China Everbright Limited since June 3, 2013.

Mr. Lu served in several positions at Bank of Nova Scotia from April 2001 to May 2013, including the chief representative of the Beijing Representative Office and the strategy development officer of the China region. From May 1995 to August 1998, Mr. Lu served as the deputy chief of the credit approval department of Bank of Communication, Shenzhen Branch (交通銀行深圳分行). From February 1994 to April 1995, he served as the forex trading manager of Shenzhen Ben Feng Investment Consulting Co., Ltd. (深圳市本豐投資諮詢有限公司). Shenzhen Ben Feng Investment Consulting Co., Ltd. is principally engaged in investment consultation services. From October 1992 to January 1994, Mr. Lu served as the account executive of China Merchants Bank, Shenzhen Branch (招商銀行深圳分行).

Mr. Lu obtained a bachelor's degree in international finance from Renmin University of China (中國人民大學) in June, 1992; a degree of master of arts from University of British Columbia in Canada in November 1999; a degree of master in business administration from University of Western Ontario in Canada in April, 2001; and was qualified as a lawyer in China by the Ministry of Justice in September 1995.

WANG Degen (王德根), aged 47, is an non-executive Director. Mr. Wang has been appointed as an executive Director of the Company since March 13, 2017. Mr. Wang has served as the general manager of Neijiang Wanqian Feed Co., Ltd. (內江萬千飼料有限公司) since September 1999, Neijiang Wanqian Feed Co., Ltd. is principally engaged in process, production and sales of feed; the chairman of Sichuan Tequ Investment Group Limited since August 2005; a director of Sichuan Hope Education since October 2007; the chairman of Sichuan Hope Education since April 2012; the president of West Hope since March 2013; the chairman of Sichuan Dekang Farming and Technology Co., Ltd. (四川德康農牧科技有限公司) since April 2014, Sichuan Dekang Farming and Technology Co., Ltd. is principally engaged in sales of livestock and research and development of pigs farming; an authorized representative of Sichuan Hope Education since May 2015; a council member of Southwest Jiaotong University Hope College since June 2016.

Mr. Wang served as the chairman and authorized representative of Southwest Jiaotong University Hope College from July 20, 2012 to June 20, 2016, and an executive director and authorized representative of Sichuan Guojian Investment Limited from April 2012 to May 2017.

Mr. Wang graduated from the MBA program at Guanghua School of Management of Peking University in July 2006, and graduated from electronic engineering profession (電子設備結構專業) at the University of Electronic Science and Technology of China in July 1994. Mr. Wang was awarded Outstanding Enterprising Talents in Sichuan Province (四川省優秀創業人才) by the People's Government of Sichuan Province of the Sichuan Provincial Party Committee (中共四川省委四川省人民政府) in August 2003; the "Top Ten Outstanding CEO" in China's animal husbandry and feed industry (中國畜牧飼料行業「十大傑出CEO」) by the Feed Economy Specialized Committee of China in December 2012; he was elected as the vice president of Sichuan Youth Federation in the 13th session of the committee plenary meeting of Sichuan Youth Federation in December 2014.

ZHANG Jin (張進), aged 59, is an independent non-executive Director. Mr. Zhang has been appointed as independent non-executive Director of the Company since July 14, 2018. Mr. Zhang has served as the chief accountant of West China Second University Hospital of Sichuan University since March 2015; the vice chairman of the Health Accounting Branch of China Health Economics Association since December 2015; a review expert in government procurement bidding of the Ministry of Finance since January 2013; the vice president of the Sichuan Health Economics Association since June 2016; a senior accountant review expert of Sichuan Province since February 2003; an internal control consultant of Sichuan Province since June 2017; a professor of Hospital Management Master of Business Administration of Sichuan University (四川大學) since June 2016; and a training expert in hospital management consulting in the PRC.

Mr. Zhang worked at the Health and Family Planning Commission of Sichuan Province till April 1988, being responsible for financial operation. He also served as a public servant before April 1998 and served as the finance minister of West China University Hospital of Sichuan University (四川大學華西醫院) from June 1998 to April 2011.

Mr. Zhang obtained a master's degree in economics from Southwestern University of Finance and Economics (西南財經大學) in June 1990 and a MBA in hospital management from California American University in May 2006. Mr. Zhang qualified as a senior accountant in July 2000.

CHEN Yunhua (陳雲華), aged 66, is an independent non-executive Director. Mr. Chan has been appointed as independent non-executive Director of the Company since July 14, 2018. Mr. Chan has been hired by the Ministry of Public Security as the head of Public Security Policeman Training Center (公安幹警培訓基地) since March 2017.

Mr. Chen was awarded Class I Police Rank from February 2010 to August 2014. He served as the vice president of the Sichuan Police Academy (四川省警察學會) from March 2002 to August 2014; the principal of Sichuan Police Academy (四川警察學院) from June 2009 to August 2014; the deputy secretary to the Party committee from June 2009 to August 2014 and a committee member of 11th Chinese People's Political Consultative Conference of Sichuan Province (四川省十一屆政協) from October 2010 to November 2015.

Mr. Chen obtained an undergraduate degree in December 1993 and a master's degree in law from Sichuan Union University (四川聯合大學) in October 1998.

GAO Hao (高皓), aged 35, is an independent non-executive Director. Dr. Gao has been appointed as an independent non-executive Director of the Company since July 14, 2018. Dr. Gao has been the director of the Global Family Business Research Center (全球家族企業研究中心) at the Tsinghua University National Finance Research Institute (清華大學國家金融研究院) since September 2015. He has been the director of the Strategic Cooperation and Development Office (戰略合作與發展辦公室) of Tsinghua University PBC School of Finance (清華大學五道口金融學院) since December 2014. Dr. Gao served as executive director of the China Financial Case Center (中國金融案例中心) of Tsinghua University PBC School of Finance (清華大學五道口金融學院) from June 2013 to December 2014.

Dr. Gao's research and teaching focus on corporate governance, strategy management and family succession. He has authored numerous articles in academic journals and finance magazines and has published 13 books as author, chief editor or translator. Since December 2010, Dr. Gao has been the chief editor of the Family Business Governance Series (家族企業治理叢書) and Family Wealth Inheritance Series (家族財富傳承叢書) published by the People's Publishing House and the Oriental Press. Since August 2013 and March 2015 respectively, he served as a columnist for the *New Fortune* Magazine (《新財富》) and the *Family Business* Magazine (《家族企業》). He has served as a research fellow of the China Enterprise Reform and Development Research Association (中國企業改革與發展研究會) since September 2017.

Dr. Gao obtained a bachelor's degree in automation from Tsinghua University in July 2005. He received a bachelor's degree in economics from Peking University in July 2007 and a doctorate degree in management science and engineering from Tsinghua University in June 2012. Dr. Gao was awarded certificates for completing *Corporate Boards Program, Audit Committees Program* and *Compensation Committees Program* at Harvard Business School in July 2015 and was awarded certificates for completing *Mergers and Acquisitions Program* and *People, Culture, and Performance Program* at the Graduate School of Business of Stanford University in August 2017.

Dr. Gao has served as an independent non-executive director of Modern Media Holdings Limited (stock code: 72), shares of which are listed on the Main Board of the Hong Kong Stock Exchange, since August 2016. Modern Media Holdings Limited is principally engaged in the magazine and media businesses in Hong Kong and Mainland China. Dr. Gao has served as an independent director of Xinyuan Real Estate Co., Ltd. (鑫苑地產控股有限公司), shares of which are listed on the New York Stock Exchange (stock code: XIN), since May 2018. Xinyuan Real Estate Co., Ltd. is principally engaged in the property development and management businesses.

SENIOR MANAGEMENT

WANG Huiwu (汪輝武), aged 45, is the chief executive officer and the president. For the biography of Mr. Wang, see "— Directors".

JIANG Lin (蔣林), aged 51, is the chief operating officer and the executive vice president. Mr. Jiang has been appointed as chief operating officer and executive vice president since February 2, 2018. Mr. Jiang has served as a standing vice president of Hope Education since February 2016.

Mr. Jiang Lin served as a technician at Hunan Chenxi Posts and Telecommunication Bureau from July 1981 to December 1983; secretary at Hunan Chenxi Posts and Telecommunication Bureau from December 1983 to March 1993; general secretary at Hunan Chenxi Posts and Telecommunication Bureau Administration Office from July 1987 to March 1993; assistant and deputy director at Hunan Posts and Telecommunication Bureau Administration Office from March 1993 to April 1995. Mr. Lin worked at the General Research Office of Hunan Posts and Telecommunication Bureau from April 1995 to October 1995; served as deputy director at News Department of Posts and Telecommunication Bureau from October 1995 to December 1996; deputy director at Secretary office at Posts and Telecommunication Bureau from December 1996 to October 1997, responsible for overseeing the general operation. He served as the deputy director and special secretary at Secretary office at Posts and Telecommunication Bureau from October 1997 to March 1998; special secretary at Information and Industry Bureau from March 1998 to August 1998; manager and assistant to office director at People's telecommunication office of Information and Industry Bureau from August 1998 to December 2001; deputy director at People's telecommunication office of Information and Industry Bureau from December 2001 to July 2007. Mr. Jiang served as a committee member of the Standing Committee and deputy mayor of Sichuan Ziyang Municipal from July 2007 to September 2012 and a committee member of the Standing Committee of Sichuan Ziyang Municipal Committee from September 2012 to January 2016. He has rich experience in the education, health, business, investment advancement and modern service industries as well as in administrative management and education management.

Mr. Jiang studied for his secondary school diploma in integrated telecommunications at Hunan Posts and Telecommunications School (湖南省郵電學校) in July 1981, his junior college diploma in Party and government administration from Hunan Radio and Television University (湖南省廣播電視大學) in July 1987 and his bachelor's degree in economics and management from the Party School of the Central Committee of the Communist Party of China (中共中央黨校) from August 2002 to December 2004. He studied business management at Graduate School of Chinese Academy of Social Science (中國社會科學院) from April 1994 to April 1996 and received his senior economist qualification from the Personnel department of the Ministry of Posts and Telecommunications of the People Republic of China in September 1998.

CHEN Houyi (陳厚義), aged 62, is the senior vice president and the education management committee director. Mr. Chen has been appointed as senior vice president and education management committee director of the Company since February 2, 2018.

Mr. Chen taught at the Department of Management of Guizhou University of Technology (貴州工業大學) (formerly Guizhou Institute of Technology (貴州工學院)) from February 1982 to February 1992, serving successively as teaching deputy head of department, teaching head of department and deputy head of department. He served successively as Party branch secretary and concurrently deputy head (presiding over Party work of the department), as head of Party committee organization department and as committee member of the Party committee and concurrently deputy secretary of Guizhou University of Technology from February 1995 to March 1998; as dean of the Guizhou Institute of Economic Management (貴州經濟管理幹部學院) from April 1998 to December 2000; as dean, principal and deputy Party committee secretary of Guizhou University of Finance and Economics (貴州財經大學) (formerly Guizhou College of Finance and Economics (貴州財經學院)) from January 2001 to December 2014; and as second-level professor and master's tutor from January 2016 to February 2017.

Mr. Chen received his doctorate degree in economics from Wuhan University in June 2009.

LOU Qunwei (婁群偉), aged 49, is the senior vice president. Ms. Lou has been appointed as the senior vice president of the Company since February 2, 2018. Ms. Lou has served as a supervisor of Shanghai Shurui Investment Consultant Limited since September 2011; a director of Sichuan Tianyi College since September 2011; a director of Sichuan Hope Automotive Vocational College since May 2013; the chairman of the council and legal representative of Sichuan Vocational College of Culture & Communication since July 2014; the senior vice president of Hope Education since October 2014; a council member of Sichuan Hope Automotive Technical College since January 2017; and a director of Sichuan Guojian Investment Limited since May 2017.

Ms. Lou served as assistant to the principal of Chengdu Jinjiang Cuisine School (now known as Chengdu New East Cuisine School) from November 2001 to August 2004; the head of office and external liaison officer of Chengdu Mayflower Computer Science Professional College from September 2004 to September 2007; the head of the human resources department, a manager of the administration department, an officer of the external liaison department and an assistant to the president of Hope Education from January 2005 to October 2014; and a director of Sichuan Yonghe Education Investment Limited from April 2014 to April 2017.

Ms. Lou received her junior college diploma education in economics and management at Xichang College (西昌學院) in July 1991 and a bachelor's degree in administrative management from China Central Radio and Television University (中央廣播電視大學) (now known as The Open University of China (國家開放大學)) in July 2010.

LI Tao (李濤), aged 48, is the chief strategy officer. For the biography of Mr. Li, see "— Directors".

LI Xiao (李驍), aged 38, is the senior vice president. Mr. Li has been appointed as vice president of the Company since February 2, 2018. Mr. Li has been appointed as senior vice president of Hope Education since April 4, 2017.

Mr. Li served as manager of Sichuan Hope Insurance Agency Co., Ltd. (四川希望保險代理有限公司) from May 2008 to June 2010; general manager of Chengdu Meteor Shower Photoelectric Technology Co., Ltd. (成都流星雨光電科技有限公司) from June 2010 to May 2013; and the person in charge of the purchasing department of Hope Education from June 2013 to April 2017.

Mr. Li received his bachelor's degree in applied chemistry from Zhejiang University of Technology (浙江工業大學) in June 2004.

HE Xuan (何旋), aged 48, is the chief financial officer. Mr. He has been appointed as chief financial officer of the Company since February 2, 2018. Mr. He has served as the chief financial director of Hope Education since June 2017.

Mr. He worked as an accountant in Huaxi Hope Luohe Wanqian Feedstuff Co., Ltd. (華西希望漯河萬千飼料有限公司) from April 1999 to April 2000, and was responsible for the infrastructure financial auditing during the company's construction preparation period and assisting in the early stages of preparation, market research, establishment of company's management system etc.; as head of finance division of Huaxi Hope Luohe Wanqian Feed Co., Ltd. (華西希望漯河萬千飼料有限公司) from May 2000 to October 2001 (in charge of overall operation); as vice manager of the finance department of Huaxi Hope Luohe Wanqian Feed Co., Ltd. from November 2001 to December 2002 (in charge of overall operation, also in charge of the administration office of the company during the period); as manager of the finance department of Huaxi Hope Luohe Wanqian Feed Co., Ltd. from January 2003 to April 2008, responsible for assisting the general manager in strengthening the daily operation and management, strictly implementing the systems of rewards and punishments and disciplines, as well as offering advice and opinions, thereby enabled the company to achieve economic benefits.

Mr. He received college education in accounting at Southwestern University of Finance and Economic in October 1997.

Saved as disclosed above, during the three years immediately preceding the date of this Prospectus, none of the Directors and members of senior management held any directorship in any public listed companies, the shares of which are listed in any securities markets in Hong Kong or overseas.

Saved as disclosed above, none of the Directors has any interests in any business which directly or indirectly competes, or may compete, with our business.

Save as disclosed above, there is no other information in respect of the relationship between any of the Directors and other Directors and senior management that should be disclosed pursuant to Rule 13.51(2) or paragraph 41(3) of Appendix 1A to the Hong Kong Listing Rules.

Saved as disclosed above, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as of the Latest Practicable Date, there were no other matters in respect of the appointment of the Directors that need to be brought to the attention of the Shareholders, nor any information relating to Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Hong Kong Listing Rules.

JOINT COMPANY SECRETARY

LEUNG Wing Han Sharon (梁穎嫻) was appointed as one of the joint company secretaries of our Company in March 15, 2018. Ms. Leung is vice president of SWCS Corporate Services Group (Hong Kong) Limited (formerly SW Corporate Services Group Limited). She has over 10 years of experience in finance, accounting and company secretarial matters. Ms. Leung holds a bachelor's degree in business administration (accounting), a bachelor's degree in law and a master's degree in international corporate and financial law. Ms. Leung is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators in the United Kingdom and the Association of Chartered Certified Accountants in the United Kingdom; and a member of the Hong Kong Institute of Certified Public Accountants.

HUANG Zhongcai (黃忠財) was appointed as one of the joint company secretaries of our Company in March 15, 2018. Mr. Huang has been the Vice President of Hope Education since July 2014. From December 2012 to July 2014, he served as head of finance department at Chengdu Mayflower Computer Science Professional College. Mr. Huang worked at E'mei Shan E'mei Chun Spirits Co., Ltd. (峨眉山峨眉春酒業有限公司) as general manager from November 2011 to 2012. He has also worked at Sichuan Xian Zhi Zhu Jian Tea Sales Co., Ltd. (四川省仙之竹尖茶葉銷售有限公司) as manager, responsible for finance operation.

In June 2007, Mr. Huang graduated from Sichuan Agriculture University (四川農業大學) with a bachelor's degree in finance management.

BOARD COMMITTEES

In accordance with relevant PRC laws, regulations, the articles and the Hong Kong Listing Rules, the Company has established three board committees, namely the Audit Committee, the Strategy and Development Committee and the Nomination and Remuneration Committee.

Audit Committee

The Audit Committee consists of five Directors, namely Mr. ZHANG Jin, Mr. TANG Jianyuan, Mr. LU Zhichao, Mr. CHEN Yunhua and Dr. GAO Hao. Mr. ZHANG Jin currently serves as the chairman of the Audit Committee. The primary duties of the Audit Committee include, but are not limited to:

- making recommendations to the Board on the appointment of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process;
- reviewing the Company's financial information;
- overseeing the Company's risk management, financial reporting system and internal control systems; and
- overseeing the Company's financial reporting system and corporate governance functions.

Strategy and Development Committee

The Strategy and Development Committee consists of five Directors, namely Mr. WANG Huiwu, Mr. WANG Degen, Mr. XU Changjun, Mr. LU Zhichao and Mr. LI Tao. Mr. WANG Huiwu currently serves as the chairman of the Strategy and Development Committee. The primary duties of the Strategy and Development Committee include, but are not limited to:

- reviewing and making recommendations to the Board on our business objectives and strategic development plans;

- evaluating factors which may affect our strategic development plans and their implementation, such as domestic and foreign economic and financial conditions, market and industry development trends and the relevant national policies on education institutions, and making recommendations to the Board on adjustment to our strategic development plans in a timely manner;

- supervising and inspecting the implementation of annual and interim operation plans;

- evaluating our corporate governance and making recommendations to the Board; and

- other matters required by laws, administrative regulations, departmental rules and authorized by the Board.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three Directors, namely, Mr. CHEN Yunhua, Mr. WANG Huiwu and Dr. GAO Hao. Mr. CHEN Yunhua currently serves as the chairman of the Nomination and Remuneration Committee. The primary duties of the Nomination Committee include, but are not limited to:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;

- assessing the independence of independent non-executive Directors;

- evaluating the balance of skills, knowledge and experience on the Board before appointments are made by the Board, and, in the light of this evaluation, preparing a description of the roles and capabilities required for a particular appointment;

- making recommendations to the Board on the Company's policy and structure for all Directors' and Senior Management's remuneration and on establishing a formal and transparent procedure for developing remuneration policy;

- reviewing and approving senior management's remuneration proposals with reference to the Board's corporate goals and objectives;

- reviewing and approving the compensation payable to executive Directors and senior management for any loss or termination of office or appointment;

- reviewing the performance of duties by the Directors and senior management and conducting annual performance appraisal; and

- carrying out other matters authorized by the Board.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of our Directors and senior management are paid in the form of salaries, allowances and employee benefits, discretionary bonuses, fees and retirement benefits.

For the three years ended December 31, 2015, 2016 and 2017 and for the three months ended March 31, 2018, the aggregate amounts of remuneration (before taxation) (including remuneration, salaries, equity-settled share option, allowances, contributions to pension schemes, discretionary bonuses and other benefits) paid by our Company to the Directors and senior management were approximately RMB602,000, RMB915,000, RMB2,161,000 and RMB1,155,000, respectively.

Under the arrangements currently in force, it is estimated that the aggregate amount of remuneration of our Directors (before taxation) (including remuneration, salaries, equity-settled share option, allowances, contributions to pension schemes, discretionary bonuses and other benefits) for the year ending December 31, 2018 will be approximately RMB7,005,000.

Under the arrangements currently in force, it is estimated that the aggregate amount of remuneration of the senior management (before taxation) (including remuneration, salaries, equity-settled share option, allowances, contributions to pension schemes, discretionary bonuses and other benefits) for the year ending December 31, 2018 will be approximately RMB7,038,000.

For the three years ended December 31, 2015, 2016 and 2017 and for the three months ended March 31, 2018, the aggregate amounts of remuneration, salaries, equity-settled share option, allowances, contributions to pension schemes, discretionary bonuses and other benefits paid by our Company to the five highest paid employees (excluding Directors) were approximately RMB1,251,000, RMB1,471,000, RMB1,847,000 and RMB839,000, respectively.

Saved as disclosed in "Appendix I — Accountant's Report — 9. Five Highest Paid Employees", for the three years ended December 31, 2015, 2016 and 2017 and for the three months ended March 31, 2018, no fee was paid by the Company to the Directors or the five highest paid employees in connection with their retirement or as compensation for loss of office, or as an inducement to join or upon joining our Company, or for services provided by such persons in connection with the promotion or establishment of the Company. In addition, there have been no arrangements under which a Directors waived or agreed to waive any remuneration during the relevant periods.

For further details, see "Appendix I — Accountant's Report — 9. Five Highest Paid Employees".

As of the Latest Practicable Date, saved as disclosed in the prospectus, none of the Directors and senior management holds any interest in the Shares as set out in Part XV of the Securities and Futures Ordinance. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there are no other matters in respect of the appointment of the Directors that need to be brought to the attention of the Shareholders, nor other information relating to the Directors that is required to be disclosed as of the Latest Practicable Date pursuant to Rule 13.51(2) (b) to (v) of the Hong Kong Listing Rules.

COMPLIANCE ADVISOR

Pursuant to Rule 3A.19 and Rule 19A.05 of the Hong Kong Listing Rules, we have agreed to appoint Guotai Junan Capital Limited as the compliance advisor of the Company. The Company has entered into a compliance advisor engagement letter with the compliance advisor, the principal terms of which are set out as follows:

- we shall appoint Guotai Junan Capital Limited as the compliance advisor pursuant to Rule 3A.19 and Rule 19A.05 of the Listing Rules, with the term of appointment commencing from the Listing Date and ending upon the date on which the Company issues its financial results for the first full financial year after the Listing Date pursuant to Rule 13.46 of the Hong Kong Listing Rules or upon termination of the agreement (whichever is earlier);

- the compliance advisor shall provide for us certain services, including giving appropriate guidance and advice for the purpose of complying with the requirements of the Listing Rules and the applicable laws and regulations and giving advice to the Company on the continuing requirements under the Listing Rules and the applicable laws and regulations;

- under circumstances reasonably practicable, the compliance advisor shall notify us as soon as possible of any amendment or supplement to the Listing Rules published by the Hong Kong Stock Exchange from time to time and of any amendment or supplement to the laws and regulations applicable to the Company; and

- the compliance advisor shall act as the main channel of communication between the Company and the Hong Kong Stock Exchange.

CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules after the Listing.

SUBSTANTIAL SHAREHOLDERS

Each of the following persons will, immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options), have an interest or short positions in Shares or underlying Shares which would be required to be disclosed to our Company 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 rights to vote in all circumstances at our general meetings:

		Shares held as of the Latest Practicable Date[1]		Immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options)[2]	
Name	**Capacity/Nature of interest**	**Number of Shares held**	**Approximate % of Shareholding**	**Number of Shares held**	**Approximate % of Shareholding**
Hope Education Investment Limited[3]...	Beneficial interest	43,480,000	82.82%	4,140,948,240	62.11%
Maysunshine Limited[3]...	Interest in a controlled corporation	43,480,000	82.82%	4,140,948,240	62.11%
Wang Huiwu[3]	Interest in a controlled corporation	43,480,000	82.82%	4,140,948,240	62.11%
Tequ Group A Limited[3] .	Interest in a controlled corporation	43,480,000	82.82%	4,140,948,240	62.11%
Tequ Group (Hong Kong) Company Limited[3]	Interest in a controlled corporation	43,480,000	82.82%	4,140,948,240	62.11%

Name	Capacity/Nature of interest	Shares held as of the Latest Practicable Date[1]		Immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options)[2]	
		Number of Shares held	Approximate % of Shareholding	Number of Shares held	Approximate % of Shareholding
Shanghai Yi Zeng Management Co., Ltd.[3] (上海乙增管理有限公司)	Interest in a controlled corporation	43,480,000	82.82%	4,140,948,240	62.11%
Sichuan Tequ Investment	Interest in a controlled corporation	43,480,000	82.82%	4,140,948,240	62.11%
Spring Breeze Limited[3] .	Interest in a controlled corporation	43,480,000	82.82%	4,140,948,240	62.11%
Chen Yuxin[3]	Interest in a controlled corporation	43,480,000	82.82%	4,140,948,240	62.11%
Zhao Guiqin[3]	Interest in a controlled corporation	43,480,000	82.82%	4,140,948,240	62.11%
Pearl Glory Global Limited[4]	Beneficial interest	4,345,000	8.28%	413,809,100	6.21%
CEL Maiming[4]	Interest in a controlled corporation	4,345,000	8.28%	413,809,100	6.21%

Name	Capacity/Nature of interest	Shares held as of the Latest Practicable Date[1]		Immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options)[2]	
		Number of Shares held	Approximate % of Shareholding	Number of Shares held	Approximate % of Shareholding
CEL Huiling Investment (Shanghai) Co., Limited (光控匯領投資(上海)有限公司) ("**CEL Huiling**") [4].....	Interest in a controlled corporation	6,845,053	13.04%	651,909,158	9.78%
CEL Venture Capital (Shenzhen) Co., Limited (光大控股創業投資(深圳)有限公司) [4][6]...................	Interest in a controlled corporation	6,845,053	13.04%	651,909,158	9.78%
China Everbright Limited[4][5][6]	Interest in a controlled corporation	8,955,053	17.06%	852,861,338	12.79%
Honorich Holdings Limited [5]	Interest in a controlled corporation	8,955,053	17.06%	852,861,338	12.79%
Datten Investments Limited [5]	Interest in a controlled corporation	8,955,053	17.06%	852,861,338	12.79%
China Everbright Holdings Co., Limited (中國光大集團有限公司) ("**CE Hong Kong**")[5]..	Interest in a controlled corporation	8,955,053	17.06%	852,861,338	12.79%

Name	Capacity/Nature of interest	Shares held as of the Latest Practicable Date[1]		Immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options)[2]	
		Number of Shares held	Approximate % of Shareholding	Number of Shares held	Approximate % of Shareholding
China Everbright Group Ltd. (中國光大集團股份公司) ("**China Everbright Group**") [5]	Interest in a controlled corporation	8,955,053	17.06%	852,861,338	12.79%
Central Huijin Investment Limited (中央匯金投資有限責任公司) ("**Central Huijin**") [5]	Interest in a controlled corporation	8,955,053	17.06%	852,861,338	12.79%
Beijing CEL Anya Investment Centre (Limited Partnership) (北京光控安雅投資中心(有限合夥))[6]	Interest in a controlled corporation	4,345,000	8.28%	413,809,100	6.21%
Shanghai CEL Jiaxin Equity Investment Management Co., Limited (上海光控嘉鑫股權投資管理有限公司) [6]	Interest in a controlled corporation	4,345,000	8.28%	413,809,100	6.21%
Chongqing CEL Equity Investment Management Limited (重慶光控股權投資管理有限公司) [6]	Interest in a controlled corporation	4,345,000	8.28%	413,809,100	6.21%

Name	Capacity/Nature of interest	Shares held as of the Latest Practicable Date[1] Number of Shares held	Approximate % of Shareholding	Immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options)[2] Number of Shares held	Approximate % of Shareholding
Yixing CEL[6]	Interest in a controlled corporation	4,345,000	8.28%	413,809,100	6.21%
CEL Capital Prestige Asset Management Co., Ltd. (首譽光控資產管理有限公司)[6]	Interest in a controlled corporation	4,345,000	8.28%	413,809,100	6.21%
China Post Venture Fund Management Co., Ltd. (中郵創業基金管理股份有限公司)[6]	Interest in a controlled corporation	4,345,000	8.28%	413,809,100	6.21%
Shouchuang Securities Co., Ltd. (首創証券有限責任公司)[6]	Interest in a controlled corporation	4,345,000	8.28%	413,809,100	6.21%
Beijing Capital Venture Group Co., Ltd. (北京首都創業集團有限公司)[6]	Interest in a controlled corporation	4,345,000	8.28%	413,809,100	6.21%
CITIC-Prudential Life Insurance Company Limited (中信保誠人壽保險有限公司)[7]..........	Interest in a controlled corporation	4,345,000	8.28%	413,809,100	6.21%
Prudential Corporation Holdings Limited[7]......	Interest in a controlled corporation	4,345,000	8.28%	413,809,100	6.21%

Name	Capacity/Nature of interest	Shares held as of the Latest Practicable Date[1]		Immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options)[2]	
		Number of Shares held	Approximate % of Shareholding	Number of Shares held	Approximate % of Shareholding
CITIC Corporation Limited (中國中信有限公司)[7] [8]...................	Interest in a controlled corporation	4,345,000	8.28%	413,809,100	6.21%
CITIC Limited (中國中信股份有限公司)[7][8].......	Interest in a controlled corporation	4,345,000	8.28%	413,809,100	6.21%

Notes:

(1) The calculation is based on the assumption that the total number of Shares in issue as of the Latest Practicable Date.

(2) The calculation is based on the total number of Shares in issue immediately after the completion of the Capitalization Issue and the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the 2018 Pre-IPO Share Options.

(3) Hope Education Investment Limited, a BVI company, is owned as to 49.00% by Maysunshine Limited, 34.385% by Tequ Group A Limited and 16.615% by Tequ Group Limited.

Maysunshine Limited is owned as to 96.00% by Wang Huiwu (汪輝武), 2.00% by Fu Wenge (付文革) and 2.00% by Wang Degen (王德根).

Tequ Group A Limited is a wholly-owned subsidiary of Tequ Group (Hong Kong) Company Limited. Tequ Group (Hong Kong) Company Limited is wholly owned by Shanghai Yi Zeng Management Co., Ltd. (上海乙增管理有限公司). Shanghai Yi Zeng Management Co., Ltd. (上海乙增管理有限公司) is wholly owned by Sichuan Tequ Investment, which is in turn owned as to 55% by West Hope and 45% by Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司). West Hope is owned as to 60% by Chen Yuxin and 40% by Zhao Guiqin. Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公) is owed as to 52.20% by Zhang Qiang.

Spring Breeze Limited is owned as to 60.00% by Chen Yuxin (陳育新) and 40.0% by Zhao Guiqin (趙桂琴). Chen Yuxin (陳育新) and Zhao Guiqin (趙桂琴) are spouses.

Thus, Maysunshine Limited, Wang Hui Wu, Tequ Group A Limited, Tequ Group (Hong Kong) Company Limited, Shanghai Yi Zeng Management Co., Ltd. (上海乙增管理有限公司), Sichuan Tequ Investment, West Hope, Sichuan Pahua Agricultural Technology Development Limited (四川普華農業科技發展有限公司), Zhang Qiang, Spring Breeze Limited, Chen Yuxin (陳育新), Zhao Guiqin (趙桂琴), are deemed to be interested in 43,480,000 Shares.

(4) Star Leap Limited, an investment holding company directly holding approximately 4.02% of our Company as of the Latest Practicable Date, is indirectly wholly-owned by China Everbright Limited.

Pearl Glory Global Limited, an investment holding company holding approximately 8.28% of our Company as of the Latest Practicable Date, is wholly-owned by CEL Maiming. CEL Huiling is the general partner of CEL Maiming. Accordingly, each of CEL Maiming and CEL Huiling is deemed to be interested in the Shares held by Pearl Glory Global Limited under the SFO.

As of the Latest Practicable Date, CEL Huiling was wholly-owned by CEL Venture Capital (Shenzhen) Co., Limited (光大控股創業投資(深圳)有限公司), which was in turn wholly-owned by China Everbright Limited.

Glory Aurora Limited, an investment holding company directly holding approximately 4.76% of our Company as of the Latest Practicable Date, is wholly-owned by Zhuhai Maiwen. The general partner of Zhuhai Maiwen is CEL Huiling, a wholly-owned subsidiary of CEL Venture Capital (Shenzhen) Co., Limited (光大控股創業投資(深圳)有限公司), which is in turn wholly-owned by China Everbright Limited.

Accordingly, each of CEL Huiling and CEL Venture Capital (Shenzhen) Co., Limited (光大控股創業投資(深圳)有限公司) is deemed to be interested in the Shares held by each of Pearl Glory Global Limited and Glory Aurora Limited, whereas China Everbright Limited is deemed to be interested in the Shares held by each of Star Leap Limited, Pearl Glory Global Limited and Glory Aurora Limited under the SFO.

(5) As of the Latest Practicable Date, China Everbright Limited was owned as to approximately 49.386% by Honorich Holdings Limited and 0.358% by Everbright Investment & Management Limited (光大投資管理有限公司), respectively. As of the Latest Practicable Date, Honorich Holdings Limited was wholly-owned by Datten Investments Limited, and each of Everbright Investment & Management Limited (光大投資管理有限公司) and Datten Investments Limited was in turn wholly-owned by CE Hong Kong, which was in turn wholly-owned by China Everbright Group. China Everbright Group was owned as to approximately 55.67% by Central Huijin and was indirectly wholly-owned by the State Council of the PRC.

Accordingly, each of China Everbright Limited, Honorich Holdings Limited, Datten Investments Limited, CE Hong Kong, China Everbright Group and Central Huijin is deemed to be interested in the Shares held by each of Star Leap Limited, Pearl Glory Global Limited and Glory Aurora Limited under the SFO.

(6) Beijing CEL Anya Investment Centre (Limited Partnership) (北京光控安雅投資中心(有限合夥)) is a limited partnership holding approximately 61.20% of the limited partnership interest in CEL Maiming.

The general partner of Beijing CEL Anya Investment Centre (Limited Partnership) (北京光控安雅投資中心(有限合夥)) is Shanghai CEL Jiaxin Equity Investment Management Co., Limited (上海光控嘉鑫股權投資管理有限公司). CEL Capital Prestige Asset Management Co., Limited (首譽光控資產管理有限公司) is a limited partner of Beijing CEL Anya Investment Centre (Limited Partnership) (北京光控安雅投資中心(有限合夥)) holding approximately 99.98% of its limited partnership interest.

As of the Latest Practicable Date, Shanghai CEL Jiaxin Equity Investment Management Co., Limited (上海光控嘉鑫股權投資管理有限公司) was wholly-owned by Chongqing CEL Equity Investment Management Co., Limited (重慶光控股權投資管理有限公司), which was in turn wholly-owned by Yixing CEL. Yixing CEL was wholly-owned by CEL Venture Capital (Shenzhen) Co., Limited (光大控股創業投資(深圳)有限公司), which was in turn wholly-owned by China Everbright Limited.

As of the Latest Practicable Date, CEL Capital Prestige Asset Management Co., Limited (首譽光控資產管理有限公司) was owned by China Post Venture Fund Management Co., Ltd. (中郵創業基金管理股份有限公司) as to 51% and by Chongqing CEL Equity Investment Management Co., Limited (重慶光控股權投資管理有限公司) as to 49%, respectively.

As of the Latest Practicable Date, China Post Venture Fund Management Co., Ltd. (中郵創業基金管理股份有限公司) was owned as to 47% by Shouchuang Securities Co., Ltd. (首創證券有限責任公司), which was in turn owned by Beijing Capital Venture Group Co., Ltd. (北京首都創業集團有限公司), a limited liability company under direct control and supervision of the People's Government of Beijing, as to approximately 53.85%.

(7) As of the Latest Practicable Date, CITIC-Prudential Life Insurance Company Limited, a limited partner of CEL Maiming holding approximately 36.72% of CEL Maiming's limited partner interest, was owned by Prudential Corporation Holdings Limited and CITIC Corporation Limited as to 50% and 50%, respectively.

(8) CITIC Corporation Limited (中國中信有限公司) is wholly-owned by CITIC Limited (中國中信股份有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 267).

Other than as disclosed herein, the Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and the Global Offering, have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 and Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings.

Our Company's authorized and issued share capital is as follows:

Authorized share capital:		*US$*
10,000,000,000	Shares of US$0.00001 each Shares	100,000
Issued share capital:		*US$*
52,500,053	Shares of US$0.00001 each Shares	525

Issued and to be issued, fully paid or credited as fully paid upon the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised):	**Number of Shares**	**US$**	**Approximate percentage of issued share capital (%)**
Shares in issue as at the date of this prospectus	52,500,053	525	0.79%
Shares to be issued under the Capitalization Issue	4,947,499,947	49,475	74.21%
Shares to be issued under the Global Offering	1,666,668,000	16,667	25.00%
Total	6,666,668,000	66,667	100.00%

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering. It assumes the Over-allotment Option is not exercised and takes no account of any Shares to be issued upon the exercise of the Pre-IPO Share Options and 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 Offer Shares are Shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify and rank in full for all dividends or other distributions declared, made or paid after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

(i) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the Shares to be issued and allotted pursuant to the exercise of the Pre-IPO Share Options) upon completion of the Global Offering; and

(ii) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in "Appendix V — Statutory and General Information — A. Further Information about Our Company — 3. Shareholders' Resolutions passed on July 14, 2018".

This mandate will expire at the earlier of:

(i) the conclusion of our next annual general meeting; or

(ii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

See "Appendix V — Statutory and General Information — A. Further Information about Our Company — 3. Shareholders' Resolutions passed on July 14, 2018" for details of this general mandate.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue or to be issued immediately following the completion of the Capitalization Issue and the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares to be issued and allotted pursuant to the Pre-IPO Share Options) upon completion of the Global Offering.

This mandate only relates to repurchases made on the Hong Kong Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in "Appendix V — Statutory and General Information — A. Further Information about Our Company — 6. Share Repurchase Mandate".

This mandate will expire at the earlier of:

(i) the conclusion of our next annual general meeting; or

(ii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

See "Appendix V — Statutory and General Information — A. Further Information about Our Company — 3. Shareholders' Resolutions passed on July 14, 2018" for details of this repurchase mandate.

SHARE OPTION SCHEME

We have granted options under the 2018 Pre-IPO Share Option Scheme. Please refer to "Appendix V — Statutory and General Information — D. 2018 Pre-IPO Share Option Scheme."

THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement (the "**Cornerstone Investment Agreement**") with the following investor (the "**Cornerstone Investor**"), pursuant to which the Cornerstone Investor has agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) that may be purchased for an aggregate amount of US$55,000,000 (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$1.72 per Share (being the mid-point of the indicative Offer Price range of HK$1.52 and HK$1.92 per Share), the total number of Offer Shares to be subscribed for by the Cornerstone Investor would be approximately 250,972,000 Shares, representing approximately (i) 16.73% of the total number of International Offering Shares issued under the International Offering, assuming that the Over-allotment Option is not exercised; or (ii) 15.06% of the Offer Shares or 3.76% of our entire issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 13.09% of the Offer Shares or 3.63% of our entire issued share capital immediately upon completion of the Global Offering, assuming the Over-allotment Option is exercised in full.

To the best knowledge of our Company, the Cornerstone Investor is an Independent Third Party, is not a connected person (as defined under the Listing Rules) of our Company, and is not an existing Shareholder or close associates of our Company. Details of the actual number of the Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement to be issued by our Company on or around August 2, 2018.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investor will rank *pari passu* in all respects with other fully paid Shares then in issue upon completion of the Global Offering and to be listed on the Stock Exchange and will be counted towards the public float of our Shares. The Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering (other than and pursuant to the Cornerstone Investment Agreement). Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any representation on our Board, nor will the Cornerstone Investor become a substantial shareholder (as defined under the Listing Rules) of our Company. The Cornerstone Investor do not have any preferential rights as compared with other public Shareholders in the Cornerstone Investment Agreement. The number of Offer Shares to be subscribed for by the Cornerstone Investor will be subject to reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering effected pursuant to paragraph 4.2 of Practice Note 18 to the Listing Rules.

OUR CORNERSTONE INVESTOR

We have entered into the Cornerstone Investment Agreement with the Cornerstone Investor in respect of the Cornerstone Placing:

Cornerstone Investor	Investment Amount	Total number of Offer Shares to be subscribed for by the Cornerstone Investor (rounded down to the nearest whole board lot of 2,000 Shares) based on the Offer Price of HK$1.72, being the mid-point of the indicative Offer Price range	Approximate percentages of the International Offering Shares based on the Offer Price of HK$1.72, being the mid-point of the indicative Offer Price range(1)	Approximate percentage of the Shares in issue immediately following the completion of the Global Offering(1)		
				Based on the Offer Price of HK$1.52, being the low-end of the indicative Offer Price range	Based on the Offer Price of HK$1.72, being the mid-point of the indicative Offer Price range	Based on the Offer Price of HK$1.92, being the high-end of the indicative Offer Price range
	US$					
Value Partners Hong Kong Limited	55,000,000	250,972,000	16.73%	4.26%	3.76%	3.37%

Note:

(1) Assuming that the Over-allotment Option is not exercised.

The information about our Cornerstone Investor set forth below has been provided by the Cornerstone Investor in connection with the Cornerstone Placing.

Value Partners Hong Kong Limited ("Value Partners")

Pursuant to the Cornerstone Investment Agreement entered into between our Company, the Joint Global Coordinators and Value Partners dated July 19, 2018, Value Partners has agreed to subscribe for such number of Offer Shares (rounded to the nearest whole board lot of 2,000 Offer Shares) which may be purchased with an aggregate amount of HK dollar equivalent of US$55,000,000 (to be calculated at the exchange rate published by Reuters at 5 p.m. Hong Kong time on the business day immediately before the price determination date of the Offer Price) at the Offer Price. Assuming an Offer Price of HK$1.72 per Share, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares that Value Partners would subscribe for would be approximately 250,972,000 Shares, representing (i) 16.73% of the total number of International Offering Shares issued under the International Offering, assuming that the Over-allotment Option is not exercised; or (ii) 15.06% of the Offer Shares or 3.76% of our entire issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 3.63% of the Offer Shares or 13.09% of our entire issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full.

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-biased 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 obligation of the Cornerstone Investor is subject to, among other things, the following conditions precedent:

1. the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in such agreements, and neither of the Underwriting Agreements having been terminated;

2. the Offer Price having been agreed upon between our Company and the Joint Global Coordinators (on behalf of the Underwriters);

3. the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing as well as other applicable waivers and approvals) and such approval, permission or waiver have not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

4. no Laws shall have been enacted or promulgated by any Governmental Authority (as defined in the relevant cornerstone investment agreement) which prohibit the consummation of the transactions contemplated under the Global Offering or under the Cornerstone Investment Agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

5. the respective representations, warranties, undertakings and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are accurate and true in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

Pursuant to the Cornerstone Investment Agreement, if any of the conditions precedent has not been fulfilled or waived by the parties to such agreement on or before 180 days after the date of the Cornerstone Investment Agreement (or such other date as may be agreed in writing among the Company, the Cornerstone Investor, the Joint Global Coordinators and the Joint Sponsors), the obligation of the Cornerstone Investor to subscribe for Offer Shares and all obligations and liabilities on the part of the Company, the Joint Global Coordinators and/or the Joint Sponsors shall cease and the Cornerstone Investment Agreement will terminate.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that, among other things and except for certain permitted transfers (including but not limited to transfers of Shares by it to: (a) its wholly-owned subsidiary; or (b) other investment funds or managed accounts that the Investor or its affiliate manages or advises), without the prior written consent of each of our Company and the Joint Sponsors or the Joint Global Coordinators (as the case may be), it will not, whether directly or indirectly, at any time during the period of six (6) months starting from the Listing Date (the "**Lock-up Period**"), (i) dispose of (as defined in the relevant cornerstone investment agreement), in any way, any of the Shares subscribed by it under the Cornerstone Investment Agreement and any shares or securities of our Company derived therefrom (the "**Relevant Shares**") or any interest in any company or entity holding any of the Relevant Shares; (ii) agree or contract to, or publicly announce any intention to, enter any such transaction described above; (iii) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the SFC) at the level of its ultimate beneficial owner; or (iv) enter into, directly or indirectly, any transaction for such disposal of the Relevant Shares or interest or any transactions with the same economic effect.

In the event the Cornerstone Investor disposes of any Relevant Shares at any time after expiration of the Lock-up Period, the Cornerstone Investor will ensure that such disposal will comply with all applicable Laws.

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future development, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the sections headed "Risk Factors" and "Forward-Looking Statements" in this prospectus.

For the purpose of this section, unless the context otherwise requires, references to 2015, 2016 and 2017 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are the second largest private higher education group in China in terms of the number of students enrolled for higher education as of December 31, 2017, according to the Frost & Sullivan Report. We strategically locate our schools in regions where higher education resources are in short supply. We are committed to providing quality education and professional training to students with an aim to equipping them with the knowledge and skills desired in employment markets. We own and operate eight higher education schools, including three independent colleges and five junior colleges in Sichuan, Guizhou and Shanxi. With our established market position, rich experience in operating higher education schools and sophisticated centralized management model, we believe that we can capture consolidation opportunities in China's fragmented private higher education market and continue to achieve rapid development.

Our revenue increased 26.2% from RMB486.7 million for the year ended December 31, 2015 to RMB614.4 million for the year ended December 31, 2016 and further increased 22.5% to RMB752.4 million for the year ended December 31, 2017. Our revenue increased 33.6% from RMB165.9 million for the three months ended March 31, 2017 to RMB221.7 million for the same period of 2018. Our gross profit increased 25.6% from RMB246.5 million for the year ended December 31, 2015 to RMB309.7 million for the year ended December 31, 2016 and further increased 16.2% to RMB360.0 million for the year ended December 31, 2017. Our gross profit increased 5.1% from RMB89.8 million for the three months ended March 31, 2017 to RMB94.4 million for the same period of 2018.

BASIS OF PRESENTATION

Pursuant to the Reorganization, as more fully explained in "History, Reorganization and Corporate Structure — Our Corporate History — Our Consolidated Affiliated Entities — Reorganization of Our Consolidated Affiliated Entities," our Company became the holding company of the companies now making up our Group on March 14, 2018. As the Reorganization only involved inserting new holding companies and entering into Contractual Arrangements that have not resulted in a change of respective voting and beneficial interests of shareholders, the historical financial information for the Track Record Period had been presented as a continuation of the exiting company as if the Reorganization had been completed at the beginning of the Track Record Period.

Due to regulatory restrictions on foreign ownership in the schools in the PRC, our business was carried out by our Consolidated Affiliated Entities in the PRC during the Track Record Period. The wholly-owned subsidiary of the Company, WFOE, has entered into the Contractual Arrangements with, among others, our Consolidated Affiliated Entities and their respective equity holders. The Contractual Arrangements enable WFOE to exercise effective control over our Consolidated Affiliated Entities and obtain substantially all economic benefits of them. Accordingly, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries for the purpose of the Consolidated Financial Statements and are consolidated in the Consolidated Financial Statements continuously.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We derive revenues primarily from offering students higher education services. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, we generated a total revenue of RMB486.7 million, RMB614.4 million, RMB752.4 million and RMB221.7 million, respectively. During the same periods, tuition fees from our higher education services were RMB400.1 million, RMB500.7 million, RMB616.2 million and RMB177.9 million, respectively, representing 82.2%, 81.4%, 81.9% and 80.3% our total revenue, respectively. Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Demand for Private Higher Education in China

During the Track Record Period, we derived our revenue primarily from private higher education services provided through our schools in China. As a result, our results of operations and financial condition are significantly affected by the demand for private higher education in China. The key factors that drive the demand for private higher education in China primarily include the government policy to enable the majority of newly-added rural and urban labor force to receive higher education, the increase in expenditure of urban households on education, as well as favorable policies and regulations for private higher education.

According to the Frost & Sullivan Report, as the PRC's economy has continued to grow over the past six years, the annual disposable income of urban household in China grew from RMB21,810 in 2011 to RMB36,396 in 2017, representing a CAGR of 8.9%, and is expected to reach RMB49,596 in 2021. Chinese families have traditionally placed a high value on child education, including higher education, and are willing to incur substantial education expenditure in order to make their children receive high-quality education. As a result, the per capita annual expenditure of urban households on education in China increased at a CAGR of 7.3% from 2011 to 2017, according to the Frost & Sullivan Report.

According to the Frost & Sullivan Report, from 2011 to 2017, the number of students enrolled in higher education institutions increased from 24.7 million in 2011 to 29.6 million in 2017, representing a CAGR of 3.0%. In particular, the total student enrollment in private higher education institutions in China increased from 5.1 million in 2011 to 6.8 million in 2017, representing a CAGR of approximately 5.0%. With the continued growth in China's economy, skilled and well-trained operative workers are in great demand, which contributed to the growing demand for private higher education services with a focus on training professional skills for students.

The Chinese government has issued a series of policies and regulations to encourage and promote the development of private higher education, such as encouraging private capitals to flow into the education business and calling for equal treatment to private schools and public schools. It is expected that the Chinese government is likely to introduce more favorable policies to further drive the development of PRC private higher education, according to the Frost & Sullivan Report. We expect that our business and results of operation will continue to be affected by the demand for private higher education in China.

Student Enrollments

Student enrollment is an important factor that affects our revenue. During the Track Record Period, the total number of full-time students enrolled at our schools for higher education increased from 33,654 for the 2014/2015 school year to 73,573 for the 2017/2018 school year including 12,556 students we received from Sichuan TOP IT Vocational Institute, which we acquired and started to operate in December 2017.

Our ability to maintain or increase our student enrollments primarily depends on (i) the number of our schools, (ii) the capacity of our schools, (iii) the number of admitted students of each school approved by relevant government authorities for each year and our recruitment capability, and (iv) our reputation for quality higher education services.

We plan to continue to grow our network of schools through acquisitions and establishment of new schools, which will enable us to enlarge our service coverage, penetrating regions where we do not have presence currently and enhancing our market position where we already operate in. Each additional school increases our student enrollment and contributes to our continued revenue growth.

Student enrollment may also be restrained by the capacity of our schools if we fail to increase our school capacity in line with our student enrollment growth. We also plan to expand the campus of some of our schools and build more dormitories, teaching buildings and other necessary facilities to accommodate additional students that we intend to enroll in the future and drive the growth in our revenue.

Competent PRC education authorities set and approved the admission quota for each of our schools, thereby affects our number of admitted students. We may apply for and obtain an additional annual admission quota in the future, taking into account various factors, including the number of students applying for admission to our schools, our recruitment capability, the capacity of each school and our operating efficiency.

Our reputation is built on our higher average graduate employment rate and average starting salary than the averages of undergraduate institutions in Sichuan, Guizhou and Shanxi provinces, which are attributable to our understanding of the local employment market, our ability to identify professions and establish majors that have strong demands for talents, our practical curriculum and emphasis on career services. If we were not able to maintain and continue to enhance our reputation, we may not be able to maintain or increase our student enrollments.

Tuition Fees and Boarding Fees

Our revenue is also affected by the level of tuition fees and boarding fees we are able to charge. We require students to pay tuition fees and boarding fees prior to commencing each school year. The tuition fees we charge are typically based on the demand for our educational programs, the cost of our operations, the geographic markets where we operate our schools, our pricing strategy to gain market share and local economic conditions in the regions where we operate our schools. For details of the fee requirements applicable to each of our schools and our tuition and boarding fee standards during the Track Record Period, please see "Business — Our Higher Education Services — Existing Schools — Overview — Tuition Fees and Boarding Fees."

We generally increase the fees charged to our students to reflect the increase in our operating costs, the improvements of our facilities and the changes in the market price for higher education services. The new tuition fee standards will only be applicable to newly admitted students and the tuition levels for the existing students remain unchanged. During the Track Record Period, we increased tuition fees (i) at Southwest Jiaotong University Hope College for the 2015/2016 school year for both undergraduate and junior college programs and for the 2016/2017 school year for junior college programs, (ii) at Jinci College of Shanxi Medical University for the 2016/2017 school year, (iii) at Sichuan Tianyi College for the 2015/2016 and 2016/2017 school years, (iv) at Sichuan Hope Automotive Vocational College for the 2016/2017 school year, (v) at Sichuan Vocational College of Culture & Communication for the 2014/2015 school year and (vi) at Guizhou Vocational Institute of Technology for the 2017/2018 school year. Our tuition rates are also generally subject to the approval from the relevant government pricing authorities in the areas where we operate. For more details, see "Regulations — Regulations on Private Education in the PRC — Interim Measures for the Management of the Collection of Private Education Fees." While we have successfully increased tuition rates at certain of our schools during the Track Record Period, there is no guarantee we will be able to continue to maintain or raise tuition and boarding fee levels in the future. See "Risk Factors — Risks Relating to Our Business and Our Industry — Our business and results of operations depend on the level of tuition and boarding fees we are able to charge and our ability to maintain and raise tuition and boarding fee levels." For those students who did not complete their study with us, we also have refund policies in compliance with PRC regulations and rules. See "Business — Our Higher Education Services — Existing Schools — Overview — Tuition Fees and Boarding Fees."

According to the Frost & Sullivan report, the private higher education industry has fairly high entry barriers, such as regulatory approvals, brand awareness and source of students, sufficient initial capital and durative investment, availability of qualified teaching staff, land resource and relevant facilities, and operational experience and management capability. Given our leading position in our existing markets, our well-recognized brand name, our high quality education services and the strong demand for our services, we believe we will be able to optimize our pricing without compromising our competitive edges.

Capacity and Utilization of Our Schools

Utilization of our schools is also a key factor affecting our revenue growth and gross margin. Utilization of our schools is primarily affected by the number of students we can enroll, which is subject to a capacity limit depending on the class room and dormitory space, teaching and experimental equipment, as well as the number of teachers at each school. For the 2017/2018 school year, the utilization rate of our schools was 80.8% based on a maximum capacity to accommodate approximately 95,776 students in aggregate in all of our schools. For more details about the capacity and utilization rates of each of our schools, see "Business — Capacity and Utilization of Our Schools."

Historically, the expansion of our school network has been driven by establishing and acquiring new schools. Each additional school increases our overall student enrollment and contributes to our continued revenue growth. However, new schools through establishment or acquisition generally involve a ramp-up period during which we incur a significant amount of fixed costs before such schools reach their full capacity and, as a result, the operating efficiency of these schools may be lower than that of our developed schools and this may negatively affect our overall profitability. We have accumulated plenty of experience in student recruitment which has enabled us to increase the student enrollment at the newly established and acquired schools and, therefore, increase the utilization rate of these schools. In addition, we would construct new campuses for our schools if we expect that the capacity of a given school cannot meet the growth in the student enrollment at such school. Our campus expansion plans generally have several stages, which enable us to increase school capacity gradually to meet the expected growth in the student enrollment and, therefore, save the fixed cost for construction. Accordingly, it is a key factor for our success that we can identify the proper time to expand the capacity of our schools, whether by acquiring or establishing new schools or by expanding campuses and facilities for existing schools and, following such expansion, quickly increase the student enrollment at such schools.

Ability to Control Cost of Sales and Operating Expenses

Our profitability also depends, in part, on our ability to control our cost of sales and operating expenses. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, our cost of sales represented approximately 49.3%, 49.6%, 52.2% and 57.4% of our total revenue, respectively. Our cost of sales consists primarily of (i) staff costs consisting of wages and salary, pension scheme contribution and welfare expenses for our teachers, (ii) management fee primarily consisting of the annual fee we paid to universities with which we entered into cooperation agreements to operate our schools, (iii) depreciation and amortization in relation to our school facilities, and (iv) other miscellaneous costs. The increase in our cost of sales during the Track Record Period mainly reflected the expansion of our school network, the increase in our student enrollment and the growth in our teacher team.

For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, the aggregate amount of selling expenses and administrative expenses accounted for 18.7%, 16.7%, 15.7% and 21.7% of our total revenue, respectively. The major components of our selling expenses and administrative expenses are advertising costs and staff costs for our administrative staff and sales staff. We have established a centralized management model through which we manage certain aspects of our schools at the group company level, including accounting and financial management, administrative functions, procurement and campus construction. We believe our centralized management model has strengthened our ability to control our costs and expenses.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our Consolidated Financial Statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. We have not changed our material assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our Consolidated Financial Statements, you should consider (i) our critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Our critical accounting policies, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 2.4 to the Accountants' Report in Appendix I to this prospectus. Our critical accounting judgments and estimates that were used in the preparation of our Consolidated Financial Statements are set forth in detail in Note 3 to the Accountants' Report in Appendix I to this prospectus.

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, which are derived from, and should be read in conjunction with, our Consolidated Financial Statements, including the notes thereto, included in the Accountants' Report in Appendix I to this prospectus.

	For the year ended December 31,			For the three months ended March 31,	
	2015	**2016**	**2017**	**2017**	**2018**
	(in thousands of RMB)				
Revenue	486,714	614,399	752,434	165,888	221,700
Cost of sales	(240,190)	(304,682)	(392,405)	(76,091)	(127,291)
Gross profit	246,524	309,717	360,029	89,797	94,409
Other income and gains	50,087	55,372	136,384	41,007	58,352
Selling expenses	(34,774)	(32,506)	(29,140)	(5,189)	(5,104)
Administrative expenses	(56,309)	(70,102)	(88,929)	(22,892)	(42,944)
Other expenses	(28,671)	(26,388)	(2,656)	(1,627)	(552)
Finance costs	(107,767)	(76,816)	(144,511)	(17,230)	(55,065)
Share of losses of a joint venture	—	—	(1,752)	—	(1,858)
Profit before tax	69,090	159,277	229,425	83,866	47,238
Income tax expense	(3,692)	(4,536)	(19,769)	(17,120)	(1,165)
Profit for the year/period	65,398	154,741	209,656	66,746	46,073
EBITDA[1]	259,840	335,596	495,403	130,133	141,287
Adjusted net profit[2]	88,277	179,089	162,868	36,628	23,032

(1) EBITDA represents profit before tax, which excludes finance costs, depreciation, recognition of prepaid land lease payments and amortization of other intangible assets.

(2) Adjusted net profit represents profit for the year, which excludes listing expenses, equity-settled share option expense, loss on disposal of items of property, plant and equipment, termination fees, provision for claim, interest income from loans to a related party, interest income from a loan to a joint venture, interest income from entrusted loan, gain on disposal of items of property, plant and equipment, guarantee income, fair value gains on conversion rights of convertible bonds and gain on disposal of a subsidiary.

NON-IFRS MEASURES

To supplement our Consolidated Financial Statements which are presented in accordance with IFRS, we also use EBITDA and adjusted net profit as additional financial measure. We present these financial measures because they are used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. We also believe that such non-IFRS measures provide additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management and in comparing financial results across accounting periods and to those of our peer companies.

EBITDA and adjusted net profit are not defined under IFRS. The use of EBITDA and adjusted net profit has material limitations as an analytical tool, as they do not include all items that impact our net profit for the relevant years. In light of such limitations for EBITDA and adjusted net profit, when assessing our operating and financial performance, you should not view EBITDA and adjusted net profit in isolation or as a substitute for our profit for the year or any other operating performance measure that is calculated in accordance with IFRS. In addition, because these non-IFRS measures may not be calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

EBITDA represents profit before tax, which excludes finance costs, depreciation, recognition of prepaid land lease payments and amortization of other intangible assets. The table below sets forth a reconciliation of our profit before tax to EBITDA for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2015	**2016**	**2017**	**2017**	**2018**
	(in thousands of RMB)				
Profit before tax	69,090	159,277	229,425	83,866	47,238
Add:					
Finance costs	107,767	76,816	144,511	17,230	55,065
Depreciation	67,599	81,670	100,684	23,507	33,722
Recognition of prepaid land lease payments	9,827	10,222	10,333	2,554	3,356
Amortization of other intangible assets	5,557	7,611	10,450	2,976	1,906
EBITDA	259,840	335,596	495,403	130,133	141,287

The table below sets forth a reconciliation of our profit for the year to adjusted net profit for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2015	**2016**	**2017**	**2017**	**2018**
	(in thousands of RMB)				
Profit for the year/period	65,398	154,741	209,656	66,746	46,073
Add:					
Listing expense	—	943	9,843	2,051	10,256
Equity-settled share option expense	—	—	—	—	5,901
Loss on disposal of items of property, plant and equipment	620	410	21	3	23
Termination fees	26,000	—	—	—	—
Provision for claim	—	23,000	—	—	—
Deduct:					
Interest income from loans to a related party	—	—	(14,581)	—	(16,653)
Interest income from a loan to a joint venture	—	—	(2,388)	—	—
Interest income from entrusted loan	(3,731)	—	—	—	—
Gain on disposal of items of property, plant and equipment	(10)	(5)	(32,373)	(32,172)	(805)
Guarantee income	—	—	(1,057)	—	(236)
Fair value gains on conversion rights of convertible bonds	—	—	(6,253)	—	(13,271)
Gain on disposal of a subsidiary	—	—	—	—	(8,256)
Adjusted net profit	88,277	179,089	162,868	36,628	23,032

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Revenue represents the value of services rendered during the reporting period. We derive revenue mainly from tuition fees and boarding fees that our schools collect from students. We generally require tuition and boarding fees for a full school year to be paid by students to our schools prior to the commencement of each school year, and recognize revenue from tuition and boarding fees proportionately over the relevant period of the applicable program.

We generally increase the fees charged to our students to reflect the changes in our operating costs and market price for higher education services. New tuition fee standards are applicable only to students who enroll in our schools after we change the tuition fee standards. Students who have already enrolled at our schools continue to pay the applicable tuition fees at the rates applicable when they first enrolled in our schools. All of our schools are boarding schools, and boarding fees are separately charged at these schools for students. For further details of our tuition and boarding fee standards as well as the increases in tuition and boarding fees during the Track Record Period, see "Business — Our Higher Education Services — Existing Schools — Overview — Tuition Fees and Boarding Fees."

In the event a student leaves school during the school year, we have tuition and boarding fee refund policies for each of our schools. See "Business — Our Higher Education Services — Existing Schools — Overview — Student Withdrawals and Refund" for details of our refund policies and the amount of tuition fees refunded during the Track Record Period.

For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, we generated a total revenue of RMB486.7 million, RMB614.4 million, RMB752.4 million and RMB221.7 million, respectively. We derive a majority of our revenue from the tuition fees from our higher education services. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, tuition fees from our higher education services were RMB400.1 million, RMB500.7 million, RMB616.2 million and RMB177.9 million, respectively, representing 82.2%, 81.4%, 81.9% and 80.3% of our total revenue, respectively. During the same period, the tuition fees from our technician education services were nil, RMB1.6 million, RMB4.5 million and RMB2.3 million, representing nil, 0.3%, 0.6% and 1.0% of our total revenue, respectively.

For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, revenue from our boarding fees was RMB40.8 million, RMB50.4 million, RMB63.4 million and RMB20.9 million, representing 8.4%, 8.2%, 8.4% and 9.4% of our total revenue, respectively.

During the Track Record Period, we also derived revenue through providing other education services including self-study examination education, adult education and training services to students. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, our other revenue amounted to RMB45.8 million, RMB61.8 million, RMB68.3 million and RMB20.6 million, representing 9.4%, 10.1%, 9.1% and 9.3% of our total revenue, respectively.

The following table sets forth a breakdown of our revenue by the type of services for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2015		2016		2017		2017		2018	
	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue
	(in thousands of RMB, expect percentages)									
Tuition fees										
Higher education services:										
Southwest Jiaotong University Hope College	175,992	36.1%	188,402	30.7%	201,078	26.6%	44,855	27.1%	47,373	21.6%
Business College of Guizhou University of Finance and Economics	63,060	13.0%	103,512	16.8%	146,692	19.5%	28,480	17.2%	38,219	17.2%
Jinci College of Shanxi Medical University	31,057	6.4%	43,688	7.1%	60,799	8.1%	11,766	7.1%	16,055	7.2%
Sichuan Tianyi College	78,448	16.1%	83,761	13.6%	95,238	12.7%	21,064	12.7%	22,661	10.2%
Sichuan Hope Automotive Vocational College	21,937	4.5%	33,985	5.5%	32,360	4.3%	7,871	4.7%	7,370	3.3%
Sichuan Vocational College of Culture & Communication	29,616	6.1%	44,059	7.2%	61,586	8.2%	11,686	7.0%	15,081	6.8%
Guizhou Vocational Institute of Technology(1)	—	—	3,300	0.5%	18,453	2.5%	2,004	1.2%	6,078	2.7%
Sichnan Top. IT Vocational Institute(2)	—	—	—	—	—	—	—	—	25,046	11.3%
Subtotal	400,110	82.2%	500,707	81.4%	616,206	81.9%	127,726	77.0%	177,883	80.3%
Technician education services:										
Sichuan Hope Automotive Technical College	—	—	1,559	0.3%	4,488	0.6%	645	0.4%	2,298	1.0%
Total tuition fees	400,110	82.2%	502,266	81.7%	620,694	82.5%	128,371	77.4%	180,181	81.3%
Boarding fees	40,828	8.4%	50,357	8.2%	63,412	8.4%	14,927	9.0%	20,945	9.4%
Others(3)	45,776	9.4%	61,776	10.1%	68,328	9.1%	22,590	13.6%	20,574	9.3%
Total revenue	486,714	100.0%	614,399	100.0%	752,434	100.0%	165,888	100.0%	221,700	100.0%

(1) Excludes the tuition fees received from the provision of secondary vocational education, such revenue will be accounted as other revenue.

(2) We obtained control of this school on December 28, 2017 and started operation in December 2017.

(3) Consists primarily of revenue received from the provision of other education service of self-study examination education services, adult education services and training services to the students, which was amortized within the training periods of the service rendered.

The following table sets forth a breakdown of our revenue by school for the periods indicated:

School	For the year ended December 31, 2015	2016	2017	For the three months ended March 31, 2017	2018
	(in thousands of RMB)				
Independent Colleges					
Southwest Jiaotong University Hope College	195,667	210,716	227,978	50,543	52,840
Business College of Guizhou University of Finance and Economics	70,198	114,105	161,893	31,663[2]	42,495[2]
Jinci College of Shanxi Medical University	32,117	45,587	64,393	12,311	16,780
Junior Colleges					
Sichuan Tianyi College	128,728	139,452	139,662	39,899	40,056
Sichuan Hope Automotive Vocational College	25,477	41,281	41,192	9,317[3]	9,137[3]
Sichuan Vocational College of Culture & Communication	33,905	54,630[4]	80,440[4]	16,736	18,330
Guizhou Vocational Institute of Technology	—	4,969[5]	26,645[5]	3,601[5]	8,088[5]
Sichuan TOP IT Vocational Institute[1]	—	—	—	—	29,862
Technical College					
Sichuan Hope Automotive Technical College	—	3,002[6]	10,231[6]	1,818[6]	4,112[6]
Total[7]	486,092	613,742	752,434	165,888	221,700

(1) We obtained control of this school on December 28, 2017 and started operation in December 2017.

(2) The increase in revenue was primarily because the student enrollment of Business College of Guizhou University of Finance and Economies increased by approximately 3,714 for the 2017/2018 school year as the school admits the fourth class of students.

(3) The decrease in revenue was primarily because the student enrollment for our self-study examination services and adult education services decreased for the 2017/2018 school year.

(4) The increase in revenue in 2016 and 2017 was primarily because the student enrollment of Sichuan Vocational College of Culture & Communication increased significantly by approximately 2,050 and 1,424 for the 2016/2017 and 2017/2018 school year, respectively. The increase of student enrollment for 2016/2017 and 2017/2018 school year was primarily because (i) we increased the investment in fixed assets; (ii) we improved the teaching quality and school management capabilities; and (iii) we improved the student recruitment efficiency.

(5) The significant increase in revenue was primarily because the student enrollment of Guizhou Vocational Institute of Technology increased significantly for the 2017/2018 school year. Guizhou Vocational Institute of Technology started to enroll students in September 2016. It only had first-year students enrolled for 2016/2017 school year while it had both first-year and second-year students enrolled for 2017/2018 school year.

(6) The significant increase in revenue was primarily because the student enrollment of Sichuan Hope Automotive Technical College increased significantly for the 2017/2018 school year. Sichuan Hope Automotive Technical College started to enroll students in September 2016. It only had first-year students enrolled for 2016/2017 school year while it had both first-year and second-year students enrolled for 2017/2018 school year.

(7) The difference between the total revenue and the sum of the revenue from the nine schools amounted to RMB621,855, RMB657,345, nil and nil in 2015, 2016 and 2017 and for the three months ended March 31, 2018, respectively. The difference in 2015 and 2016 represents the revenue from Fuquan Mayflower Education Investment Limited for the management services it provided to Gui Zhou Domestic Trade School (貴州省內貿學校), Guilin Health School (桂林市衛生學校) and Fuquan Secondary Vocational School (福泉市中等職業學校), Independent Third Parties of our Group, in 2015 and 2016.

Cost of Sales

Our cost of sales consists primarily of (i) staff cost consisting of wages, salary and welfare and pension scheme contribution for our teachers and staff assisting in teaching activities, (ii) management fee, (iii) depreciation and amortization, and (iv) rental. The following table sets forth the components of our cost of sales for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
Staff cost	89,185	115,143	160,064	30,235	59,417
Management fees	60,272	72,659	92,688	18,324	23,567
Depreciation and amortization	62,474	74,342	86,421	18,129	28,964
Rental	6,851	16,839	19,788	3,870	5,772
Utilities	6,773	7,589	9,379	2,472	3,080
Others[(1)]	14,635	18,110	24,065	3,061	6,491
Total	240,190	304,682	392,405	76,091	127,291

(1) Consists primarily of maintenance costs, teaching activity costs and travelling.

During the Track Record Period, staff costs were the largest component of our cost of sales, which were RMB89.2 million, RMB115.1 million, RMB160.1 million and RMB59.4 million, representing 37.1%, 37.8%, 40.8% and 46.7% of our total cost of sales, respectively. Staff costs in our cost of sales consist primarily of wages, salaries, welfare and pension scheme contribution for our teaching staff.

During the Track Record Period, management fees consisted primarily of:

(i) the annual fee that our three independent colleges paid to the universities with which we entered into cooperation agreements to operate these independent colleges, including (a) 15% of the tuition fees of Southwest Jiaotong University Hope College paid to Southwest Jiaotong University, (b) 30% of the tuition fees of Business College of Guizhou University of Finance and Economics paid to Guizhou University of Finance and Economics, and (c) 20% of the tuition fees of Jinci College of Shanxi Medical University paid to Shanxi Medical University;

(ii) as part of the arrangement with respect to our Group's acquisition of Taiyuan Xudong and Jinci College of Shanxi Medical University in 2014, based on the services provided and after negotiation among the parties, 5% of the tuition fees of Jinci College of Shanxi Medical University were paid per year to the former shareholders of Taiyuan Xudong (the sponsor of the school), who were Independent Third Parties, for the teaching and operation services they provided by leveraging their teaching experience and resources to ensure the steady development after our acquisition of the school since the share transfer in Taiyuan Xudong in April 2014 until our cooperation with Shanxi Medical University to operate Jinci College of Shanxi Medical University expires or terminates; and

(iii) the fee we paid to Sichuan Airlines for its collaboration program with Sichuan Vocational College of Culture & Communication for the aviation service major from July 2015 to May 2017.

The below table sets forth the breakdown of the management fees we paid during the Track Record Period.

	For the year ended December 31,			For the three months ended March 31,	
Items	**2015**	**2016**	**2017**	**2017**	**2018**
	(in thousands of RMB)				
Annual fees paid to each cooperative university[1]					
Southwest Jiaotong University Hope College	26,532	28,522	29,963	6,527	7,075
Business College of Guizhou University of Finance and Economics	18,807	31,249	44,168	8,542	11,402
Jinci College of Shanxi Medical University	2,264	6,141	10,598	1,865	2,968
Subtotal	47,603	65,912	84,729	16,934	21,445
Tuition fees paid to the former shareholders of the sponsor of Jinci College of Shanxi Medical University	1,555	2,195	3,077	589	803
Fee paid to Sichuan Airlines	1,797	3,849	3,837	801	917
Others	9,317[2]	703	1,045	—	402
Total	60,272	72,659	92,688	18,324	23,567

(1) The increases in annual fees that our three independent colleges paid to the universities with which we entered into cooperation agreements to operate these independent colleges were in line with the increases of tuition fees we received during the Track Record Period. The significant increases in tuition fees we received from Business College of Guizhou University of Finance and Economics Jinci College of Shanxi Medical University in 2016 and 2017 were primarily because the student enrollment of these two schools increased significantly for the 2016/2017 and 2017/2018 school year.

(2) Others for the year ended December 31, 2015 primarily consists of the cooperative education costs Southwest Jiaotong University Hope College paid to Chengdu West Education Industry Group Co., Ltd. (成都華西教育產業集團有限公司) (formerly known as Chengdu West Education Investment Limited (成都華西教育投資有限公司)), an Independent Third Party. The cooperative costs had been terminated in 2015. For details, please refer to see "— Other Expenses."

Depreciation primarily relates to the depreciation of buildings and equipment used for providing educational services. Amortization primarily relates to the amortization of land use right and software use right. Rental consists of rental and property management fees paid for leased properties used for teaching activities and student dormitories.

Sensitivity Analysis

The following table sets forth a sensitivity analysis of: (i) the effect of the fluctuations of tuition fees during the Track Record Period, and (ii) the effect of the fluctuations of our staff costs in the cost of sales, which includes wages, salary and welfare and pension scheme contribution for our teachers and staff assisting in teaching activities, during the Track Record Period, assuming no change of depreciation and amortization or any other costs. The sensitivity analysis involving tuition fees and staff costs is hypothetical in nature and we assume that all other variables remain constant. The following sensitivity analysis is for illustrative purposes only, which indicates the potential impact on our profitability during the Track Record Period if the relevant variables increased or decreased to the extent illustrated. To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the potential impact on our profit for the year with a 5% and 10% increase or decrease in tuition fees income and staff costs. While none of the hypothetical fluctuation ratios applied in the sensitivity analysis equals the historical fluctuations of the tuition fees and staff costs, we believe that the application of hypothetical fluctuations of 5% and 10% in the tuition fees income and staff costs presents a meaningful analysis of the potential impact of changes in the tuition fees and staff costs on our revenue and profitability.

	For the year ended December 31,			For the three months ended march 31,	
	2015	2016	2017	2017	2018
	Profit for the year	Profit for the year	Profit for the year	Profit for the three months	Profit for the three months
	(in thousands of RMB)				
Sensitivity analysis of tuition fees					
Tuition fees income (decrease)/increase					
(10)%	(40,011)	(50,227)	(62,069)	(12,837)	(18,018)
(5)%	(20,006)	(25,113)	(31,035)	(6,419)	(9,009)
5%	20,006	25,113	31,035	6,419	9,009
10%	40,011	50,227	62,069	12,837	18,018

	For the year ended December 31,			For the three months ended march 31,	
	2015	2016	2017	2017	2018
	Profit for the year	Profit for the year	Profit for the year	Profit for the three months	Profit for the three months
	(in thousands of RMB)				
Sensitivity analysis of staff costs					
Staff costs (decrease)/increase					
(10)%	8,919	11,514	16,006	3,024	5,942
(5)%	4,459	5,757	8,003	1,512	2,971
5%	(4,459)	(5,757)	(8,003)	(1,512)	(2,971)
10%	(8,919)	(11,514)	(16,006)	(3,024)	(5,942)

Gross Profit and Gross Margin

Gross profit represents revenue less cost of sales. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, our gross profit was RMB246.5 million, RMB309.7 million, RMB360.0 million and RMB94.4 million, respectively, and our gross profit margin was 50.7%, 50.4%, 47.8% and 42.6%, respectively.

The following table sets forth the gross profit margin of each of our school for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
School	**2015**	**2016**	**2017**	**2017**	**2018**
	(%)				
Independent Colleges					
Southwest Jiaotong University Hope College	50%	50%	54%	58%	50%(2)
Business College of Guizhou University of Finance and Economics	41%	44%	44%	46%	41%
Jinci College of Shanxi Medical University	45%	39%	41%	39%	29%(3)
Junior Colleges					
Sichuan Tianyi College	65%	64%	52%(4)	68%	48%(5)
Sichuan Hope Automotive Vocational College	47%	47%	31%(6)	43%	35%(7)
Sichuan Vocational College of Culture & Communication	33%	52%(8)	58%	59%	44%(9)

School	For the year ended December 31, 2015	2016	2017	For the three months ended March 31, 2017	2018
			(%)		
Guizhou Vocational Institute of Technology	—	(9)%[10]	39%[11]	21%	46%[12]
Sichuan TOP IT Vocational Institute[1]	—	—	—	—	45%
Technical College					
Sichuan Hope Automotive Technical College	—	27%	(21)%[13]	(10)%[13]	11%[14]

(1) We obtained control of this school on December 28, 2017 and started operation in December 2017.

(2) The decrease in gross profit margin was primarily because staff cost increased attributable to (i) the increased average-salary for teaching staff as a result of the change of payment method for teacher's salary. We used to only pay our teachers base salary during the winter and summer break while pay other compensation over the school year. In order to better retain our teachers over the winter and summer break, we started to pay our teachers the annual compensation package over the calendar year instead of concentrating during the school year in 2018 and (ii) the increased number of teaching-staff in line with the growth of student enrollment and the increased average-salary of teaching staff.

(3) The decrease in gross profit margin was primarily because (i) the average-salary for teaching staff increased as a result of the change of payment method for teacher's salary. We used to only pay our teachers base salary during the winter and summer break while pay other compensation over the school year. In order to better retain our teachers over the winter and summer break, we started to pay our teachers the annual compensation package over the calendar year instead of concentrating during the school year in 2018; (ii) staff cost increased attributable to the increased number of teaching-staff in line with the growth of student enrollment and the increased average-salary of teaching staff; and (iii) Jinci College of Shanxi Medical University completed its constructions of buildings, student dormitories and other facilities in September 2017, resulting in an increase in depreciation expenses.

(4) The decrease in gross profit margin was primarily because (i) Sichuan Tianyi College has purchased and constructed new buildings and other fixed assets in 2017, which resulted in an increase in depreciation expenses; and (ii) part of Sichuan Tianyi College's campus was used free of charge by Sichuan Vocational College of Culture & Communication with the depreciation of the fixed assets recorded under the cost of sales of Sichuan Tianyi College.

(5) The decrease in gross profit margin was primarily because (i) depreciation cost increased due to the construction of new buildings and other fixed assets for the "junior college-undergraduate" program; (ii) the average-salary for teaching staff increased as a result of the change of payment method for teacher's salary. Instead of just paying a base salary to the teachers during the winter and summer breaks, we started to pay our teachers the same compensation package for the months of winter break, which fall into the three months ended March 31, 2018, and the months of summer break as the months when the students are in school in order to retain our teachers; and (iii) the staff cost increased attributable to the increased average-salary of teaching staff.

(6) The decrease in gross profit margin was primarily because (i) Sichuan Hope Automotive Vocational College has purchased buildings and student apartment supplies and appliances in 2017, resulting in an increase in depreciation expenses; and (ii) the increase in the cost relating to depreciation of fixed assets outpaced the increase in students enrollment for the 2017/2018 school year, resulting in the increase in the cost relating to depreciation per student (the expansion of campus generally involves a ramp-up period during which we incur a significant amount of fixed costs before the school reaches its full capacity).

(7) The decrease in gross profit margin was primarily because (i) revenue decreased because the student enrollment for our self-study examination services and adult education services decreased for the 2017/2018 school year; (ii) the average-salary for teaching staff increased as a result of the change of payment method for teacher's salary. Instead of just paying a base salary to the teachers during the winter and summer breaks, we started to pay our teachers the same compensation package for the months of winter break, which fall into the three months ended March 31, 2018, and the months of summer break as the months when the students are in school in order to retain our teachers; and (iii) staff cost increased attributable to the increased number of teaching-staff in line with the growth of student enrollment and the increased average-salary of teaching staff.

(8) The increase in gross profit margin was primarily because (i) the student enrollment increased significantly for the 2016/2017 school year, and the cost relating to depreciation per student decreased; and (ii) for 2016/2017 school year, the new students of Sichuan Vocational College of Culture & Communication mainly used the campus of Sichuan Tianyi College and Sichuan Tianyi College did not charge Sichuan Vocational College of Culture & Communication for such usage as set out in note (2) above.

(9) The decrease in gross profit margin was primarily because (i) the average-salary for teaching staff increased as a result of the change of payment method for teacher's salary. Instead of just paying a base salary to the teachers during the winter and summer breaks, we started to pay our teachers the same compensation package for the months of winter break, which fall into the three months ended March 31, 2018, and the months of summer break as the months when the students are in school in order to retain our teachers; and (ii) staff cost increased attributable to the increased number of teaching-staff in line with the growth of student enrollment and the increased average-salary of teaching staff.

(10) The negative gross profit margin in 2016 was primarily because (i) Guizhou Vocational Institute of Technology started to enroll students in September 2016 and the number of enrolled students was relatively small; and (ii) the cost relating to depreciation per student increased.

(11) The increase in gross profit margin was primarily because the student enrollment increased significantly for the 2017/2018 school year, and the cost relating to depreciation per student decreased.

(12) The increase in gross profit margin was primarily because the student enrollment increased significantly for the 2017/2018 school year and the cost relating to depreciation per student decreased which was partially offset by the increased average-salary for teaching staff as a result of the change of payment method for teacher's salary.

(13) The negative gross profit margin was primarily because Sichuan Hope Automotive Technical College paid 30% of its tuition fee income to Sichuan Hope Automotive Vocational College as consideration for sharing the venue and ancillary facilities with Sichuan Hope Automotive Vocational College in 2017. In July 2016, we obtained an approval from Sichuan provincial government for establishment of Sichuan Hope Automotive Technical College, making use of the venue and teaching resources of Sichuan Hope Automotive Vocational College to provide education training for meeting the demand for talents with professional skills in our community. For details, see "Business—Our Other Education Services—Technical Education Services—Overview." Sichuan Hope Automotive Vocational College admitted the first class of students in September 2016 and only started to pay Sichuan Hope Automotive Vocational College for sharing the venue and ancillary facilities from 2017 due to its short period of operations in 2016.

(14) The increase in gross profit margin was primarily because the student enrollment increased significantly for the 2017/2018 school year, and the cost relating to depreciation per student decreased which was partially offset by the increased average-salary for teaching staff as a result of the change of payment method for teacher's salary.

Other Income and Gains

During the Track Record Period, other income and gains consisted primarily of service income, rental income, government grants, interest income, gain on disposal of items of property, plant and equipment, fair value gains on conversion rights of convertible bonds, gain on disposal of a subsidiary and others.

Our service income consists primarily of (i) income derived from granting the rights of canteen and convenient store operations to Independent Third Party operators; and (ii) income from services provided to students related to purchase of text books, dormitory bedding and exam material.

We generate rental income primarily from renting out (i) the unused campus facilities of Southwest Jiaotong University Hope College in Nanchong and (ii) shop spaces on campuses.

Government grants include (i) government grants related to assets consisting primarily of the government grants received for subsidies in connection with the constructions of certain buildings, and (ii) government grants related to expenses consisting primarily of the subsidies compensated for the incurred operating expenses arising from teaching activities, which were recognized as other income directly in profit or loss when received. Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to (i) an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments, and (ii) an expense, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Interest income consists of interest we receive on our cash balances with commercial banks and loans to related parties.

We generated gain on disposal of items of property, plant and equipment primarily in connection with (i) the one-off disposal by Business College of Guizhou University of Finance and Economics of certain properties which were developed for commercial uses in 2017, and (ii) our disposal of old equipment. In 2015, Business College of Guizhou University of Finance and Economics made additional payment for land use right to Huishui County Finance Bureau to convert the usage of a parcel of land granted for Huishui campus from education use to commercial use for the development of ancillary facilities, such as shops and restaurants, and obtained the land use right certificate for such parcel of land with the usage of commercial service. As the main business of Business College of Guizhou University of Finance and Economics is to provide higher education services and it does not have relevant qualifications to develop and sell commercial properties, Business College of Guizhou University of Finance and Economics engaged Guizhou Mayflower Property Development Co., Ltd., an entity within the same group at that time and became an entity controlled by Sichuan Tequ Education and a related party of our Group following the division as part of the reorganization, to develop the commercial properties, and sold the commercial properties to Guizhou Mayflower Property Development Co., Ltd. upon the completion of construction. On May 20, 2016, Business College of Guizhou University of Finance and Economics and Guizhou Mayflower Property Development Co., Ltd. entered into an agreement in relation to the sale of commercial properties with a total floor area of 12,067.01 sq.m. The sales agreement was entered into after arm's length negotiation between the parties and with reference to market price. Prepayments of RMB35.3 million was paid to Business College of Guizhou University of Finance and Economics in 2016, which were recorded as advances received for disposal of property, plant and equipment under other payables and accruals. We recognized gain on disposal of property, plant and equipment of RMB32.4 million in 2017. Following the sale to Guizhou Mayflower Property Development Co., Ltd., the commercial properties continue to provide ancillary services, such as shopping and catering services, to the students, teachers and staff at Business College of Guizhou University of Finance and Economics. Other than the abovementioned disposal of commercial properties, our Group did not develop and sell other properties for commercial use during the Track Record Period and up to the Latest Practicable Date.

On August 22, 2017, Hope Education issued a composite instrument of RMB600,000,000 which was consisted of a loan without any conversion right with interest at a rate of 7% amounted to RMB400,000,000 and convertible bonds with interest at a rate of 8% amounted to RMB200,000,000 to Zhuhai Maiwen. Zhuhai Maiwen executed the conversion rights to convert the bonds on March 21, 2018, which has been completed in June 2018. Upon the conversion, Zhuhai Maiwen held 4.762% of the interest in Hope Education and the Company, respectively. On initial recognition, the derivative component of the convertible bonds is measured at fair value. After initial recognition, the derivative component of the convertible bonds are subsequently measured at fair value with the changes of fair value recognized through profit or loss. The fair value gains of the conversion rights for the year ended December 31, 2017 and the three months ended March 31, 2018 were RMB6.3 million and RMB13.3 million, respectively.

On March 7, 2018, Hope Education and Maysunshine Education Management entered into an equity transfer agreement, pursuant to which Hope Education transferred its 70% interests in Jiexing Huilv to Maysunshine Education Management at a consideration of RMB70 million, which was determined based on investment cost with reference to the valuation by an Independent Third Party appraiser. The transfer was completed on March 16, 2018. On March 19, 2018, we entered into an equity transfer agreement with Sichuan Tequ Education, which is a connected person of our Company. According to the agreement, Sichuan Tequ Education will acquire the entire interest in Maysunshine Education Management from Hope Education at a consideration of RMB70 million, which was determined based on its registered capital. The transfer was completed on March 19, 2018 and upon the completion of the transaction, Sichuan Tequ Education holds 70% of the interest in Jiexing Huilv. We disposed of Jiexing Huilv since we cannot control or consolidate the financial statements of the College of Science and Technology of Guizhou University due to various arrangements between them. For further details, please refer to "Relationship with Controlling Shareholders — Independence from Controlling Shareholders — Delineation of Business — Operation."

The following table sets forth the breakdown of our other income and gains for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
Government grants					
Related to assets	3,972	6,475	7,759	1,801	2,114
Related to expenses	3,258	3,969	8,914	548	918
Interest income from bank balances	8,070	2,610	2,389	537	288
Interest income from loans to a related party	—	—	14,581	—	16,653
Interest income from a loan to a joint venture	—	—	2,388	—	—
Interest income from entrusted loan	3,731	—	—	—	—
Rental income	13,053	16,502	16,458	2,963	2,542
Service income	13,228	18,721	30,132	1,652	9,779
Donation income	401	3,178	431	—	—
Gain on disposal of items of property, plant and equipment	10	5	32,373	32,172	805
Gains on disposal of financial assets at fair value through profit or loss	1,308	2,992	9,814	1,051	571
Guarantee income	—	—	1,057	—	236
Fair value gains on/(losses) on financial assets at fair value through profit and loss	1,386	(1,386)	188	—	(191)
Fair value gains on conversion rights of convertible bonds	—	—	6,253	—	13,271
Gain on disposal of a subsidiary	—	—	—	—	8,256
Others	1,670	2,306	3,647	283	3,110
Total	50,087	55,372	136,384	41,007	58,352

Selling Expenses

Selling expenses consist primarily of (i) marketing and advertising expenses, which consists of expenses for promotional and advertising materials, (ii) staff costs consisting of wages, salaries and welfare and pension scheme contribution for our marketing staff, and (iii) travel expenses incurred by our marketing staff. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, our selling expenses was RMB34.8 million, RMB32.5 million, RMB29.1 million and RMB5.1 million, respectively.

The following table sets forth the breakdown of our selling expenses for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2015	**2016**	**2017**	**2017**	**2018**
	(in thousands of RMB)				
Marketing and advertising	23,649	21,862	18,214	2,457	2,076
Staff costs	5,973	6,071	5,354	1,293	1,321
Travel	3,409	3,099	3,114	342	610
Others	1,743	1,474	2,458	1,097	1,097
Total	34,774	32,506	29,140	5,189	5,104

Administrative Expenses

Administrative expenses consist primarily of (i) staff costs consisting of wages, salaries and welfare and pension scheme contribution for our administrative and other staff, (ii) depreciation and amortization of office buildings and equipment, (iii) general expenses mainly including office supply, utilities and maintenance costs, (iv) listing expense, and (v) equity-settled share option expense. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, our administrative expenses were RMB56.3 million, RMB70.1 million, RMB88.9 million and RMB42.9 million, respectively.

The following table sets forth the breakdown of our administrative expenses for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
Staff cost	32,339	41,163	41,421	12,021	14,770
Depreciation and amortization	12,140	13,297	16,958	5,506	4,767
General expenses[(1)]	3,685	4,443	10,063	1,193	3,790
Listing expense	—	943	9,843	2,051	10,256
Business and travel expenses	3,556	3,510	4,710	768	1,043
Rental expenses	725	698	1,253	103	9
Professional service fee	809	3,053	286	1,018	1,781
Equity-settled share option expense	—	—	—	—	5,901
Others	3,055	2,995	4,395	232	627
Total	56,309	70,102	88,929	22,892	42,944

(1) Consists primarily of office supply, utilities and maintenance costs.

Finance Costs

Our finance costs consist primarily of (i) interest on bank and other borrowings, (ii) increase in discounted amount of payables arising from the passage of time, and (iii) interests on finance lease. Increase in discounted amount of payables arising from the passage of time mainly resulted from liability of put option granted to a Shareholder, Yixing CEL, in connection with its capital contribution of RMB300 million to subscribe the equity interests of 13.04% of Hope Education and the liability from the issuance of the composite instrument amounted to RMB600 million to Zhuhai Maiwen. Interest on finance lease is the interest we paid in connection with the simulation training facilities leased by Southwest Jiaotong University Hope College from third parties. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, our finance costs were RMB107.8 million, RMB76.8 million, RMB144.5 million and RMB55.1 million, respectively.

The following table sets forth the breakdown of our finance costs for the periods indicated:

	For the year ended December 31,			For the three months ended march 31,	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
Interest on bank and other borrowings	107,294	71,243	122,775	12,641	36,273
Increase in discounted amount of payables arising from the passage of time	3,666	11,750	25,105	5,970	19,167
Total interest expense for financial liabilities that are not at fair value through profit or loss	110,960	82,993	147,880	18,611	55,440
Less: Interest capitalized	(3,193)	(6,177)	(3,369)	(1,381)	(375)
Total	107,767	76,816	144,511	17,230	55,065

Other Expenses

During the Track Record Period, other expenses consisted primarily of (i) termination-fees in relation to our one-off payment of school management costs in 2015, and (ii) provision for claim in relation to a loan dispute in 2016. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, our other expenses were RMB28.7 million, RMB26.4 million, RMB2.7 million and RMB0.6 million, respectively.

The following table sets forth the breakdown of our other expenses for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
Loss on disposal of items of property, plant and equipment	620	410	21	3	23
Termination fees	26,000	—	—	—	—
Provision for claim	—	23,000	—	—	—
Others	2,051	2,978	2,635	1,624	529
Total	28,671	26,388	2,656	1,627	552

The termination fees of RMB26.0 million in 2015 represents a one-off payment we paid to the former shareholder of Sichuan Guojian, an Independent Third Party, as the consideration for terminating his right to receive 9% of the tuition fees collected by Southwest Jiaotong University Hope College. Prior to our acquisition of Sichuan Guojian, he represented Sichuan Guojian to negotiate with Southwest Jiaotong University with respect to the cooperation to establish and operate an independent college. Since his transfer of interest in 2007, he was employed by us as the general manager of Sichuan Guojian and continued representing Sichuan Guojian to negotiate with Southwest Jiaotong University with respect to the cooperation to establish and operate Southwest Jiaotong University Hope College. With his efforts during the negotiation, we achieved the cooperation with Southwest Jiaotong University to establish and operate Southwest Jiaotong University Hope College with favourable terms, such as 15% of tuition fees to be paid to Southwest Jiaotong University for operating Southwest Jiaotong University Hope College. Moreover, his experience in higher education and close relationship with Southwest Jiaotong University also benefited our management and operation of Southwest Jiaotong University Hope College with respect to industry insights, teaching resources and procurement of services, especially during its initial establishment. As part of the arrangement with respect to our Group's acquisition of Sichuan Guojian in 2007 and the establishment of Southwest Jiaotong University Hope College in 2009, based on such services provided and after negotiation between the parties, and also considering he did not receive any salaries for being the general manager of Sichuan Guojian from 2007 until 2009 when Southwest Jiaotong University Hope College admitted the first class of students, 9% of the tuition fees collected were paid per year, for the services he provided as a consultant for the management and operation of the school following the acquisition but prior to the Track Record Period to ensure the steady development after our acquisition of his interest in Sichuan Guojian. The former shareholder of Sichuan Guojian is entitled to receive such annual fee from the fourth year since Southwest Jiaotong University Hope College started to recruit and admit students (the commercial reason for such arrangement is that the school, as an independent college offering undergraduate degree courses, is expected to generate profit when it has admitted all of the four classes of students) until when Southwest Jiaotong University ceases to be the sponsor of Southwest Jiaotong University Hope College. In 2015, following a few years of operating Southwest Jiaotong University Hope College, our Group had accumulated extensive experience in operating Southwest Jiaotong University Hope College and established close relationship with respect to teaching resources and procurement services. Upon negotiation between the parties, the amount of the termination fees of RMB26.0 million was determined based on 9% of the estimated amount of the tuition fees to be collected in the coming two years with certain discount considering the deminishing value of the services he would be able to provide.

The provision for claim of RMB23.0 million in 2016 was due to the compensation and liquidated damages we settled for a lawsuit in relation to a loan dispute, which we fully paid in 2017.

Taxation

Cayman Islands

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law and accordingly is not subject to income tax of the Cayman Islands.

Hong Kong

The applicable Hong Kong profits tax rate is 16.5% for the Track Record Period. No provision for Hong Kong profits tax was made as our Group had no assessable profits derived from or earned in Hong Kong during the Track Record Period.

PRC

For our operations in the PRC, we are generally subject to the PRC enterprise income tax at a rate of 25% on our taxable income. Prior to the Amendment becoming effective, according to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the finance authority, taxation authority and other authorities under the State Council. The school sponsors of Southwest Jiaotong University Hope College, Sichuan Tianyi College, Sichuan Hope Automotive Technical College, Business College of Guizhou University of Finance and Economics, Jinci College of Shanxi Medical University, Sichuan Vocational College of Culture & Communication and Guizhou Vocational Institute of Technology require reasonable returns. As of the date of this prospectus, no regulations have been promulgated by such authorities in this regard, as advised by our PRC Legal Advisor. In accordance with the historical tax returns we filed with the relevant tax authorities and the tax compliance confirmations we obtained from such authorities, which are competent tax authorities in respect of such confirmations as confirmed by our PRC Legal Advisor, our Directors are of the view that we are not required to pay enterprise income tax in respect of income from providing formal education services during the Track Record Period. As a result, no income tax expense was recognized for the income from the provision of formal education services by our schools for the year ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018. The effective tax rate for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, was approximately 5.34%, 2.85%, 3.89% and 2.00%, respectively. The effective tax rate was lower than the statutory tax rate of 25%, primarily because no income tax expense was recognized for the income from the provision of formal education services by our schools for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018.

The income tax expenses we incurred for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, were approximately RMB3.7 million, RMB4.5 million, RMB19.8 million and RMB1.2 million, which primarily consisted of the tax expenses relating to certain non-formal education service income, such as rental income and gain of disposal. Our tax payable increased from RMB30.7 million as of December 31, 2015 to RMB35.3 million as of December 31, 2016 and further to RMB52.3 million as of December 31, 2017, and decreased to RMB51.0 million as of March 31, 2018, which was due to the enterprise income tax provision made during the Track Record Period, details of which are as follows:

(i) *Rental income*. Since 2014 and during the Track Record Period, Southwest Jiaotong University Hope College (“Hope College”) leased certain properties to certain related parties for free, as Hope College and the lessees were under the same group and such transactions were intra-group transactions at the relevant time. Following the division as part of the reorganization as disclosed in the paragraph headed "The Division of Hope Education for Delineation of Business" in "History, Reorganization and Corporate Structure" section, Hope College became part of our Group to be listed on the Stock Exchange, whereas the lessees no longer formed part of our Group. In the course of preparing the financial statements of our Group for Listing, such transactions were identified and in order to reflect the income and costs of each entity, Hope College and the lessees agreed that retrospective rental payments should be made to Hope College. Under applicable laws, tax settlement is accepted upon receipt of the rental payment for the relevant period of the lease. Tax payment amounted to RMB0.4 million was due and settled on May 8, 2018 and the remaining RMB10 million is expected to be due and will be made in the first quarter of 2019.

(ii) *Government subsidies in connection with relocation*. The Company received certain subsidies from the government for the site relocation of Hope College in 2014. As confirmed by the local tax authority, Jinfeng Sub-branch of Jialing District Branch of Nanchong Municipal State Administration of Taxation (南充市嘉陵區國家稅務局金鳳分局), the tax payable arising from such subsidies is payable within five years upon receipt of the subsidies, which is in first quarter of 2019. Our Group will make the relevant tax filing and payment amounted to RMB25.0 million by first quarter of 2019.

(iii) *Interest income from entrustment loan*. In 2014, Hope College provided an entrustment loan to a related party and received interest income on the loan. In the course of preparing the financial statements of our Group for Listing, it was identified that such income from the entrustment loan was not tax-free income and therefore would be subject to enterprise income tax. Our Group has already made the tax payment in full, amounting to RMB1.5 million on May 8, 2018.

(iv) *Disposal of properties by Business College of Guizhou University of Finance and Economics*. Business College of Guizhou University of Finance and Economics disposed of certain commercial properties in 2017. For details of the disposal, see "— Other Income and Gains." Our Group has made the tax payment in full, amounting to RMB14.9 million prior to the deadline for payment under the applicable laws on May 8, 2018.

We have sought the professional opinion from our PRC Tax Consultant that the aforementioned tax treatment is appropriate and the risk of imposing a fine or penalty by competent authorities is remote.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three Months Ended March 31, 2018 Compared to Three Months Ended March 31, 2017

Revenue

Our revenue increased by 33.6% from RMB165.9 million for the three months ended March 31, 2017 to RMB221.7 million for the three months ended March 31, 2018, primarily due to an increase of RMB50.2 million in revenue from our higher education services, mainly reflecting the increase in our total student enrollment.

Cost of Sales

Cost of sales increased by 67.3% from RMB76.1 million for the three months ended March 31, 2017 to RMB127.3 million for the three months ended March 31, 2018, primarily due to the staff cost of Sichuan TOP IT Vocational Institute which we acquired on December 28, 2017 and the growth of our business of the other schools.

- Staff costs increased by 96.7% from RMB30.2 million for the three months ended March 31, 2017 to RMB59.4 million for the three months ended March 31, 2018, primarily due to (i) the staff cost of Sichuan Top IT Vocational Institute that we acquired on December 28, 2017, (ii) the increased average-salary for teaching staff as a result of the change of payment method for teacher's salary. We used to only pay our teachers base salary during the winter and summer break while pay other compensation over the school year. In order to better retain our teachers over the winter and summer break, we started to pay our teachers the annual compensation package over the calendar year instead of concentrating during the school year in 2018, and (iii) the increased number of teaching-staff in line with the growth of student enrollment and the increased average-salary of teaching staff of our other schools.

- Management fees increased by 29.0% from RMB18.3 million for the three months ended March 31, 2017 to RMB23.6 million for the three months ended March 31, 2018, which was in line with the increase of tuition fees.

- Depreciation and amortization increased by 60.2% from RMB18.1 million for the three months ended March 31, 2017 to RMB29.0 million for the three months ended March 31, 2018, primarily because Sichuan TOP IT Vocational Institute was acquired on December 28, 2017 and its buildings became our fixed assets and the construction of buildings for Sichuan Tianyi College, Jinci College of Shanxi Medical University and Business College of Guizhou University of Finance and Economics was completed and these buildings became our fixed assets.

Gross Profit and Gross Margin

Our gross profit increased by 5.1% from RMB89.8 million for the three months ended March 31, 2017 to RMB94.4 million for the three months ended March 31, 2018, which was in line with the growth of our business. Our gross margin decreased from 54.1% for the three months ended March 31, 2017 to 42.6% for the three months ended March 31, 2018, primarily due to (i) our increased investments to the buildings of new campuses and the growth of our teacher team, and (ii) decrease of student enrollment for adult education services to satisfy the requirements for the "junior college-undergraduate" program.

Other Income and Gains

Other income and gains increased by 42.4% from RMB41.0 million for the three months ended March 31, 2017 to RMB58.4 million for the three months ended March 31, 2018, primarily due to increases in our (i) interest income from loans to a related party, (ii) gain on disposal of a subsidiary, (iii) service income and (iv) fair value gains on conversion rights of convertible bonds, which was partially offset by the substantive decrease of gains on disposal of items of property, plant and equipment from RMB32.2 million for the three months ended March 31, 2017 to RMB0.8 million for the three months ended March 31, 2018, primarily because certain commercial properties by Business College of Guizhou University of Finance and Economics were disposed in 2017.

- Interest income from loans to a related party increased from nil for the three months ended March 31, 2017 to RMB16.7 million for the year ended March 31, 2018 as we started to change interest to the related party loans from September 30, 2017 in connection with the reorganization of our Group.

- Fair value gains on conversion rights of convertible bonds, which were issued on August 22, 2017, increased from nil for the three months ended March 31, 2017 to RMB13.3 million for the three months ended March 31, 2018.

- Gain on disposal of a subsidiary increased from nil for the three months ended March 31, 2017 to RMB8.3 million for the year ended March 31, 2018, primarily due to the transfer of the 70% equity interest in Jiexing Huilv to Sichuan Tequ Education.

- Service income increased from RMB1.7 million for the three months ended March 31, 2017 to RMB9.8 million for the year ended March 31, 2018, which was primarily due to (i) the income from Sichuan Hope Automotive Technical College in relation to the on-site practical training and (ii) the income from services provided to students related to purchase of text books, dormitory bedding and exam materials from Sichuan Top IT Vocational Institute which we acquired on December 28, 2017.

Selling Expenses

Selling expenses slightly decreased by 1.9% from RMB5.2 million for the three months ended March 31, 2017 to RMB5.1 million for the three months ended March 31, 2018, primarily because marketing and advertising expenses decreased by 16% from RMB2.5 million for the three months ended March 31, 2017 to RMB2.1 million for the three months ended March 31, 2018, primarily because Sichuan Hope Automotive Vocational College incurred a marketing and advertising service in 2017.

Administrative Expenses

Our administrative expenses increased by 87.3% from RMB22.9 million for the three months ended March 31, 2017 to RMB42.9 million for the three months ended March 31, 2018, primarily due to increases in (i) listing expense, (ii) staff cost, (iii) general expenses and (iv) equity-settled share option expense.

- Listing expenses increased from RMB2.1 million for the three months ended March 31, 2017 to RMB10.3 million for the three months ended March 31, 2018.

- Staff cost increased from RMB12.0 million for the three months ended March 31, 2017 to RMB14.8 million for the three months ended March 31, 2018, which was in line with the growth of our business and partly due to the staff cost of Sichuan Top IT Vocational Institute that we acquired on December 28, 2017.

- General expenses increased from RMB1.2 million for the three months ended March 31, 2017 to RMB3.8 million for the three months ended March 31, 2018, which was in line with the growth of our business.

- Equity-settled share option expense increased from nil for the three months ended March 31, 2017 to RMB5.9 million for the three months ended March 31, 2018 as a result of the 2018 Pre-IPO Share Option Scheme.

Finance Cost

Our finance costs increased by 220.3% from RMB17.2 million for the three months ended March 31, 2017 to RMB55.1 million for the three months ended March 31, 2018, primarily due to (i) an increase of RMB23.6 million in the interest on bank and other borrowings because of the increased amount of interest-bearing bank and other borrowings, and (ii) an increase of RMB13.2 million in the increase in discounted amount of payables arising from the passage of time.

Other Expenses

Other expenses decreased from RMB1.6 million for the three months ended March 31, 2017 to RMB0.6 million for the three months ended March 31, 2018.

Profit before Tax

As a result of the foregoing, our profit before tax decreased by 43.7% from RMB83.9 million for the three months ended March 31, 2017 to RMB47.2 million for the three months ended March 31, 2018.

Income Tax Expense

Income tax expense decreased from RMB17.1 million for the three months ended March 31, 2017 to RMB1.2 million for the three months ended March 31, 2018, primarily due to the large amount of taxable income in 2017, which primarily consisted of gain from the disposal of certain commercial properties by Business College of Guizhou University of Finance and Economics.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Our revenue increased by 22.5% from RMB614.4 million for the year ended December 31, 2016 to RMB752.4 million for the year ended December 31, 2017, primarily due to an increase of RMB115.5 million in the revenue from our higher education services, mainly reflecting the increase in our total student enrollment.

The student enrollment at each of our schools increased due to our increased utilization of school capacity, continued efforts to market our higher education programs and expand the capacity of our existing schools. For details about our student enrollment for each school year, see "Business — Our Higher Education Services — Existing Schools — Overview — Student Enrollment."

Cost of Sales

Cost of sales increased by 28.8% from RMB304.7 million for the year ended December 31, 2016 to RMB392.4 million for the year ended December 31, 2017, primarily due to increases in our (i) staff costs, (ii) management fee and (iii) rental expenses.

- Staff costs increased by 39.1% from RMB115.1 million for the year ended December 31, 2016 to RMB160.1 million for the year ended December 31, 2017, primarily due to an increase in the number of teaching staff and an increase in the teaching staff salary and benefits, in particular, in Sichuan Hope Automotive Vocational College, Sichuan Tianyi College and Jinci College of Shanxi Medical University.

- Management fee increased by 27.6% from RMB72.7 million for the year ended December 31, 2016 to RMB92.7 million for the year ended December 31, 2017, which was in line with the increase of tuition fees.

- Depreciation and amortization increased by 16.3% from RMB74.3 million for the year ended December 31, 2016 to RMB86.4 million for the year ended December 31, 2017, primarily due to certain practical training buildings and dormitories were put into use in 2017 and improvement of teaching and student dormitory conditions.

Gross Profit and Gross Margin

Our gross profit increased by 16.2% from RMB309.7 million for the year ended December 31, 2016 to RMB360.0 million for the year ended December 31, 2017, which was in line with the growth of our business. Our gross margin slightly decreased from 50.4% for the year ended December 31, 2016 to 47.8% for the year ended December 31, 2017, primarily due to the increase in our cost of sales outpaced the growth in our revenue primarily due to the increase in the salaries and benefits of our school personnel.

Other Income and Gains

Other income and gains increased by 146.2% from RMB55.4 million for the year ended December 31, 2016 to RMB136.4 million for the year ended December 31, 2017, primarily due to increases in our (i) gain on disposal of property, plant and equipment, (ii) service income, (iii) interest income from loans to a related party and (iv) fair value gains on conversion rights of convertible bonds.

- Gain on disposal of property, plant and equipment substantively increased from RMB5,000 for the year ended December 31, 2016 to RMB32.4 million for the year ended December 31, 2017, primarily due to disposal of certain commercial properties by Business College of Guizhou University of Finance and Economics.

- Service income increased by 61.0% from RMB18.7 million for the year ended December 31, 2016 to RMB30.1 million for the year ended December 31, 2017, which was in line with the increase in the total student enrollment for the 2017/2018 school year.

- Interest income from loans to a related party increased from nil for the year ended December 31, 2016 to RMB14.6 million for the year ended December 31, 2017.

- Fair value gains on conversion rights of convertible bonds, which was issued on August 22, 2017 increased from nil for the year ended December 31, 2016 to RMB6.3 million for the year ended December 31, 2017.

Selling Expenses

Selling expenses decreased by 10.4% from RMB32.5 million for the year ended December 31, 2016 to RMB29.1 million for the year ended December 31, 2017, primarily because marketing and advertising expenses decreased by 16.7% from RMB21.9 million for the year ended December 31, 2016 to RMB18.2 million for the year ended December 31, 2017, primarily as we reduced investment in marketing and advertising in Sichuan Tianyi College, Sichuan Hope Automotive Vocational College and Southwest Jiaotong University Hope College as the student recruitment remained stable, which was partially offset by our increased investment in marketing and advertising in Sichuan Hope Automotive Technical College in 2017 to promote student recruitment.

Administrative Expenses

Our administrative expenses increased by 26.9% from RMB70.1 million for the year ended December 31, 2016 to RMB88.9 million for the year ended December 31, 2017, primarily due to increases in our (i) general expenses, (ii) depreciation and amortization expenses and (iii) listing expenses.

- General expenses substantively increased from RMB4.4 million for the year ended December 31, 2016 to RMB10.1 million for the year ended December 31, 2017, which was in line with the growth of our business.

- Depreciation and amortization expenses increased by 27.8% from RMB13.3 million for the year ended December 31, 2016 to RMB17.0 million for the year ended December 31, 2017, primarily due to the increase in the period of amortization of education qualifications held by Jiexing Huilv in 2017 compared to 2016, resulting in an increase in its corresponding amortization amount.

- Listing expenses increased from RMB0.9 million for the year ended December 31, 2016 to RMB9.8 million for the year ended December 31, 2017.

Finance Costs

Our finance costs increased by 88.1% from RMB76.8 million for the year ended December 31, 2016 to RMB144.5 million for the year ended December 31, 2016, primarily due to an increase of RMB51.5 million in the interest payment of bank loans and other borrowings.

Other Expenses

Other expenses decreased by 89.8% from RMB26.4 million for the year ended December 31, 2016 to RMB2.7 million for the year ended December 31, 2017, primarily due to the provision for claim of RMB23.0 million in 2016 as a result of the compensation and liquidated damages we settled for a lawsuit in relation to a loan dispute, which we fully paid in 2017.

Profit before Tax

As a result of the foregoing, our profit before tax increased by 44.0% from RMB159.3 million for the year ended December 31, 2016 to RMB229.4 million for the year ended December 31, 2017.

Income Tax Expense

Income tax expense increased from RMB4.5 million for the year ended December 31, 2016 to RMB19.8 million for the year ended December 31, 2017, primarily due to an increase in our taxable income, which primarily consisted of gain from disposal of properties.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue

Our revenue increased by 26.2% from RMB486.7 million for the year ended December 31, 2015 to RMB614.4 million for the year ended December 31, 2016, primarily due to an increase of RMB100.6 million in the revenue from our higher education services, mainly reflecting the increase in our total student enrollment.

The student enrollment at each of our schools increased due to increased utilization of our school capacity, our continued efforts to market our higher education programs and expand the capacity of our existing schools. In addition, we established Guizhou Vocational Institute of Technology which started admitting students in September 2016 with 1,177 students enrolled for the 2016/2017 school year. For details about our student enrollment for each school year, see "Business — Our Higher Education Services — Existing Schools — Overview — Student Enrollment."

Cost of Sales

Cost of sales increased by 26.9% from RMB240.2 million for the year ended December 31, 2015 to RMB304.7 million for the year ended December 31, 2016, primarily due to increases in our (i) staff costs, (ii) management fee, (iii) depreciation, and (iv) rental expenses.

- Staff costs increased by 29.0% from RMB89.2 million for the year ended December 31, 2015 to RMB115.1 million for the year ended December 31, 2016, primarily due to the increase in the number of teachers we employed in response to (i) the establishment of Guizhou Vocational Institute of Technology which started admitting students in September 2016 and (ii) the increase in student enrollment at our existing schools.

- Management fee increased 20.6% from RMB60.3 million for the year ended December 31, 2015 to RMB72.7 million for the year ended December 31, 2016, which was in line with the increase of tuition fees.

- Depreciation and amortization increased by 18.9% from RMB62.5 million for the year ended December 31, 2015 to RMB74.3 million for the year ended December 31, 2016, primarily because the construction of buildings for Business College of Guizhou University of Finance and Economics and Sichuan Hope Automotive Vocational College was completed and these buildings became our fixed assets.

- Rental expenses increased by 143.5% from RMB6.9 million for the year ended December 31, 2015 to RMB16.8 million for the year ended December 31, 2016, primarily because Southwest Jiaotong University Hope College and Sichuan Tianyi College leased more student dormitories in 2016.

Gross Profit and Gross Margin

Our gross profit increased by 25.6% from RMB246.5 million for the year ended December 31, 2015 to RMB309.7 million for the year ended December 31, 2016, which was in line with the growth of our business. Our gross margin remained stable during the same periods.

Other Income and Gains

Other income and gains increased by 10.6% from RMB50.1 million for the year ended December 31, 2015 to RMB55.4 million for the year ended December 31, 2016, primarily due to increases in (i) service income, (ii) rental income, (iii) government grants, and (iv) donation income, which were partially offset by the decrease in interest income from bank balances.

- Service income increased by 41.7% from RMB13.2 million for the year ended December 31, 2015 to RMB18.7 million for the year ended December 31, 2016, primarily due to the increase in the number of students receiving our service which was in line with the increase of our total student enrollment.

- Rental income increased by 26.0% from RMB13.1 million for the year ended December 31, 2015 to RMB16.5 million for the year ended December 31, 2016, primarily as we leased additional currently unused properties to other parties in 2016.

- Government grants increased by 44.4% from RMB7.2 million for the year ended December 31, 2015 to RMB10.4 million for the year ended December 31, 2016, primarily because the amortization period of the infrastructure subsidies received by Business College of Guizhou University of Finance and Economics in July 2015 was relatively longer in 2016 than that in 2015.

- Donation income increased from RMB0.4 million for the year ended December 31, 2015 to RMB3.2 million for the year ended December 31, 2016.

- Interest income from bank balances decreased by 67.9% from RMB8.1 million for the year ended December 31, 2015 to RMB2.6 million for the year ended December 31, 2016, primarily due to the repayment of the entrusted loan to a related party of RMB136.0 million in 2015.

Selling Expenses

Selling expenses decreased by 6.5% from RMB34.8 million for the year ended December 31, 2015 to RMB32.5 million for the year ended December 31, 2016, primarily because marketing and advertising expenses decreased by 7.2% from RMB23.6 million for the year ended December 31, 2015 to RMB21.9 million for the year ended December 31, 2016, primarily as we reduced investment in marketing and advertising in Business College of Guizhou University of Finance and Economics, Jinci College of Shanxi Medical University and Sichuan Vocational College of Culture & Communication as the student recruitment remained stable.

Administrative Expenses

Our administrative expenses increased by 24.5% from RMB56.3 million for the year ended December 31, 2015 to RMB70.1 million for the year ended December 31, 2016, primarily due to increases in (i) staff costs and (ii) professional services fee.

- Staff costs for our administrative and other staff increased 27.6% from RMB32.3 million for the year ended December 31, 2015 to RMB41.2 million for the year ended December 31, 2016, which was in line with the growth of our business.

- Professional service fees increased by 287.5% from RMB0.8 million for the year ended December 31, 2015 to RMB3.1 million for the year ended December 31, 2016, primarily due to expenses accrued for professional services in connection with the strategic investment by China Everbright Limited.

Finance Costs

Our finance costs decreased by 28.8% from RMB107.8 million for the year ended December 31, 2015 to RMB76.8 million for the year ended December 31, 2016, primarily due to the decrease in (i) interest on bank loans and other borrowings, partially offset by the increase in the increase in the discounted amount of payables arising from the passage of time.

- Interest on bank loans and other borrowings decreased by 33.6% from RMB107.3 million for the year ended December 31, 2015 to RMB71.2 million for the year ended December 31, 2016, primarily because we used the proceeds from strategic investment by China Everbright Limited to repay the loans received from related parties.

- Increase in the discounted amount of payables arising from the passage of time increased by 218.9% from RMB3.7 million for the year ended December 31, 2015 to RMB11.8 million for the year ended December 31, 2016.

Other Expenses

Other expenses decreased by 8.0% from RMB28.7 million for the year ended December 31, 2015 to RMB26.4 million for the year ended December 31, 2016, primarily due to an one-off payment of management fee of RMB26.0 million we paid to the former shareholder of Sichuan Guojian in 2015 as the consideration for termination of his right to receive 9% of the tuition fees collected by Southwest Jiaotong University Hope College, partially offset by the provision for claim of RMB23.0 million in 2016, which was due to the compensation and liquidated damages we settled for a lawsuit in relation to a loan dispute and fully repaid by us in 2017.

Profit before Tax

As a result of the foregoing, our profit before tax increased by 130.5% from RMB69.1 million for the year ended December 31, 2015 to RMB159.3 million for the year ended December 31, 2016.

Income Tax Expense

Income tax expense increased from RMB3.7 million for the year ended December 31, 2016 to RMB4.5 million for the year ended December 31, 2017, primarily due to an increase in our taxable income, which primarily consisted of non-formal education service income, such as rental income.

CURRENT ASSETS AND CURRENT LIABILITIES

The following table sets forth details of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of March 31,	As of May 31,
	2015	2016	2017	2018	2018
	(in thousands of RMB)				
CURRENT ASSETS					
Accounts receivables	9,853	177	—	106	1,464
Prepayments, deposits and other receivables	92,801	71,928	121,492	81,383	65,523
Amount due from related parties	1,169,461	1,259,261	732,824	986,709	661,675
Financial assets at fair value through profit or loss	130,390	20,004	8,241	598	—
Pledged deposits	30,365	156,882	—	—	—
Cash and cash equivalents	92,354	142,616	181,332	442,586	473,790
Total Current Assets	1,525,224	1,650,868	1,043,889	1,511,382	1,202,452
CURRENT LIABILITIES					
Contract liabilities	297,932	388,981	535,268	332,881	225,792
Other payables and accruals	587,462	614,290	731,682	657,437	767,096
Deferred income	5,732	7,203	8,456	8,456	9,500
Interest-bearing bank and other borrowings	618,013	834,000	613,986	820,346	931,426
Amount due to related parties	522,667	575,557	154,999	121,288	166,547
Tax payable	30,732	35,268	53,670	52,423	34,733
Total Current Liabilities	2,062,538	2,455,299	2,098,061	1,992,831	2,135,094
Net Current Liabilities	(537,314)	(804,431)	(1,054,172)	(481,449)	(932,642)

As of December 31, 2015, 2016 and 2017, March 31, 2018 and May 31, 2018, we had net current liabilities of RMB537.3 million, RMB804.4 million, RMB1,054.2 million, RMB481.5 million and RMB932.6 million, respectively. We had net current liabilities as of each of these dates primarily because (i) we used a large amount of cash to finance, among others, the expansion of our school networks. These capital expenditures and prepayments, which are recorded as non-current assets were partially financed by non-current liabilities, such as long-term interest-bearing bank loans and other borrowings and equity, and partially financed by current liabilities, such as short-term interest-bearing bank loans and other borrowings; and (ii) tuition fees and boarding fees from our schools were generally paid in advance at the beginning of each school year, and we record payments of tuition fees and boarding fees initially as a current liability under contract liabilities and recognize tuition fees as revenue over a nine-month period and boarding fees over a 12-month period. As a school year typically starts in September each year and ends in June the following year, the amounts of contract liabilities, which were part of our current liabilities, as of December 31, 2015, 2016 and 2017, March 31, 2018 and May 31, 2018, generally represented the amount of tuition fees and boarding fees received from all of our students for the 2015/2016, 2016/2017 and 2017/2018 school years, respectively, but have yet to be recognized as revenue for the remainder of the school year. In the meantime, certain portion of the cash derived from tuition fees and boarding fees was used to finance the capital expenditures and prepayments described above, which are recorded as noncurrent assets.

We expect to improve our net current liabilities position with (i) our undrawn banking facilities; (ii) the net proceeds from the Global Offering. See "Future Plans and Use of Proceeds — Use of Proceeds" for further information; and (iii) funds generated from our business operations. We may have a net current liabilities position in the future and be exposed to liquidity risks, and our business, financial condition and results of operation may be materially and adversely affected as a result. See "Risk Factors — Risks Relating to Our Business and Our Industry — We had net current liabilities as of December 31, 2015, 2016 and 2017, March 31, 2018 and May 31, 2018. We may be exposed to liquidity risks, and our business, financial condition and results of operation may be materially and adversely affected as a result."

DISCUSSION OF KEY BALANCE SHEET ITEMS

Assets

Accounts Receivable

Our accounts receivable consist primarily of tuition fees due from students who have applied for delayed payment of tuition fees. As of December 31, 2015, 2016 and 2017 and March 31, 2018, our accounts receivable were RMB9.9 million, RMB0.2 million, nil and RMB0.1 million, respectively. All of the tuition fees due from students as of December 31, 2015, 2016 and 2017 and March 31, 2018 were due within one year.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables consist primarily of (i) prepayments for management fees, (ii) other receivables from the previous shareholder of Sichuan TOP Education Co., Ltd., which we received the full amount in January 2018, (iii) prepaid land lease payments, and (iv) loan to a third party.

The following table sets forth the breakdown of our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(in thousands of RMB)			
Current portion:				
Prepayments for management fees	24,464	42,218	38,163	33,118
Prepaid expense	3,427	5,208	11,534	5,072
Deposits	8,216	5,633	7,868	7,668
Other receivables	1,321	3,450	2,800	7,432
Other receivables from the previous shareholder of Sichuan TOP Education Co., Ltd.	—	—	40,962	—
Refundable deposit for the purchase of land use rights	40,000	—	—	—
Staffs advances	5,546	4,977	4,515	6,554
Prepaid land lease payments to be amortised within one year	9,827	10,222	12,993	13,569
Deferred listing expenses	—	220	2,657	5,885
Interest receivable	—	—	—	2,085
	92,801	71,928	121,492	81,383
Non-current portion:				
Loan to a third party	—	—	—	125,782
Prepayments for property, plant and equipment	4,588	6,356	8,019	6,811
Prepayments for land lease payments	10,000	10,000	10,000	10,000
Prepayments for software	—	1,829	—	—
	14,588	18,185	18,019	142,593
Total	107,389	90,113	139,511	223,976

As of December 31, 2015, 2016 and 2017 and March 31, 2018, our prepayments, deposits and other receivables in our current assets were RMB92.8 million, RMB71.9 million, RMB121.5 million and RMB81.4 million, respectively. The decrease of RMB20.9 million from December 31, 2015 to December 31, 2016 was primarily due to a decrease of RMB42.6 million in deposit as we received the refund of deposit of RMB40.0 million in connection with the land lease payment for a parcel of land in Jintang of Sichuan, which was partially offset by the increase of RMB19.5 million in the prepayments of management fee in line with the increase in the tuition fees we collected. The increase of RMB49.6 million from December 31, 2016 to December 31, 2017 and the decrease of RMB40.1 million from December 31, 2017 to March 31, 2018 was primarily due to RMB41.0 million in other receivables from the previous shareholder of Sichuan TOP Education Co., Ltd. as of December 31, 2017, which we received the full amount in January 2018.

Prepayments, deposits and other receivables in non-current assets consist primarily of (i) loan to a third party (ii) prepayments for property, plant and equipment; (iii) prepayments for land lease and (iv) prepayments for software. As of December 31, 2015, 2016 and 2017 and March 31, 2018, our prepayments, deposits and other receivables in non-current assets were RMB14.6 million, RMB18.2 million, RMB18.0 million and RMB142.6 million, respectively. The significant increase in prepayments, deposits and other receivables in non-current assets from December 31, 2017 to March 31, 2018 was primarily due to loan to a third party which represented the loan of RMB125.8 million to Chengdu Wuhou Guixi Property Development Company Limited ("Guixi Property"), which was controlled by the previous ultimate shareholder of Sichuan TOP IT Vocational Institute. As part of the acquisition arrangements with respect to Sichuan TOP IT Vocational Institute, we agreed to provide Guixi Property a loan with total amount of RMB450.0 million. The purpose of such loan is to release the guarantee that Sichuan TOP Vocational Institute provided to the previous ultimate shareholder for his borrowings, which in turn to release the contingent liabilities with respect to our acquisition of the school. The total loan amount of RMB450.0 million we agreed to provide to Guixi Property was determined based on the valuation of the properties of approximately RMB820.0 million provided by Guixi Property as collateral. We have independent third party agency's valuation report on the value of the properties provided by Guixi Property as collateral. We also visited and inspected such properties and completed necessary registration procedures in order to ensure our security rights over those properties. For the three months ended March 31, 2018, we provided the loan of RMB125.8 million with bearing interest at a rate of 15% per annum for a term of two years. The interest is paid half-yearly in arrears, and the principal of the loan is to be repaid in a lump sum when the loan becomes mature. The loan is secured by the mortgage of properties with the value of approximately RMB228.7 million provided by Guixi Property.

According to the General Lending Provision (貸款通則), lending and borrowing activities, overt or otherwise, shall not be handled between and among enterprises in violation of PRC laws and regulations. According to the Provisions of the Supreme People's Court on Certain Issues concerning Application of Law in Trial of Cases involving Private Lending (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》), where a party concerned alleges that a contract of private lending between enterprises concluded for the need of production or business operation is valid, the people's court shall uphold such allegation, provided that any of the following circumstances does not occur when such contract is being entered into: (i) fraudulently obtaining the credit fund from a financial institution and relending the fund to the borrower, of which the borrower has or should have knowledge in advance; (ii) relending the funds borrowed from another enterprise or raised from its employees to the borrower for making profit, of which the borrower has or should have prior knowledge ; (iii) lending funds to the borrower while the lender has or should have prior knowledge that the borrower will use the borrowed funds for illegal or criminal activities; (iv) violating public order and good morals; (v) where either party enters into the contract by means of fraud or coercion, undermining national interests; (vi) where the parties concerned maliciously collude with each other, damaging the interests of the State, the collective or a third party; (vii) where the contract is an attempt to conceal illegal objectives under the disguise of a legitimate form; (viii) where social and public interests are undermined; or (ix) where mandatory provisions of PRC laws and administrative regulations are violated. As the loan was not granted by our Group to Guixi Property under any of the aforesaid circumstances which render the loan illegal and invalid, our PRC Legal Advisor is of the view that such contract is in compliance with the relevant PRC laws and regulations, including the General Lending Provision.

The Company undertakes that, except for the loans provided and to be provided to Chengdu Wuhou Guixi Property Development Company Limited as disclosed, it will not provide similar loans to third parties after Listing.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss were RMB130.4 million, RMB20.0 million, RMB8.2 million and RMB0.6 million as of December 31, 2015, 2016 and 2017 and March 31, 2018, respectively, consisting of our investments in wealth management products issued by licensed banks in the PRC.

The underlying financial instruments of the wealth management products that we purchased generally include various government bonds, central bank notes, policy financial bonds, notes, interbank deposits and money market funds.

We receive most of our tuition fees and boarding fees at the beginning of each school year, and we believe we can make better use of such cash by making appropriate investments in short-term investment products, which generates income without interfering with our business operation or capital expenditures. Our investment decisions are made on a case by case basis and after due and careful consideration of a number of factors, including, but not limited to, the market conditions, the economic developments, the anticipated investment conditions, the investment cost, the duration of the investment and the expected benefit and potential loss of the investment. We have established a set of investment policies and internal control measures which allow us to achieve reasonable returns on our investment while mitigating our exposure to high investment risks. These policies and measures were formulated by Mr. Wang Huiwu, our chief executive officer and president, Mr. Jiang Lin, our chief operating officer and executive vice president, Mr. Chen Houyi, our senior vice president, Mr. Lou Qunwei, our senior vice president, Mr. Li Tao, our chief strategy officer, Mr. Li Xiao, our senior vice president and Mr. He Xuan, our chief financial officer.

Going forward, our finance department, under the supervision of Mr. He Xuan, our chief financial officer, is responsible for managing our investment activities. Before making a proposal to invest in any investment products, our financial department will assess our cash flow and operational needs and capital expenditures. If the cash flow exceeds our operational needs and appropriate short-term investment opportunities are available, the investment department will submit the investment proposal to our management for approval. According to our internal policies, regardless of the investment size, a proposal to invest in investment products must first be reviewed by our chief financial officer. After our management approves the proposal, the financial department may begin to negotiate the investment terms under the supervision of our chief financial officer.

In assessing a proposal to invest in investment products, a number of criteria must be met, including but not limited to:

- we should generally only invest in short-term investment products;
- investments in high risk products are prohibited;
- the primary objectives of investment activities are low risk, high liquidity and reasonable yield;
- the proposed investment must not interfere with our business operations or capital expenditures; and
- the investment products should be issued by a reputable bank with which we have a long-term relationship.

We believe that our internal policies regarding investment products and the related risk management mechanism are adequate. We may continue to purchase investment products that meet the above criteria as part of our treasury management where we believe it is prudent to do so after the Listing.

Pledged Deposits

Pledged deposits consist of our time deposits primarily pledged for our bank loans and notes payables. Our pledged deposits increased from RMB30.4 million as of December 31, 2015 to RMB156.9 million as of December 31, 2016, but then decreased to nil as of December 31, 2017 and as of March 31, 2018, respectively. The increase and decrease of our pledged deposits were in line with the changes in our bank loans.

Goodwill

Goodwill represents goodwill acquired through business combination. Our goodwill was RMB53.2 million, RMB53.2 million, RMB481.1 million and RMB481.1 million as of December 31, 2015, 2016 and 2017 and March 31, 2018, respectively. The significant increase in our goodwill from December 31, 2016 to December 31, 2017 was primarily due to goodwill of RMB427.9 million arising from our acquisition of Sichuan TOP Education Co., Ltd. in 2017. Obtaining control of Sichuan TOP Education Co., Ltd. and Sichuan TOP IT Vocational Institute resulted in goodwill primarily because of the benefits in connection with the expected synergies, student roster and the assembled workforce of Sichuan TOP IT Vocational Institute. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. See “Risk Factors

— Risks Relating to Our Business and Our Industry — The goodwill arising from business combination represents a significant portion of the assets on our consolidated balance sheet. If we determine our goodwill to be impaired, our results of operations and financial condition may be adversely affected.

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 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.

As of December 31, 2017, 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 the goodwill are as follows:

	Recoverable amount	**Carrying amount of goodwill**	**Carrying amount of other non-current assets subject to the CGU**	**Carrying amount of the CGU**	**Headroom**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Sichuan TOP IT Vocational Institute CGU					
Base case	1,089,000	427,967	557,573	985,540	103,460
Revenue growth rate increased by 5%	1,133,456	427,967	557,573	985,540	147,916
Revenue growth rate decreased by 5%	1,044,810	427,967	557,573	985,540	59,270
Discount rate increased by 5%	1,058,784	427,967	557,573	985,540	73,244
Discount rate decreased by 5%	1,120,804	427,967	557,573	985,540	135,264
Sichuan Tianyi College CGU					
Base case	1,046,282	36,865	784,219	821,084	225,198
Revenue growth rate increased by 5%	1,086,443	36,865	784,219	821,084	265,359
Revenue growth rate decreased by 5%	1,006,121	36,865	784,219	821,084	185,037
Discount rate increased by 5%	990,101	36,865	784,219	821,084	169,017
Discount rate decreased by 5%	1,109,953	36,865	784,219	821,084	288,869
Jinci College of Shanxi Medical University CGU					
Base case	387,395	16,311	218,718	235,029	152,366
Revenue growth rate increased by 5%	402,752	16,311	218,718	235,029	167,723
Revenue growth rate decreased by 5%	372,038	16,311	218,718	235,029	137,009
Discount rate increased by 5%	379,600	16,311	218,718	235,029	144,571
Discount rate decreased by 5%	395,444	16,311	218,718	235,029	160,415

IAS 36 requires an entity to perform impairment tests on goodwill on an annual basis. Meanwhile, the management did not identify any significant adverse changes in the operating results and macro environment in the three months ended March 31, 2018, and the Company's management has concluded there was no impairment indicator of goodwill as at March 31, 2018. Accordingly, the management did not perform impairment testing on goodwill as at March 31, 2018.

Other Intangible Assets

Other intangible assets consist of software and cooperation arrangements to operate independent colleges. Our other intangible assets were RMB117.2 million, RMB215.6 million, RMB118.7 million and RMB120.9 million as of December 31, 2015, 2016 and 2017 and March 31, 2018, respectively. The significant increase in our other intangible assets from December 31, 2015 to December 31, 2016 was primarily due to an increase of RMB100.0 million arising from our acquisition of a subsidiary, Jiexing Huilv, in 2016, representing the sponsor right to operate College of Science and Technology of Guizhou University for a term of 20 years from December 24, 2014 to December 23, 2034. Since September 2017, we had used the sponsor right to operate the new campus of College of Science and Technology of Guizhou University, and therefore the cost for the sponsor right was transferred from other intangible assets and was recorded as the investment in College of Science and Technology of Guizhou University in 2017, which was the primary reason for the significant decrease in our other intangible assets from December 31, 2016 to December 31, 2017.

The cost of other intangible assets acquired in a business combination is the fair value at the date of acquisition, which are amortized on the straight-line basis over their estimated useful lives of 20 years, which is the term of the sponsor right to operate College of Science and Technology of Guizhou University from December 24, 2014 to December 23, 2034.

Investment in a Joint Venture

Investment in a joint venture of RMB142.8 million as of December 31, 2017 represents our indirect investment in College of Science and Technology of Guizhou University, including share of net assets of College of Science and Technology of Guizhou University of RMB50.1 million and intangible assets used by College of Science and Technology of Guizhou University of RMB92.7 million. As of December 31, 2017, we had share of loss of the joint venture of RMB1.8 million, primarily due to the amortization of the intangible assets used by the joint venture. Our management assessed whether there are any impairment indicators exist in relation to the investment in a joint venture as of December 31, 2017 according to our accounting policy of impairment of non-financial assets and concluded that no impairment indicators were identified. In March 2018, we disposed of such investment and investment in a joint venture was decreased to nil as of March 31, 2018 accordingly. For details of such acquisition and disposal, see "History, Reorganization and Corporate Structure — Our Consolidated Affiliated Entities — Our Education Investment Platforms — Jiexing Huilv."

Liabilities

Contract Liabilities

We record tuition and boarding fees collected initially as a liability under contract liabilities and recognize revenue from tuition and boarding fees proportionately over the relevant period of the applicable program. As a school year typically commences in September each year, the amount of contract liabilities as of each of these dates generally represented the amount of tuition and boarding fees received but not yet recognized as revenue for the applicable school year. Our students are entitled, however, to refund of a portion of their tuition and boarding payments pursuant to our refund policies. See "Business — Our Higher Education Services — Existing Schools — Overview — Tuition Fees and Boarding Fees." The following table sets forth the balance of our contract liabilities as of the dates indicated:

	As of December 31,			As of March 31,
	2015	**2016**	**2017**	**2018**
	(in thousands of RMB)			
Tuition fees	268,815	346,276	473,602	295,219
Boarding fees	29,117	39,204	56,975	34,184
Others	—	3,501	4,691	3,478
Total	297,932	388,981	535,268	332,881

Our contract liabilities increased from RMB297.9 million as of December 31, 2015 to RMB389.0 million as of December 31, 2016, and further increased to RMB535.3 million as of December 31, 2017, which was in line with the increase in our total student enrollment. Our contract liabilities decreased from RMB 535.3 million as of December 31, 2017 to RMB332.9 million as of March 31, 2018, primarily because towards the end of a school year, most of the prepaid tuition fees and boarding fees have been recognized as revenue and are no longer recorded as contract liabilities.

Other Payables and Accruals

Our other payables and accruals consist primarily of (i) payables for purchase of property, plant and equipment, (ii) payables for acquisition, (iii) construction loan from Mianzhu Education Bureau; (iv) miscellaneous expenses received from students, and (v) payables for land lease payments. Our Directors confirm that we did not have any material defaults in payments of trade and other payables, loans and borrowings or other financing obligations during the Track Record Period and up to the Latest Practicable Date.

As of December 31, 2015, 2016 and 2017 and March 31, 2018, our other payables and accruals were RMB587.5 million, RMB614.3 million RMB731.7 million and RMB657.4 million, respectively. The aggregate amount of our other payables and accruals increased from RMB587.5 million as of

December 31, 2015 to RMB614.3 million as of December 31, 2016, primarily due to an increase in advances received for disposal of property, plant and equipment in relation to the one-off disposal of certain commercial properties by Business College of Guizhou University of Finance and Economics. For details of the disposal of certain commercial properties by Business College, see "Financial Information — Key Components of Our Results of Operations — Other Income and Gains." The aggregate amount of our other payables and accruals increased from RMB614.3 million to RMB731.7 million as of December 31, 2017 and decreased to RMB657.4 million as of March 31, 2018, primarily due to an increase in payables for purchase of property, plant and equipment in relation to the acquisition of Sichuan TOP IT Vocational Institute in December 2017. In 2015, Sichuan Tianyi College obtained an interest-free and non-repayable construction loan amounted to RMB75.8 million from Mianzhu Education Bureau in accordance with the agreements it entered into with Mianzhu Education Bureau to support the construction of the campus and facilities of Sichuan Tianyi College in Mianzhu. The balance of such construction loan remained unchanged during the Track Record Period as the construction loan was interest-free and we did not make any repayment to Mianzhu Education Bureau. We intend to apply to Mianzhu Education Bureau and relevant government authorities to convert such construction loan to government grant upon the satisfaction of conditions as required by government authorities.

Deferred Income

Our deferred income represents the government grants received for subsidies in connection with the constructions of certain buildings. These grants related to assets are released to profit or loss over the expected useful lives of the relevant assets. Our deferred income increased from RMB519.2 million as of December 31, 2015 to RMB591.0 million as of December 31, 2016 and further to RMB637.9 million as of December 31, 2017, primarily reflecting the government grants we received during the Track Record Period for constructions of school campus and buildings of Southwest Jiaotong University Hope College, Business College of Guizhou University of Finance and Economics and Guizhou Vocational Institute of Technology. Our deferred income slightly decreased from RMB637.9 million as of December 31, 2017 to RMB635.8 million as of March 31, 2018.

RELATED PARTY TRANSACTIONS

We enter into certain transactions with related parties from time to time. As of December 31, 2015, 2016 and 2017 and March 31, 2018, the amounts due from related parties were RMB1,169.5 million, RMB1,259.3 million, RMB732.8 million and RMB986.7 million, respectively. As of December 31, 2015, 2016 and 2017 and March 31, 2018, the amounts due to related parties were RMB522.7 million, RMB575.6 million, RMB155.0 million and RMB121.3 million, respectively. The following is a discussion of our material related party transactions during the Track Record Period. For further details of our related party transactions during the Track Record Period, see Note 32 to the Accountants' Report in Appendix I to this prospectus. Our Directors are of the view that each of the related party transactions set out in Note 32 to the Accountants' Report in Appendix I was conducted in the ordinary course of business on an arm's length basis between the relevant parties, and would not distort our track record results or make our historical results not reflective of our future performance.

Loans Received from Related Parties

During the Track Record Period, we received loans from West Hope with the effective interest rates ranging from 6% to 8% per annum to supplement our working capital. The loans are unsecured and are repayable on demand or within one year. As of December 31, 2015, 2016 and 2017 and March 31, 2018, the total outstanding amounts of loans and interests due to West Hope were RMB202.6 million, RMB177.0 million, nil and nil, respectively.

During the Track Record Period, we received loans from Sichuan Tequ Investment with the effective interest rates ranging from 8.02% to 12% per annum to supplement our working capital. The loans are unsecured and are repayable on demand or within three years. As of December 31, 2015, 2016 and 2017 and March 31, 2018, the total outstanding amounts of loans and interests due to Sichuan Tequ Investment were RMB288.5 million, nil, nil and RMB20.0 million, respectively. We expect to settle such loans before the Listing.

Loans Granted to Related Parties

During the Track Record Period, we granted loans to Sichuan Tequ Education. The loans were interest-free in 2015 and 2016. As of December 31, 2015, 2016 and 2017, the total outstanding amounts of loans due from Sichuan Tequ Education was RMB1,116.9 million, RMB1,200.3 million and RMB545.7 million, respectively. The interest rate of such loans was 9% per annum in 2017. As of March 31, 2018, the total outstanding amounts of loans and interests due from Sichuan Tequ Education was RMB764.8 million. We expect to settle such loans upon the Listing.

During the Track Record Period, we granted interest-free loans to Mr. Wang Huiwu. As of December 31, 2015, 2016 and 2017 and March 31, 2018, the total outstanding amounts of loans due from Mr. Wang Huiwu was RMB15.0 million, RMB5.0 million, nil and nil, respectively.

In 2017, we granted a loan to The College of Science and Technology of Guizhou University with the interest rate of 8% per annum. Such loan was transferred to Sichuan Tequ Education when it acquired Jiexing Huilv in March 2018.

Our PRC Legal Advisor is of the view that the loans granted by the Group to the related parties for their ordinary course of business are lawful and in compliance with all relevant PRC laws and regulations, including the General Lending Provision (貸款通則).

Guarantees Provided by Related Parties

West Hope provided a guarantee for our certain interest-bearing bank loans amounting to RMB595.0 million, RMB95.0 million, RMB35.0 million and nil for the years ended December 31, 2015, 2016 and 2017, and for the three months ended March 31, 2018, respectively, with a guarantee fee of 2% per annum based on the principal of bank loans guaranteed. We paid guarantee fees of RMB14.0 million, RMB9.9 million, RMB0.9 million and nil to West Hope for the years ended December 31, 2015, 2016 and 2017, and for the three months ended March 31, 2018, respectively.

In 2015, West Hope provided a guarantee for our certain interest-bearing bank loans amounting to RMB135.0 million free of charge.

Some other related parties also provided guarantees for our certain interest-bearing bank loans free of charge.

Certain of our interest-bearing bank loans are secured by mortgages over the land use rights and buildings owned by certain related parties with aggregate carrying values of RMB665.0 million, RMB686.0 million, RMB325.0 million and RMB458.5 million as of December 31, 2015, 2016 and 2017 and March 31, 2018, respectively.

We expect to release the guarantees and collaterals provided by related parties upon the Listing.

Guarantee Provided to a Related Party

We provided guarantees for a related party's interest-bearing bank loan of the amount up to RMB80.0 million and RMB50.0 million, respectively, both with a guarantee fee of 2% per annum based on the principal of bank loan guaranteed. Our guarantee income was RMB1.1 million and RMB0.2 million for the year ended December 31, 2017 and the three months ended March 31, 2018.

We expect to release the guarantee provided to a related party upon the Listing.

Disposal of a Subsidiary

In March 2018, our Group entered into an equity transfer agreement with Sichuan Tequ Education to transfer the 70% equity interest in Jiexing Huilv at a consideration of RMB70.0 million. For details of such disposal, see "History, Reorganization and Corporate Structure — Our Consolidated Affiliated Entities — Our Education Investment Platforms — Jiexing Huilv."

Other Material Related Party Transactions

For the years ended December 31, 2015, 2016 and 2017 and three months ended March 31, 2018, our procurement of property, equipment and fixtures from related parties was RMB37.0 million, RMB461.9 million, RMB534.7 million and RMB62.6 million, respectively. Our sales of properties to related parties was nil, nil, RMB98.1 million and nil, respectively. Our purchase of goods or services from related parties was RMB1.5 million, RMB3.0 million, RMB1.6 million and RMB2,000, respectively. The rent charges we received from leasing properties to related parties was RMB22.4 million, RMB24.6 million, RMB23.3 million and RMB6.4 million, respectively. We received donations from a related party amounting to RMB0.1 million and RMB2.4 million in 2015 and 2016, respectively. We expect to continue transactions with some of our related parties. See "Connected Transactions" for details.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund our working capital requirements, our acquisition of schools and our purchase of property, plant and equipment. We have funded our operations principally with cash generated from our operations, bank loans and other borrowings and capital contribution by shareholders. In the future, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank loans and other borrowings, net proceeds from this Global Offering and other funds raised from the capital markets from time to time. Any significant decrease in the student enrollment, or our tuition fees and boarding fees, or a significant decrease in the availability of bank loans or other financing may adversely impact our liquidity. As of December 31, 2015, 2016 and 2017 and March 31, 2018, we had cash and cash equivalents of RMB92.4 million, RMB142.6 million, RMB181.3 million and RMB442.6 million, respectively.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
Net cash from/(used in) operating activities	277,737	446,102	500,656	(48,805)	(16,989)
Net cash flows used in investing activities	(608,714)	(381,987)	(965,207)	181,560	(482,878)
Net cash flows from/(used in) financing activities	361,252	(13,853)	503,267	193,012	761,121
Net increase in cash and cash equivalents	30,275	50,262	38,716	325,767	261,254
Cash and cash equivalents at beginning of the year/period	62,079	92,354	142,616	142,616	181,332
Cash and cash equivalents at the end of the year/period	92,354	142,616	181,332	468,383	442,586

Cash Flows from/(used in) Operating Activities

We generate cash from operating activities primarily from tuition and boarding fees, which are typically paid in advance before the respective services are rendered. Tuition and boarding fees are initially booked as contract liabilities. We recognize revenue from tuition and boarding fees proportionately over the relevant period of the applicable program.

We had net cash used in operating activities of RMB17.0 million for the three months ended March 31, 2018, which was primarily attributable to negative net working capital adjustments of RMB122.2 million, which was partially offset by (i) a profit before tax of RMB47.2 million, and (ii) adjustments for non-cash items of RMB60.1 million, mainly including depreciation of items of property, plant and equipment of RMB33.7 million and finance costs of RMB55.1 million which were partially offset by (i) fair value gains on conversion right of convertible bond of RMB13.3 million, and (ii) interest income from related parties of RMB16.7 million. Our negative net working capital adjustments primarily consisted of (i) a decrease in contract liabilities of RMB202.4 million, and (ii) an increase in amounts due from related parties of RMB17.6 million, which were partially offset by (i) a decrease in prepayments, deposits and other receivables of RMB36.8 million, (ii) an increase in other payables and accruals of RMB34.6 million, and (iii) an increase in amounts due to related parties of RMB26.5 million.

We had net cash flows from operating activities of RMB500.7 million for the year ended December 31, 2017, which was primarily attributable to (i) a profit before tax of RMB229.4 million, (ii) ajdustments for non-cash items of RMB192.0 million, mainly including depreciation of items of property, plant and equipment of RMB100.7 million and finance costs of RMB144.5 million, and (iii) positive net working capital adjustments of RMB79.6 million. Our positive net working capital adjustments primarily consisted of (i) an increase in contract liabilities of RMB71.7 million, and (ii) an increase in other payables and accruals of RMB32.3 million, which were partially offset by (i) a decrease in amounts due to related parties of RMB15.3 million, and (ii) an increase in prepayments, deposits and other receivables of RMB15.8 million.

We had net cash flows from operating activities of RMB446.1 million for the year ended December 31, 2016, which was primarily attributable to (i) a profit before tax of RMB159.3 million, (ii) adjustments for non-cash items of RMB166.0 million, mainly including depreciation of items of property, plant and equipment of RMB81.7 million and finance costs of RMB76.8 million, and (iii) positive net working capital adjustments of RMB118.2 million. Our positive net working capital adjustments primarily consisted of (i) an increase of RMB91.0 million in contract liabilities, (ii) an increase in other payables and accruals of RMB49.7 million, and partially offset by (iii) an increase in prepayments, deposits and other receivables of RMB17.5 million, an increase in amounts due from related parties of RMB16.4 million.

We had net cash flows from operating activities of RMB277.7 million for the year ended December 31, 2015, which was primarily attributable to (i) a profit before tax of RMB69.1 million, (ii) adjustments for non-cash items of RMB172.9 million, mainly including depreciation of items of property, plant and equipment of RMB67.6 million and finance costs of RMB107.8 million, and (iii) positive net working capital adjustments of RMB27.7 million. Our positive net working capital adjustments primarily consisted of (i) an increase of RMB47.5 million in contract liabilities, and (ii) an increase in other payables and accruals of RMB13.1 million, partially offset by (i) an increase in amounts due from related parties of RMB22.2 million.

Cash Flows Used in Investing Activities

Our expenditures for investing activities were primarily for acquisition of our schools, purchase of property, buildings and equipment and prepaid land lease payments.

We had net cash flows used in investing activities of RMB482.9 million for the three months ended March 31, 2018, which was primarily attributable to (i) purchases of items of property, plant and equipment of RMB277.5 million, (ii) a loan to a independent third party of RMB125.8 million and (iii) an increase in amounts due from related parties of RMB85.9 million, which were partially offset by a decrease in financial assets at fair value through profit or loss of RMB7.5 million.

We had net cash flows used in investing activities of RMB965.2 million for the year ended December 31, 2017, which was primarily attributable to (i) the purchase of items of property, plant and equipment of RMB924.8 million, and (ii) the acquisition of our subsidiary Sichuan TOP Education Co., Ltd. and Sichuan TOP IT Vocational Institute of RMB750.3 million, which were partially offset by (i) the receipt of loans to related parties of RMB534.8 million and (ii) a decrease in pledged deposits of RMB156.9 million.

We had net cash flows used in investing activities of RMB382.0 million for the year ended December 31, 2016, which was primarily attributable to (i) the purchase of items of property, plant and equipment of RMB292.4 million, (ii) additions of pledged deposits of RMB126.5 million, and (iii) additions to prepaid land lease payment of RMB84.5 million, partially offset by (i) receipt of government grants of RMB78.3 million.

We had net cash flows used in investing activities of RMB608.7 million for the year ended December 31, 2015, which was primarily attributable to (i) the purchase of items of property, plant and equipment of RMB249.3 million, (ii) an increase in amounts due from related parties of RMB346.9 million in relation to the loans we provided to Sichuan Tequ Education, our related party, to supplement Sichuan Tequ Education's working capital, which we expect to fully recover upon Listing, and (iii) an increase in financial assets at fair value through profit or loss of RMB114.0 million, which were partially offset by (i) the receipt of loans to related parties of RMB136.0 million, and (ii) a decrease in pledged deposits of RMB93.2 million.

Cash Flows from/(Used in) Financing Activities

Our expenditures for financing activities were primarily for repayment of bank and other borrowings, repayment of borrowings from related parties and repayment of loans from related parties.

We had net cash flows from financing activities of RMB761.1 million for the three months ended March 31, 2018, which was primarily attributable to proceeds from bank and other borrowings of RMB969.1 million, which were partially offset by a repayment of bank and other borrowings of RMB202.0 million.

We had net cash flows from financing activities of RMB503.3 million for the year ended December 31, 2017, which was primarily attributable to (i) the proceeds from bank and other borrowings of RMB2,050.9 million, (ii) proceeds from issue of convertible bonds of RMB600.0 million, and (iii) loans from related parties of RMB150.0 million, which were partially offset by (i) the repayment of bank and other borrowings of RMB1,843.5 million, (ii) repayment of loans from related parties of RMB277.4 million, and (iii) interest paid of RMB161.8 million.

We had net cash flows used in financing activities of RMB13.9 million for the year ended December 31, 2016, which was primarily attributable to (i) the repayment of bank and other borrowings of RMB1,984.2 million, (ii) repayment of loans from related parties of RMB343.5 million, and (iii) interest paid of RMB107.1 million, which were partially offset by (i) the proceeds from bank and other borrowings of RMB2,051.0 million, and (ii) capital injection of RMB300.0 million from a non-controlling shareholder of a subsidiary.

We had net cash flows from financing activities of RMB361.3 million for the year ended December 31, 2015, which was primarily attributable to (i) the proceeds from new bank and other borrowings of RMB1,528.7 million, (ii) borrowings from related parties of RMB205.5 million partially offset by (i) repayment of bank and other borrowings of RMB1,528.7 million, and (ii) interest paid of RMB59.0 million.

Working Capital

We intend to continue to finance our working capital with cash generated from our operations, the net proceeds from the Global Offering and bank loans and other borrowings and other funds raised from the capital markets. We will closely monitor the level of our working capital, particularly in view of our strategy to continue to expand our school network and business operations.

Our future working capital requirements will depend on a number of factors, including, but not limited to, our operating income, the size of our school network, acquisition of suitable schools, the cost of constructing new school premises, maintaining and upgrading existing school premises, purchasing additional educational facilities and equipment for our schools and hiring additional teachers and other educational staff. Based on our available cash balance, the anticipated cash flow from operations, bank loans and other borrowings and the net proceeds from the Global Offering (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below the low-end of the indicated Offer Price), our Directors are of the opinion that we will have sufficient funds to meet our working capital requirements and financial requirements for capital expenditure for at least next 12 months from the date of this prospectus. Subsequent to March 31, 2018, based on the arrangements entered into with the licensed banks in China, the committed and undrawn banking facilities totaling RMB330 million, of which RMB200 million and RMB130 million are available for withdrawal before January 2019 and April 2023, respectively. Based on the review of financial documents and other due diligence documents, discussion with the Directors and the Directors' confirmation, the Joint Sponsors concur with the Directors' view.

CAPITAL EXPENDITURE

Our capital expenditure during the Track Record Period primarily related to constructing new school campuses, maintaining and upgrading the existing school premises, purchasing land use right and purchasing education facilities and equipment. Our capital expenditure primarily consisted of the additions of property, plant and equipment, prepaid land lease payments and other intangible assets. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, our capital expenditure was RMB154.1 million, RMB682.3 million, RMB758.8 million and RMB63.9 million, respectively. The following table sets forth our additions of property, plant and equipment, prepaid land lease payments and other intangible assets, respectively, for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2015	**2016**	**2017**	**2017**	**2018**
	(in thousands of RMB)				
Property, plant and equipment	139,592	641,748	747,330	109,759	59,770
Prepaid land lease payments	11,256	34,508	3,376	—	—
Other intangible assets	3,292	6,049	8,092	1,067	4,091
Total	154,140	682,305	758,798	110,826	63,861

We expect to incur a total of approximately RMB772 million of capital expenditure for the year ending December 31, 2018. Such expected capital expenditure was the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. Based on the best estimate as of the Latest Practicable Date, our total capital expenditure for the year ending December 31, 2019 is expected to be in line with that of 2018. As of the Latest Practicable Date, our undrawn banking borrowings amounted to RMB330 million.

CONTRACTUAL COMMITMENTS

Capital Commitments

Our capital commitments primarily relate to the acquisition of property, plant and equipment and other intangible assets. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As of December 31,			As of March 31,
	2015	**2016**	**2017**	**2018**
	(in thousands of RMB)			
Contracted but not provided for:				
Property, plant and equipment	28,042	138,747	169,849	110,395
Other intangible assets	—	571	3,593	110
Total	28,042	139,318	173,442	110,505

Operating Lease Commitments

As Lessor

We lease out our land and buildings under operating lease arrangements, with leases negotiated for terms ranging from 1 to 7 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 December 31, 2015, 2016 and 2017 and March 31, 2018, we had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(in thousands of RMB)			
Within one year	4,253	10,039	7,412	6,709
After one year but within five years	6,319	6,181	3,891	5,109
More than five years	1,027	801	467	397
	11,599	17,021	11,770	12,215

As Lessee

We lease certain of its office properties, motor vehicles and equipment under operating lease arrangements. Leases for properties and office equipment are negotiated for terms ranging from 1 to 13 years. As of December 31, 2015, 2016 and 2017 and March 31, 2018, our future minimum lease payments under non-cancellable operating leases falling due as follows:

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(in thousands of RMB)			
Within one year	2,203	1,472	4,572	17,329
After one year but within five years	24,191	58,249	79,638	85,761
Over five years	88,504	109,904	117,499	104,539
Total	114,898	169,625	201,709	207,629

INDEBTEDNESS

As of May 31, 2018, the latest practicable date for determining our indebtedness, we had total indebtedness amounting to RMB3,256.4 million.

The following table sets forth a breakdown of our indebtedness by type as of the dates indicated:

	As of December 31,			As of March 31,	As of May 31,
	2015	2016	2017	2018	2018
	(in thousands of RMB)				
Interest-bearing bank and other borrowings	1,562,013	1,629,000	1,879,447	2,639,807	2,865,887
Convertible bonds	15,000	15,000	–	—	—
Composite instrument	—	—	628,990	388,798	390,479
Loans received from related parties	491,162	176,971	—	20,026	—
Total	2,068,175	1,820,971	2,508,437	3,048,631	3,256,366

Interest-bearing Bank and Other Borrowings

Our interest-bearing bank and other borrowings primarily consisted of short-term and long-term working capital loans and long-term project loans for the construction of the school premises. Our bank and other borrowings as of December 31, 2015, 2016 and 2017, March 31 and May 31, 2018 were as follows:

	As of December 31,			As of March 31,	As of May 31,
	2015	2016	2017	2018	2018
	(in thousands of RMB)				
Bank and other borrowings					
Current					
Bank loans					
— secured	311,150	621,000	208,000	438,500	543,500
— unsecured	280,000	90,000	200,000	200,000	200,000
Current portion of long term bank loans					
— secured	—	103,000	—	33,248	45,000
— unsecured	20,000	20,000	109,000	—	—
Current portion of other borrowings — secured	6,863	—	96,986	148,598	142,926
Non-current					
Bank loans					
— secured	870,000	686,000	930,000	940,000	1,055,000
— unsecured	74,000	109,000	—	—	—
Other borrowings					
— secured	—	—	335,461	879,461	879,461
Total	1,562,013	1,629,000	1,879,447	2,639,807	2,865,887

	As of December 31,			As of March 31,	As of May 31,
	2015	2016	2017	2018	2018
	(in thousands of RMB)				
Bank loans repayable:					
Within one year	611,150	834,000	517,000	671,748	788,500
In the second year	500,000	117,000	250,000	290,000	95,000
In the third to fifth years, inclusive	444,000	678,000	680,000	650,000	960,000
	1,555,150	1,629,000	1,447,000	1,611,748	1,843,500
Other borrowings repayable:					
Within one year	6,863	—	96,986	148,598	142,926
In the second year	—	—	104,409	204,409	204,409
In the third to fifth years, inclusive	—	—	231,052	675,052	675,052
	6,863	—	432,447	1,028,059	1,022,387
Total	1,562,013	1,629,000	1,879,447	2,639,807	2,865,887

We primarily borrow loans from commercial banks to supplement our working capital and finance our capital expenditure. The bank and other borrowings as of December 31, 2015, 2016 and 2017, and March 31 and May 31, 2018 were all denominated in Renminbi. As of the Latest Practicable Date, 2018, our undrawn banking borrowings amounted to RMB330.0 million.

All of the equity interests in Sichuan Guojian, the guarantee granted by Hope Education and Mr. Wang Huiwu, and the rights over tuition fees of Southwest Jiaotong University Hope College have been provided to China National Investment and Guaranty Corporation to counter guarantee the Group's other borrowings of RMB432.4 million and RMB434.1 million and RMB435.0 million in relation to issuance of asset-back-securities guaranteed by China National Investment and Guaranty Corporation as at December 31, 2017, and March 31 and May 31, 2018, respectively. The Group's buildings of Sichuan Hope Automotive Vocational College are pledged for the bank loans amounted to RMB140.0 million and RMB140.0 million as at March 31 and May 31, 2018. See Note 24 to the Accountants' Report in Appendix I to this prospectus. 33% and 67% equity interest in Shanghai Shurui have been pledged for the capital contribution of RMB300.0 million by Yixing CEL, and the convertible bonds of RMB200.0 million, respectively, as at March 31, 2018. See Note 25 and Note 26 to the Accountants' Report in Appendix I to this prospectus. On January 31, 2018, all of the of the equity interests of Sichuan TOP Education Co., Ltd. were pledged to AVIC TRUST (中航信託股份有限公司) in connection with the bank loan of RMB600.0 million. As advised by our PRC Legal Advisor, the pledges over the equity interests of Sichuan Guojian, Shanghai Shurui and Sichuan TOP Education Co., Ltd. are not the pledges of educational assets to obtain loans, and therefore are not prohibited by the PRC Laws.

As at December 31, 2016, rights over tuition fees of Sichuan Tianyi College has been pledged for bank loan of RMB99.0 million from Luzhou City Commercial Bank (瀘州市商業銀行) and bank loan of RMB20.0 million from Fubon Bank (富邦華一銀行). As at December 31, 2017, rights over tuition fees of Sichuan Tianyi College has been pledged for bank loan of RMB130.0 million from ICBC (中國工商銀行) and bank loan of RMB300.0 million from BOC (中國銀行). As advised by our PRC Legal Advisor, the abovementioned multiple pledges on rights over the tuition fees of Sichuan Tianyi College are not prohibited by the PRC laws and regulations. As at March 31, 2018, right over tuition fees of Sichuan Tianyi College has been pledged for bank loan of RMB173.2 million from Industrial and Commercial Bank of China and bank loan of RMB300.0 million from Bank of China.

As at March 31 and May 31, 2018, right over tuition fees of Sichuan TOP IT Vocational Institute has been pledged for other borrowing of RMB600.0 million in relation to issuance of asset-backed securities. Meanwhile, right over tuition fees of Sichuan TOP IT Vocational School, a related party controlled by Tequ Education, has been pledged for the abovementioned other borrowing of RMB600.0 million.

The table below sets forth the effective interest rates range (per annum) of our bank loans and other borrowings as of the dates indicated:

	As of December 31,			As of March 31,	As of May 31,
	2015	**2016**	**2017**	**2018**	**2018**
Bank loans and other borrowings	3%-13.45%	3.92%-7.5%	4.75%-7.5%	4.75%-7.5%	4.75%-7.5%

During the Track Record Period and up to May 31, 2018, the latest practicable date for determining our indebtedness, certain of our bank and other borrowings were secured by (i) our Group's right over tuition and boarding fees, (ii) property owned by our Group (including three residential buildings with a total gross floor area of approximately 76,687.43 sq.m. owned by Sichuan Hope Automotive Vocational College which were in turn subject to a mortgage for our Group's bank borrowings incurred on January 23, 2018), (iii) our Group's time deposits, and (iv) guarantees provided by our Group's related parties. All guarantees and collaterals provided by our Group's related parties will be released upon the Listing.

Convertible Bonds and Composite Instruments

On July 2, 2015, Sichuan Yonghe issued convertible bonds with a nominal value of RMB15.0 million. Before July 1, 2018, the bonds were convertible at the option of the bondholders into equity interests of Sichuan Yonghe with the agreed percentage up to 9.09%. Such convertible bonds carry interest at a rate of 6% per annum, which is payable quarterly in arrears on March 31, June 30, September 30 and December 31, respectively in each year. The contract was terminated and Sichuan Yonghe redeemed such convertible bonds in May 2017.

On August 22, 2017, Hope Education issued a composite instrument of RMB600 million which was consisted of a loan without any conversion right with interest at a rate of 7% amounted to RM400 million and convertible bonds with interest at a rate of 8% amounted to RMB200 million, to Zhuhai Maiwen Investment. Unless the conversion option is exercised, an additional interest rate of 1% will be charged based on the principal of RMB400 million. Zhuhai Maiwen converted the convertible bonds into approximately 4.762% of the equity interest of Hope Education and our Company on June 8, 2018 and July 3, 2018, respectively. For more information of the composite instrument, see "History, Reorganization and Corporate Structure — Pre-IPO Investments — Pre-IPO Composite Instrument" and "Appendix I — Accountants' Report — II. Notes to the Historical Financial Information — 25. Convertible Bonds."

Amount due to Related Parties

As of December 31, 2015, 2016 and 2017, March 31, 2018 and May 31, 2018, we had loans received from related parties of RMB491.2 million, RMB177.0 million, nil, RMB20.0 million and nil, respectively, which mainly comprised of interest-bearing loans from West Hope and Sichuan Tequ Investment. During the Track Record Period, we received loans from West Hope with the effective interest rates ranging from 6% to 8% per annum. The loans are unsecured and are repayable on demand or within one year. As of December 31, 2015, 2016 and 2017, March 31, 2018 and May 31, 2018, the total outstanding amounts of loans and interests due to West Hope were RMB202.6 million, RMB177.0 million, nil, nil and nil, respectively. During the Track Record Period, we received loans from Sichuan Tequ Investment with the effective interest rates ranging from 8.02% to 12% per annum. The loans are unsecured and are repayable on demand or within three years. As of December 31, 2015, 2016 and 2017, March 31, 2018 and May 31, 2018, the total outstanding amounts of loans and interests due to Sichuan Tequ Investment were RMB288.5 million, nil, nil, RMB20.0 million and nil, respectively.

Statement of Indebtedness

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenants. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Except as disclosed above, as of May 31, 2018, being the latest practicable date for determining our indebtedness, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there has not been any material change in our indebtedness and contingent liabilities since May 31, 2018.

Contingent Liabilities

As of May 31, 2018, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group. Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Group since May 31, 2018.

Off-balance Sheet Commitments and Arrangements

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

LISTING EXPENSES

We expect to incur a total of RMB112.3 million of listing expenses (assuming an Offer Price of HK$1.72, being the mid-point of the indicative Offer Price range between HK$1.52 and HK$1.92, and assuming that the Over-allotment Option is not exercised at all) in relation to the Global Offering, of which RMB21.0 million were charged to our consolidated statements of profit or loss and other comprehensive income and RMB5.9 million was directly attributable to the issue of the Shares to the public and was capitalized during the Track Record Period. For the remaining expenses, we expect to charge approximately RMB17.4 million to our profit or loss and to capitalize approximately RMB68.0 million. Listing expenses represent professional fees and other fees incurred in connection with the Global Offering, including underwriting commissions and discretionary bonus. The listing expenses above were the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. We do not expect these listing expenses to have a material impact on our results of operations for the year ended December 31, 2018.

FINANCIAL RATIOS

	As of/for the year ended December 31,			As of/for the three months ended March 31,
	2015	2016	2017	2018
EBITDA margin(1)	53.4%	54.6%	65.8%	63.7%
Net profit margin(2)	13.4%	25.2%	27.9%	20.8%
Return on assets(3)	1.7%	3.4%	3.7%	3.0%
Return on equity(4)	26.2%	31.3%	30.9%	15.1%
Current ratio(5)	0.74	0.67	0.50	0.76
Gearing ratio(6)	6.31	3.32	2.77	2.16

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

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

(3) Return on assets equals profit for the year/period divided by the total assets as of the end of the year/period. Return on assets for the three months ended March 31, 2018 was calculated using the profit for the three months ended March 31, 2018 adjusted on an annualized basis.

(4) Return on equity equals profit for the year/period divided by the total equity amounts as of the end of the year/period. Return on equity for the three months ended March 31, 2018 was calculated using the profit for the three months ended March 31, 2018 adjusted on an annualized basis.

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

(6) Gearing ratio equals the sum of interest-bearing bank and other borrowings and convertible bonds divided by total equity as of the end of the year/period.

EBITDA Margin

Our EBITDA margin increased from 53.4% for the year ended December 31, 2015 to 54.6% for the year ended December 31, 2016, primarily reflecting that our EBITDA increased from RMB259.8 million in 2015 to RMB335.6 million in 2016, which was in line with the growth of our revenue during the same period.

Our EBITDA margin increased from 54.6% for the year ended December 31, 2016 to 65.8% for the year ended December 31, 2017, primarily reflecting that our EBITDA increased from RMB335.6 million in 2016 to RMB495.4 million in 2017, which outpaced the growth of our revenue during the same period. The increase in EBITDA was mainly due to our increased profit before tax, finance costs, and other income and gains in 2017.

Our EBITDA margin decreased from 65.8% for the year ended December 31, 2017 to 63.7% for the three months ended March 31, 2018, primarily reflecting that the growth of our revenue for the three months ended March 31, 2018 outpaced the growth of our EBITDA during the same period, primarily due to our incresed cost of sales.

Net Profit Margin

Our net profit margin increased from 13.4% for the year ended December 31, 2015 to 25.2% for the year ended December 31, 2016, primarily due to the increase in our gross profit and the decrease in finance costs in 2016.

Our net profit margin increased from 25.2% for the year ended December 31, 2016 to 27.9% for the year ended December 31, 2017, primarily reflecting (i) the increase in our gross profit attributable to our business growth, and (ii) the increase in other income and gains, which was mainly driven by increases in interest income from bank balances, service income and gain on disposal of items of property, plant and equipment.

Our net profit margin decreased from 27.9% for the year ended December 31, 2018 to 20.8% for the three months ended March 31, 2018, primarily due to increases in our Administrative expenses and Finance costs.

Return on Assets and Return on Equity

Our return on assets ratio increased from 1.7% for the year ended December 31, 2015 to 3.4% for the year ended December 31, 2016, primarily due to (i) the increase in the profit for the year in 2016 was greater than the increase in total assets, which was because the increase in revenue resulting from the increase in the student enrollment was greater than the increase in asset investment, and (ii) the decrease in financial costs in 2016. Our return on assets ratio further increased from 3.4% for the year ended December 31, 2016 to 3.7% for the year ended December 31, 2017, primarily due to the increase in the profit for the year in 2017 was greater than the increase in total assets, which was because the increase in revenue resulting from the increase in the student enrollment was greater than the increase in asset investment. Our return on assets ratio decrease to 3.0% for the three months ended March 31, 2018, primarily due to the decrease in the annualised profit for the three months ended March 31, 2018 and the increase in total assets, which was primarily because of the increase in prepayments, deposits and other receivables.

Our return on equity ratio increased from 26.2% for the year ended December 31, 2015 to 31.3% for the year ended December 31, 2016, which was primarily due to (i) the increase in the student enrollment in 2016, which resulted in the increase in revenue; and (ii) the decrease in financial costs in 2016. Our return on equity ratio is 31.3% and 30.9% for the year ended December 31, 2016 and for the year ended December 31, 2017, respectively. Our return on equity ratio decreased to 15.1% for the three months ended March 31, 2018, which was primarily due to the decrease in the annualised profit for the three months ended March 31, 2018 and the increase in total equity amounts, which was primarily because of the increased capital reserve.

Current Ratio

Our current ratio from 0.74 as of December 31, 2015 decreased to 0.67 as of December 31, 2016, which was primarily due to the increase in current liabilities is greater than the increase in current assets, and the increase in current liabilities mainly includes increase in the amount of short-term borrowings and contract liabilities resulting from the increase in the student enrollment.

Our current ratio further decreased to 0.50 as of December 31, 2017, primarily due to a decrease of RMB607.0 million in our current assets, which was partially offset by a decrease of RMB357.2 million in current liabilities. The decrease in current assets mainly includes a decrease of RMB526.5 million in amount due from related parties, and the decrease in current liabilities mainly includes (i) a decrease of RMB420.6 million in amounts due to related parties, and (ii) a decrease of RMB220.0 million in bank and other borrowings, which were partially offset by (i) an increase of RMB146.3 million in contract liabilities, and (ii) an increase of RMB117.4 million in other payables and accruals.

Our current ratio increased from 0.50 for the the year ended December 31, 2017 to 0.76 for the three months ended March 31, 2018, which was primarily due to the increase in our current assets outpaced the decrease in current liabilities.

Gearing Ratio

Our gearing ratio decreased from 6.31 as of December 31, 2015 to 3.32 as of December 31, 2016, primarily due to an increase in our total equity attributable to our retained profit and the capital contribution of RMB300 million made by Yixing CEL to us in June 2016.

Our gearing ratio decreased from 3.32 as of December 31, 2016 to 2.77 as of December 31, 2017, primarily due to the increase in our total equity mainly attributable to our retained profit outpaced the increase in our total interest bearing bank and other borrowings.

Our gearing ratio decreased from 2.77 as of December 31, 2017 to 2.16 as of March 31, 2018 primarily due to the increase in our total equity mainly attributable to increased capital reserve outpaced the increase in our total interest bearing bank and other borrowings.

We had high gearing ratio primarily due to the high level of debt financing to fund our acquisition and constructions of school premises and supplement working capital during the Track Record Period. As of December 31, 2015, 2016 and 2017 and March 31, 2018, we had total debt of RMB1.6 billion, RMB1.6 billion, RMB1.9 billion and RMB2.6 billion, respectively, consisting of interest-bearing bank and other borrowings and convertible bonds. We acquired three schools in 2014 and one school in 2017 and also established two schools in 2016. We expect to improve our high gearing position by (i) settlement of the receivables due from related parties of RMB457.5 million that are non-trade in nature as of May 31, 2018 before Listing, (ii) receiving the net proceeds from the Global Offering, and (iii) receiving funds generated from our business operations, including tuition fees and boarding fees to be received from our students for the 2018/2019 school year.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of financial risks, including interest rate risk, credit risk and liquidity risk, as set out below. We regularly monitor our exposure to these risks. As of the Latest Practicable Date, we did not hedge or consider it was necessary to hedge any of these risks.

Interest rate risk

Our exposure to the risk of changes in market interest rates relates primarily to our bank and other borrowings with floating interest rates. We have not used any interest swaps to hedge our exposure to interest rate risk.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, our post-tax profit for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, would decrease/increase by RMB470,000, RMB870,000, RMB3,367,000 and RMB4,958,000, respectively. This is mainly attributable to our exposure to interest rates on its bank balances and borrowings with variable rate.

Credit risk

The credit risk of our other financial assets, which comprise cash and cash equivalents, amounts due from related parties, entrusted loans to related parties and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since we trade only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group.

Liquidity risk

We recorded net current liabilities of RMB537.3 million, RMB804.4 million, RMB1,054.2 million and RMB481.5 million as of December 31, 2015, 2016 and 2017 and March 31, 2018, respectively. Included therein, we recorded contract liabilities of RMB297.9 million, RMB389.0 million, RMB535.3 million and RMB332.9 million as of December 31, 2015, 2016 and 2017 and March 31, 2018, respectively.

In view of the net current liabilities position, our Directors have given careful consideration to the future liquidity and performance of our Group and the available sources of finance in assessing whether our Group will have sufficient financial resources to continue as a going concern. Having considered the cash flows from operations and the available resource of finance, our Directors are of the opinion that our Group is able to meet in full our 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.

For further details about our liquidity risk, see Note 38 to the Accountants' Report in Appendix I to this prospectus.

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 March 31, 2018.

DIVIDEND

Our Group currently does not have a pre-determined dividend policy. As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and particularly, our schools, which are primarily incorporated in the PRC. Pursuant to the laws applicable to the PRC's Foreign Investment Enterprises, our Company's PRC subsidiaries must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. These reserves include a general reserve and a development fund. Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. Prior to the Amendment becoming effective, PRC laws and regulations require private schools where the school sponsors require reasonable returns to make annual appropriations of 25% of the annual net income to its development fund prior to payments of reasonable returns. Such appropriations are required to be used for the construction or maintenance of the school or for the procurement or upgrading of educational equipment. In the case of a private school where the school sponsors do not require reasonable returns, the school is required to make annual appropriations equivalent to no less than 25% of the annual increase of net assets of the school as determined in accordance with generally accepted accounting principles in the PRC. Whether our schools shall continue to make allocations to the development fund as required above after the Amendment becoming effective will be subject to future regulations that are yet to be introduced. Seven out of our nine schools require reasonable returns.

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

In 2015, 2016, and 2017 and for the three months ended March 31, 2018, we did not declare or pay any dividends to our Shareholders.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuation firm, has valued the properties held by us as of May 31, 2018. The text of its letter, summary of values and valuation certificate are set out in the property valuation report as set forth in Appendix III to this prospectus.

The following table presents the reconciliation of the net book value of the relevant property interests as of March 31, 2018 to their market value as of May 31, 2018 attributed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited as stated in the valuation certificate in the property valuation report as set forth in Appendix III to this prospectus:

	In thousands of RMB
Net book value of the following properties as of March 31, 2018:	
Buildings and construction in progress included in property, plant and equipment	3,000,820
Prepaid land lease payments	604,510
Less: Lease payment located on allocated land without commercial value	350,917
	3,254,413
Valuation surplus	431,238
Valuation as of May 31, 2018	3,685,651

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 March 31, 2018 and there is no event since March 31, 2018 which would materially affect the information shown in our Consolidated Financial Statements included in the Accountants' Report in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following our unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA for illustration purpose only, and is set out below to illustrate the effect of the Global Offering on our unaudited consolidated net tangible assets as of March 31, 2018 as if it had taken place on that date.

Our unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of March 31, 2018 or any future date. It is prepared based on our consolidated net tangible assets as of March 31, 2018 as set out in the section headed "Accountants' Report" in Appendix I to this prospectus, and adjusted as described below:

	Unaudited consolidated net tangible assets attributable to owners of our Company as of March 31, 2018(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share(3)	
	(in thousands of RMB)			*(RMB)*	*(HK$)*
Based on an Offer Price of HK$1.37 per Share after a Downward Offer Price Adjustment of 10%	615,477	1,863,993	2,479,470	0.37	0.44
Based on an Offer Price of HK$1.52 per Share	615,477	2,070,577	2,686,054	0.40	0.47
Based on an Offer Price of HK$1.92 per Share	615,477	2,621,470	3,236,947	0.49	0.57

Notes:

(1) The unaudited consolidated net tangible assets attributable to owners of our Company as of March 31, 2018 is extracted from the Accountants' Report, which is based on the audited consolidated net assets attributable to owners of our Company as of March 31, 2018 of approximately RMB1,217.5 million less the intangible assets of our Group as of March 31, 2018 of approximately RMB602.0 million.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$1.52 per Share and HK$1.92 per Share, and also based on an Offer Price of HK$1.37 per Offer Share after making a Downward Offer Price Adjustment of 10%, after deduction of the underwriting fees and other related expenses payable by our Company, and assuming the Over-allotment Option is not exercised and no Shares are issued upon the exercise of options that may be granted under the 2018 Pre-IPO Share Option Scheme or allotted and issued or repurchased by the Company pursuant to the general mandates. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1 to RMB0.8502 prevailing on July 13, 2018.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 6,666,668,000 Shares in issue immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Pre-IPO Share Options.

FUTURE PLANS

See "Business — Our Business Strategies" for a detailed discussion of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$2,734.6 million (after deducting the underwriting fees, commissions and estimated expenses payable by us in relation to the Global Offering), assuming the Over-allotment Option is not exercised at all and an Offer Price of HK$1.72 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus. We intend to use the net proceeds we receive from the Global Offering as follows:

- approximately 40% (approximately HK$1,093.8 million) to acquire higher education schools and to establish new campuses for the acquired schools;

  We expect to acquire three to four higher education schools for the two years ending December 31, 2019. Such expected plans are based on the best estimate as of the Latest Practicable Date and are subject to change, and we may adjust our plans according to our business strategies, the market conditions and various other factors we believe to be appropriate.

  As of the Latest Practicable Date, we had not identified any specific acquisition target or confirmed the number of schools to be acquired or the timeframe for incurring the acquisition expenditure;

- approximately 30% (approximately HK$820.4 million) to construct new buildings for education purpose, including (i) buildings under constructions for Sichuan Tianyi College and Guizhou Vocational Institute of Technology; and (ii) buildings to be constructed for Jinci College of Shanxi Medical University and Southwest Jiaotong University Hope College;

- approximately 20% (approximately HK$546.9 million) to repay certain portion of our following bank loans and other borrowings; and

Lender	**Outstanding amount as of March 31, 2018**	**Interest rate**	**Maturity date**	**Usage**
	(RMB)			
COFCO Trust Co., Ltd.	523,000,000	7.50%	January 30, 2022	Development, construction and supplement working capital
Fubon Bank	35,000,000	6.50%	September 28, 2018	Supplement working capital
Fubon Bank	45,000,000	6.50%	September 28, 2018	Supplement working capital
	603,000,000			

- approximately 10% (approximately HK$273.5 million) for working capital and general corporate purpose.

To the extent that our actual net proceeds from the Global Offering is higher or lower than our estimate above, we will increase or decrease our allocation of the net proceeds for the above purposes accordingly on a pro rata basis.

In the event that the Over-allotment Option is not exercised at all and after deducting the underwriting fees, commissions and estimated expenses payable by us in relation to the Global Offering, we estimate that we will receive net proceeds from the Global Offering of approximately HK$3,058.6 million assuming the Offer Price is determined to be HK$1.92 per Share, being the high-end of the indicative offer price range stated in this prospectus, approximately HK$2,410.6 million, assuming the Offer Price is determined to be HK$1.52 per Share, being the low-end of the indicative Offer Price range stated in this prospectus, and approximately HK$2,167.6 million, assuming the Offer Price is determined to be HK$1.37 per Share, being up to 10% below the low-end of indicative Offer Price range stated in this prospectus.

In the event that the Over-allotment Option is exercised in full and after deducting the underwriting fees, commissions and estimated expenses payable by us in relation to the Global Offering, we estimate that we will receive net proceeds from the Global Offering of approximately HK$3,525.1 million assuming the Offer Price is determined to be HK$1.92 per Share, being the high-end of the indicative offer price range stated in this prospectus, approximately HK$2,780.0 million, assuming the Offer Price is determined to be HK$1.52 per Share, being the low-end of the indicative Offer Price range stated in this prospectus, and approximately HK$2,500.5 million, assuming the Offer Price is determined to be HK$1.37 per Share, being up to 10% below the low-end of indicative Offer Price range stated in this prospectus. Additional net proceeds received due to the exercise of any Over-allotment Option will be used for the above purposes accordingly on a pro rata basis.

To the extent that the net proceeds of the Global Offering we receive are not immediately used for the above purposes, we may allocate part or all of the proceeds to short-term interest-bearing deposits or money-market instruments with licensed banks or authorized financial institutions in Hong Kong or the PRC.

We will issue announcement, where required, if there is any material change in the abovementioned use of proceeds.

HONG KONG UNDERWRITERS

Citigroup Global Markets Asia Limited

China Merchants Securities (HK) Co., Limited

CCB International Capital Limited

ABCI Securities Company Limited

China Everbright Securities (HK) Limited

First Capital Securities Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 166,668,000 Hong Kong Public Offer Shares and the International Offering of initially 1,500,000,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering" as well as to the Over-allotment Option (in the case of International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 166,668,000 Hong Kong Public 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 (a) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in the Shares in issue and to be offered as mentioned herein and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Public Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or to procure subscribers for the Hong Kong Public Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by written notice to us from the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if, prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any local, national, regional or international event, or series of events, 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 of infectious 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 (whether or not responsibility has been claimed) in or affecting Hong Kong, the PRC, the Cayman Islands, the United States, the United Kingdom, any member of the European Union, Japan, Singapore or any other jurisdiction relevant to any member of the Group or the Global Offering (collectively, the "**Relevant Jurisdictions**");

(ii) any change, or any development involving a prospective change (whether or not permanent), or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, investment markets, financial markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the SEHK, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange or the Shanghai Stock Exchange or the Shenzhen Stock Exchange;

(iv) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of the Company or of any other member of the Group listed or quoted on a stock exchange or an over-the-counter market; or

(v) 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, the PRC, the European Union (or any member thereof), the

Cayman Islands, Japan, Singapore or any other jurisdiction relevant to any member of the Group or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions;

(vi) 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 any governmental authority in or affecting any of the Relevant Jurisdictions;

(vii) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions in respect of any jurisdiction relevant to the business operations of any member of the Group;

(viii) any valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity;

(ix) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the RMB against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares;

(x) any litigation or claim of any third party being threatened or instigated against any member of the Group or any of the Warrantors not specifically disclosed in the Hong Kong Prospectus;

(xi) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company;

(xii) the chairman or chief executive officer of the Company vacating his or her office;

(xiii) an Authority or a political body or organization in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director;

(xiv) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including Shares to be allotted and issued under the Over-allotment Option) pursuant to the terms of the Global Offering;

(xv) a contravention by any member of the Group of the Listing Rules or applicable Laws;

(xvi) non-compliance of the Hong Kong Prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws;

(xvii) the issue or requirement to issue by the Company of any supplement or amendment to the Hong Kong Prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, the Company (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the SEHK and/or the SFC without proper consent of the Joint Global Coordinators;

(xviii) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (1) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Global Coordinators:

(i) that any statement contained in any of this prospectus, the Application Forms and/or in any notices, announcements, post hearing information pack, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, or inaccurate in any respect or misleading, or that any forecast, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and/ or any notices, announcements, post hearing information pack, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission of a material fact from any of this prospectus, the Application Forms and/or in any notices, announcements, post hearing information proof, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(iii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Joint Sponsors, Joint Global Coordinators, the Hong Kong Underwriters or the International Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the terms of the Hong Kong Underwriting Agreement; or

(v) any material adverse change or development involving a prospective adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise or performance of the Group as a whole; or

(vi) any breach of, or any matter or event rendering untrue, incorrect, inaccurate or misleading in any respect, any of the warranties in the Hong Kong Underwriting Agreement; or

(vii) approval by the Listing Committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) *Undertakings by us*

Except for the offer and sale of Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the issue of Shares pursuant to the terms of the 2018 Pre-IPO Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**Underwriting Six-month Period**"), we have undertaken to each of the Joint Global Coordinators and the Hong Kong Underwriters that we shall not, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the 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 or other securities of such other member of the Group, as applicable, or deposit any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, with a depositary in connection with the issue of depositary receipts); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of the 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 or other securities of such other member of the Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of the Company or Shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). In the event that, during the period of six months commencing on the date on which the Underwriting Six-month Period expires, the Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

The Company has agreed and undertaken that it will not effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below the minimum public float requirements specified in the Listing Rules or such lesser percentage as may be agreed by the Hong Kong Stock Exchange pursuant to a waiver on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters).

(B) *Undertakings by certain Controlling Shareholders*

Each of Hope Education Investment Limited, Tequ Group A Limited, Maysunshine Limited, Tequ Group (Hong Kong) Company Limited, Shanghai Yi Zheng Management Co., Ltd. (上海乙增管理有限公司), Sichuan Tequ Investment Group Limited, Zhang Qiang (張強) and Wang Huiwu (汪輝武) has undertaken to each of the Company, the Joint Global Coordinators and the Hong Kong Underwriters that, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) it will not and it will procure that none of its associates or companies controlled by it or any nominee or trustee holding in trust for it will, at any time during the period commencing on the Listing Date and ending on, and including, the date that is six months after the Listing Date, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the 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 any such other securities, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or any other securities of the Company or any interest therein in (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of the Company, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

(b) it will not, during the period of six months commencing on the date on which the Underwriting Six-month Period expires, enter into any of the transactions specified in paragraphs (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction unless in compliance with the requirements of the Listing Rules; and

(c) until the expiry of the period referred to in paragraph (b) above, in the event that it enters into any of the transactions specified in paragraphs (a)(i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Each of Hope Education Investment Limited, Tequ Group A Limited, Maysunshine Limited, Tequ Group (Hong Kong) Company Limited, Shanghai Yi Zheng Management Co., Ltd. (上海乙增管理有限公司), Sichuan Tequ Investment Group Limited, Zhang Qiang (張強) and Wang Huiwu (汪輝武) has further undertaken with each of the Company, the Joint Global Coordinators and the Hong Kong Underwriters that, it will, at any time within the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is 12 months after the Listing Date, immediately inform the Company and the Joint Global Coordinators of:

(a) any pledges or charges of any Shares or other securities of the Company beneficially owned by it, together with the number of Shares or other securities of the Company so pledged or charged and the purpose for which such pledge or charge is to be created; and

(b) any indication received by it, either verbal or written, from the pledgee or chargee of any Shares or other securities of the Company pledged or charged that such Shares or other securities of the Company so pledged or charged will be disposed of.

The Company has agreed and undertaken to the Joint Global Coordinators and each of the Hong Kong Underwriters that upon receiving such information in writing from any of our Controlling Shareholders, it shall, as soon as practicable, notify the Hong Kong Stock Exchange and make a public disclosure in relation to such information in accordance with the Listing Rules, where applicable.

Undertakings pursuant to the Listing Rules

(A) *Undertakings by us*

We have undertaken to the Hong Kong Stock Exchange that, except in certain circumstances prescribed by Rule 10.08 of the Hong Kong Listing Rules or pursuant to the Global Offering and the Over-allotment Option or pursuant to the exercise of any options which may be granted pursuant to the 2018 Pre-IPO Share Option Scheme, no further shares or securities convertible into shares 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 date on which our Shares first commence dealing on the Hong Kong Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing).

(B) *Undertakings by our Controlling Shareholders*

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to us and the Hong Kong Stock Exchange that, except pursuant to the Global Offering, our Controlling Shareholders shall not:

(a) in the period commencing on the date of this Prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Hong Kong Stock Exchange (the "**First Six-month Period**"), dispose of, enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, either directly or indirectly, conditionally or unconditionally, (but save pursuant to a pledge or charge as security for a bona fide commercial loan) any of the Shares or securities of the Company owned by our Controlling Shareholders (the "**Relevant Securities**"); and

(b) in the period of the following six months commencing from the expiry of the First Six-month Period, dispose of, enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, either directly or indirectly, conditionally or unconditionally, (but save pursuant to a pledge or charge as security for a bona fide commercial loan) any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

In accordance with Note 3 to Rule 10.07(2) of the Listing Rules, our Controlling Shareholders have also undertaken to the Hong Kong Stock Exchange and us 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:

(c) when it pledges or charges any of shares or of other share capital beneficially owned by it 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, immediately inform us of such pledge or charge together with the number of such shares or other securities so pledged or charged; and

(d) when it receives any indications, either verbal or written, from any pledgee or chargee of any of shares or of other securities pledged or charged that such shares or securities will be disposed of, immediately inform us of any such indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholders and announce such as soon as possible after being so informed by our Controlling Shareholders.

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, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares that are not taken up under the International Offering.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators 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. Pursuant to the Over-allotment Option, we may be required to sell up to 250,000,000 Shares, representing approximately 15% of the maximum number of Offer Shares initially available under the Global Offering at the Offer Price to, among other things, cover over allocations (if any) in the International Offering. It is expected the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Commissions and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 2% on the Offer Price of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Public Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Joint Global Coordinators and the relevant International Underwriters (but not the Hong Kong Underwriters). Our Company may, at our sole and absolute discretion, pay to the Joint Global Coordinators an incentive fee up to but not exceeding 0.8% of the Offer Price for each Offer Share.

Assuming an Offer Price of HK$1.72 per Share (being the mid-point of the indicative Offer Price range), the listing expenses, representing professional and other fees incurred in relation to the Global Offering, including underwriting commissions and discretionary bonus (collectively the "**Commissions and Fees**"), are estimated to be approximately RMB112.3 million (assuming the Over-allotment Option is not exercised at all) in total.

The Commissions and Fees were determined after arm's-length negotiation between the Company and the Hong Kong Underwriters or other parties by reference to the current market conditions.

Indemnity

Our Company has agreed to indemnify the Hong Kong Underwriters for certain losses that they may suffer, including certain losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in the Company

Save as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or 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.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

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 as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity 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 underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the 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 such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager 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

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Citigroup Global Markets Asia Limited and China Merchants Securities (HK) Co., Limited are the Joint Sponsors and Joint Global Coordinators of the Global Offering.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

(i) the Hong Kong Public Offering of 166,668,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below under the section headed "– The Hong Kong Public Offering;" and

(ii) the International Offering of 1,500,000,000 Shares (subject to adjustment as mentioned below) outside the United States in accordance with Regulation S and in the United States to Qualified Institutional Buyers, or QIBs, in accordance with Rule 144A.

The Offer Shares will represent approximately 25% of the total issued share capital of our Company immediately after completion of the Global Offering (assuming no exercise of the Over-allotment Option and any option that have been or may be granted under our Share Option Scheme). If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital immediately following the completion of the Global Offering (assuming no exercise of any option that have been or may be granted under our Share Option Scheme) and the exercise of the Over-allotment Option as set out in the paragraph headed "— The International Offering — Over-allotment Option" below.

Investors may apply for the Hong Kong Public Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong, other jurisdictions outside the United States in accordance with Regulation S and in the United States to Qualified Institutional Buyers, or QIBs, in accordance with Rule 144A. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Public Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the section headed "— Pricing and Allocation."

INTERNATIONAL OFFERING

HONG KONG PUBLIC OFFER SHARES

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

We are initially offering 166,668,000 Shares at the Offer Price under the Hong Kong Public Offering, representing approximately 10% of the 1,666,668,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent approximately 2.5% of our total issued share capital immediately after completion of the Global Offering.

In Hong Kong, individual retail investors are expected to apply for Hong Kong Public Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Hong Kong Public Offer Shares.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the paragraph headed "— Conditions of the Global Offering" below.

Hong Kong Public Offer Shares

Allocation

Allocation of Hong Kong Public 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 Public Offer Shares validly applied for by applicants. The allocation of Hong Kong Public Offer Shares 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 Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

For allocation purposes, the 166,668,000 Shares initially being offered for subscription under the Hong Kong Public Offering will be divided equally (to the nearest board lot) into two pools: Pool A comprising 83,334,000 Hong Kong Public Offer Shares and Pool B comprising 83,334,000 Hong Kong Public Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Public Offer Shares with a total amount (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) of HK$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Public Offer Shares with a total amount (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) of over HK$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Public Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications within either pool or between the pools and any application for more than 50% of the 166,668,000 Shares initially comprised in the Hong Kong Public Offering (that is 83,334,000 Hong Kong Public Offer Shares) are liable to be rejected.

Reallocation and Clawback

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Public Offer Shares available under the Hong Kong Public Offering, the total number of Hong Kong Public Offer Shares available under the Hong Kong Public Offering will be increased to 500,004,000, 666,668,000 and 833,336,000 Shares, respectively, representing approximately 30% (in the case of (i)), approximately 40% (in the case of (ii)) and approximately 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and such reallocation being referred to in this prospectus as “Mandatory Reallocation.” In such cases, the number of Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate, and such additional Shares will be allocated to Pool A and Pool B.

If the Hong Kong Public Offer Shares are not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate. In addition to any Mandatory Reallocation which may be required, the Joint Global Coordinators may, at their discretion, reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered. References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

Application

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, upon application, the maximum Offer Price of HK$1.92 per Offer Share in addition to any brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "— Pricing of the Global Offering" below, is less than the maximum Offer Price of HK$1.92 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The number of International Offer Shares to be initially offered for subscription under the International Offering will be 1,500,000,000 Shares, representing approximately 90% of the Offer Shares under the Global Offering. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent approximately 22.5% of our total issued share capital immediately after completion of the Global Offering assuming no exercise of the Over-allotment Option and any option that have been or may be granted under our 2018 Pre-IPO Share Option Scheme.

Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place the Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in accordance with Regulation S and in the United States to Qualified Institutional Buyers, or QIBs, in accordance with Rule 144A. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and us and will be based on a number of factors including the level and timing of demand, 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, and/or hold or sell Offer Shares after the listing of the Shares on the Hong Kong Stock

Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our shareholders as a whole.

Reallocation and Clawback

The total number of International Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed "—The Hong Kong Public Offering — Reallocation and Clawback" in this section, exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Hong Kong Public Offer Shares to the International Offering.

Over-allotment Option

We expect to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging of Application Forms under the Hong Kong Public Offering. A press announcement will be made in the event that the Over-allotment Option is exercised.

Pursuant to the Over-allotment Option, we may be required to issue up to 250,000,000 Shares, representing approximately 15% of the maximum number of Offer Shares initially available under the Global Offering at the Offer Price, to among other things, over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional International Offer Shares to be issued pursuant thereto will represent approximately 3.61% of the issued share capital of the Company immediately after the completion of the Global Offering (assuming no exercise of any option that have been or may be granted under our Share Option Scheme).

PRICING OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around July 27, 2018 and in no event later than August 2, 2018.

The Offer Price will be not more than the maximum offer price as stated in the Application Forms. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$1.92 per Share plus brokerage of 1%, SFC transaction levy of 0.0027% and the Hong Kong Stock Exchange trading fee of 0.005% amounting to a total of HK$3,878.69 for one board lot of 2,000 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 price range stated in this prospectus (subject to a Downward Offer Price Adjustment).**

The Joint Global Coordinators (for themselves 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 low-end of the indicative Offer Price range, at any time on or prior to the Expected Price Determination Date.

In such situation, the Company will, as soon as practicable following the decision to set the final Offer Price below the low-end of the indicative Offer Price range, publish on the website of the Stock Exchange (**www.hkexnews.hk**) and the Company's website (**www.hope55.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 August 2, 2018. The Offer Price announced following making of a Downward 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.

Before submitting applications for Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

If applications for Hong Kong Public Offer Shares have been submitted prior to the day that is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the Offer Price is so reduced, such applications can subsequently be withdrawn.

Irrespective of whether a Downward Offer Price Adjustment is made, the final Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the results of applications and basis of allotment of the Hong Kong Public Offer Shares are expected to be announced on August 2, 2018 through a variety of channels described in the section headed "How to Apply for Hong Kong Public Offer Shares — Publication of Results".

INTERNATIONAL OFFERING STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited. The price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, Citigroup Global Markets Asia Limited, as Stabilization Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other 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 for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilization Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilization Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 250,000,000 Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering. Stabilizing action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization and stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the SFO includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilization Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;

- there is no certainty regarding the extent to which and the time period for which the Stabilization Manager, or any person acting for it, will maintain such a position;

- liquidation of any such long position by the Stabilization Manager may have an adverse impact on the market price of the Shares;

- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on August 26, 2018, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and

- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

We will ensure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period. In connection with the Global Offering, the Stabilization Manager may over-allocate up to and not more than an aggregate of 250,000,000 Shares and cover such over-allocations by (among other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Bookrunners (on behalf of the Underwriters) and us (on behalf of ourselves) on the Price Determination Date.

We expect that we will, on or about July 27, 2018, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering.

Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on:

- the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (subject only to allotment and dispatch of the Share certificates in respect thereof and such other normal conditions acceptable to us and the Joint Global Coordinators, on behalf of the Underwriters) not later than July 19, 2018 (or such later date as we and the Joint Global Coordinators, on behalf of the Hong Kong Underwriters, may agree) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Offer Shares on Hong Kong Stock Exchange;

- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators, on behalf of the Underwriters) 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 by August 2, 2018 between us and the Joint Bookrunners (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and Hong Kong Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on August 2, 2018 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on August 3, 2018, if (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus has not been exercised.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at 8:00 a.m. in Hong Kong on August 3, 2018, it is expected that dealings in Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on August 3, 2018.

The Shares will be traded in board lots of 2,000 Shares each and the stock code of the shares will be 1765.

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLO**W Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the designated 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 Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For Hong Kong Public 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 Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, July 24, 2018 until 12:00 noon on Friday, July 27, 2018 from:

(i) the following offices of the Hong Kong Underwriters:

Hong Kong Underwriters	**Address**
China Merchants Securities (HK) Co., Limited	48/F, One Exchange Square Central Hong Kong

Hong Kong Underwriters	**Address**
CCB International Capital Limited	12/F, CCB Tower 3 Connaught Road Central Central Hong Kong
ABCI Securities Company Limited	10/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
China Everbright Securities (HK) Limited	24/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
First Capital Securities Limited	Unit 4512, 45/F, The Center 99 Queen's Road Central Hong Kong

(ii) any of the designated branches of the receiving bank:

Bank of China (Hong Kong) Limited

	Bank Name	**Address**
Hong Kong Island	Sheung Wan Branch	Shop 1-4, G/F, Tung Hip Commercial Building, 244-248 Des Voeux Road Central, Hong Kong
	King's Road Branch	131-133 King's Road, North Point, Hong Kong
Kowloon	Ma Tau Kok Road Branch	39-45 Ma Tau Kok Road, To Kwa Wan, Kowloon
	194 Cheung Sha Wan Road Branch	194-196 Cheung Sha Wan Road, Sham Shui Po, Kowloon
New Territories	Tseung Kwan O Plaza Branch	Shop 112-125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O, New Territories
	Kwai Chung Plaza Branch	A18-20, G/F Kwai Chung Plaza, 7-11 Kwai Foo Road, Kwai Chung, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, July 24, 2018 until 12:00 noon on Friday, July 27, 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 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 — HOPE EDUCATION PUBLIC OFFER** for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Tuesday, July 24, 2018 — 9:00 a.m. to 5:00 p.m.
- Wednesday, July 25, 2018 — 9:00 a.m. to 5:00 p.m.
- Thursday, July 26, 2018 — 9:00 a.m. to 5:00 p.m.
- Friday, July 27, 2018 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. on Friday, July 27, 2018 to 12:00 noon on Friday, July 27, 2018, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (WUMP) Ordinance, the Companies Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors 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 International Offer Shares nor participated in the International Offering;

(viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisors 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 Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated White Form eIPO Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the paragraph headed "— 2. Who can apply" in this section, may apply through the **White Form eIPO** service for the Hong Kong Public Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service 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 designated White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

TIME FOR SUBMITTING APPLICATIONS UNDER THE WHITE FORM eIPO

You may submit your application to the designated 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 Tuesday, July 24, 2018 until 11:30 a.m. on Friday, July 27, 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, July 27, 2018 or such later time under the "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of the **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Public 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** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK$2 for each "Hope Education Group Co., Ltd." **White Form eIPO** application submitted via the website to support the funding of Dongjiang River Source Tree Planting 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 Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System https://ip.ccass.com (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
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 Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

Where you have given electronic application instructions to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering;
- declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective 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 Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Public Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (WUMP) Ordinance, the Companies Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong 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 Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 2,000 Hong Kong Public Offer Shares. Instructions for more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Tuesday, July 24, 2018 — 9:00 a.m. to 8:30 p.m.

- Wednesday, July 25, 2018 — 8:00 a.m. to 8:30 p.m.

- Thursday, July 26, 2018 — 8:00 a.m. to 8:30 p.m.

- Friday, July 27, 2018 — 8:00 a.m. to 12:00 noon

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, July 24, 2018 until 12:00 noon on Friday, July 27, 2018 (24 hours daily, except on Friday, July 27, 2018, the last application day).

The latest time for inputting **electronic application instructions** will be 12:00 noon on Friday, July 27, 2018, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **White Form eIPO** service is also only a facility provided by the designated White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS 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 Friday, July 27, 2018, the last application day, or such time as described in the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" in this section.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Hong Kong 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 PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Hong Kong Public Offer Shares that may be applied for.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Hong Kong Public Offer 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 2,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong 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."

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warming 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 Friday, July 27, 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 Friday, July 27, 2018 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Thursday, August 2, 2018 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at **www.hope55.com** and the website of the Hong Kong 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.hope55.com and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than the morning on Thursday, August 2, 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 Thursday, August 2, 2018 to 12:00 midnight on Wednesday, August 8, 2018;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, August 2, 2018 to Sunday, August 5, 2018;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, August 2, 2018, Friday, August 3, 2018 and Saturday, August 4, 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 Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) **If the Company or its agents exercise their discretion to reject your application:**

The Company, the Joint Global Coordinators, the designated 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 Public Offer Shares is void:**

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Hong Kong 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 Public 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;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$1.92 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering

— Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, August 2, 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong 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 Thursday, August 2, 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 Friday, August 3, 2018 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) **If you apply using a WHITE Application Form**

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, August 2, 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 authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, August 2, 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 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, August 2, 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 Thursday, August 2, 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 Offer 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 "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, August 2, 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) **If you apply through the White Form eIPO service**

If you apply for 1,000,000 Hong Kong Public 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, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, August 2, 2018, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, August 2, 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) **If you apply via Electronic Application Instructions to HKSCC**

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, August 2, 2018, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, August 2, 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, August 2, 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 Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, August 2, 2018. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, August 2, 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong 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 advisor 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

July 24, 2018

The Directors
Hope Education Group Co., Ltd.

Citigroup Global Markets Asia Limited
China Merchants Securities (HK) Co., Limited

Dear Sirs,

We report on the historical financial information of Hope Education Group Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-111, 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 and the three months ended March 31, 2018 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at December 31, 2015, 2016 and 2017 and March 31, 2018 and the statement of financial position of the Company as at December 31, 2017 and March 31, 2018 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-111 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated July 24, 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 at December 31, 2015, 2016, and 2017 and March 31, 2018 and of the financial position of the Company as at December 31, 2017 and March 31, 2018, 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.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the three months ended March 31, 2017 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information 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. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, 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 at 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
July 24, 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 Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi 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,			Three months ended March 31,	
	Notes	2015	2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Revenue	5	486,714	614,399	752,434	165,888	221,700
Cost of sales		(240,190)	(304,682)	(392,405)	(76,091)	(127,291)
Gross profit		246,524	309,717	360,029	89,797	94,409
Other income and gains	5	50,087	55,372	136,384	41,007	58,352
Selling expenses		(34,774)	(32,506)	(29,140)	(5,189)	(5,104)
Administrative expenses		(56,309)	(70,102)	(88,929)	(22,892)	(42,944)
Other expenses		(28,671)	(26,388)	(2,656)	(1,627)	(552)
Finance costs	6	(107,767)	(76,816)	(144,511)	(17,230)	(55,065)
Share of losses of a joint venture	33	—	—	(1,752)	—	(1,858)
Profit before tax	7	69,090	159,277	229,425	83,866	47,238
Income tax expense	10	(3,692)	(4,536)	(19,769)	(17,120)	(1,165)
Profit for the Year/Period		65,398	154,741	209,656	66,746	46,073
Other comprehensive income for the YEAR/PERIOD		—	—	—	—	—
Total comprehensive income for the YEAR/PERIOD		65,398	154,741	209,656	66,746	46,073
Profit and total comprehensive income attributable to:						
Owners of the Company		65,191	154,991	211,712	67,043	46,801
Non-controlling interests		207	(250)	(2,056)	(297)	(728)
		65,398	154,741	209,656	66,746	46,073
Earnings per share attributable to ordinary equity holders of the Company:						
Basic and diluted	12	N/A	N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,			As at March 31,
	Notes	2015	2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	13	1,660,648	2,219,095	3,195,358	3,219,099
Prepaid land lease payments	14	421,009	444,900	594,873	590,941
Goodwill	15	53,176	53,176	481,143	481,143
Other intangible assets	16	117,165	215,600	118,700	120,885
Prepayments, deposits and other receivables	18	14,588	18,185	18,019	142,593
Investment in a joint venture	33	—	—	142,790	—
Total non-current assets		2,266,586	2,950,956	4,550,883	4,554,661
CURRENT ASSETS					
Accounts receivable	17	9,853	177	—	106
Prepayments, deposits and other receivables	18	92,801	71,928	121,492	81,383
Amounts due from related parties	32	1,169,461	1,259,261	732,824	986,709
Financial assets at fair value through profit or loss	20	130,390	20,004	8,241	598
Pledged deposits	19	30,365	156,882	—	—
Cash and cash equivalents	19	92,354	142,616	181,332	442,586
Total current assets		1,525,224	1,650,868	1,043,889	1,511,382
CURRENT LIABILITIES					
Contract liabilities	5	297,932	388,981	535,268	332,881
Other payables and accruals	21	587,462	614,290	731,682	657,437
Deferred income	22	5,732	7,203	8,456	8,456
Interest-bearing bank and other borrowings	23	618,013	834,000	613,986	820,346
Amounts due to related parties	32	522,667	575,557	154,999	121,288
Taxes payable		30,732	35,268	53,670	52,423
Total current liabilities		2,062,538	2,455,299	2,098,061	1,992,831
NET CURRENT LIABILITIES	2.2	(537,314)	(804,431)	(1,054,172)	(481,449)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,729,272	2,146,525	3,496,711	4,073,212

	Notes	As at December 31, 2015	As at December 31, 2016	As at December 31, 2017	As at March 31, 2018
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES					
Deferred income	22	513,438	583,760	629,457	627,343
Interest-bearing bank and other borrowings	23	944,000	795,000	1,265,461	1,819,461
Deferred tax liabilities	28	—	—	10,677	10,677
Convertible bonds	24	15,000	15,000	—	—
Composite instrument	24	—	—	628,990	388,798
Liability of a put option granted to a shareholder	25	—	251,048	276,153	—
Other payables and accruals	21	6,892	6,743	6,585	6,695
Total non-current liabilities		1,479,330	1,651,551	2,817,323	2,852,974
NET ASSETS		249,942	494,974	679,388	1,220,238
EQUITY					
Equity attributable to owners of the Company					
Issued capital	26	—	—	—	3
Reserves	27	247,713	462,994	649,464	1,217,502
		247,713	462,994	649,464	1,217,505
Non-controlling interests		2,229	31,980	29,924	2,733
Total equity		249,942	494,974	679,388	1,220,238

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Issued capital	Capital reserve*	Statutory surplus reserve*	Share option reserve*	Retained profits*	Total	Non-controlling interests	Total
	RMB'000 (*note 26*)	*RMB'000* (*note 27*)	*RMB'000* (*note 27*)	*RMB'000* (*note 36*)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2015	—	48,042	49,515	—	84,965	182,522	2,022	184,544
Profit for the year	—	—	—	—	65,191	65,191	207	65,398
Transfer from retained profits	—	—	32,219	—	(32,219)	—	—	—
As at December 31, 2015 and January 1, 2016	—	48,042	81,734	—	117,937	247,713	2,229	249,942
Profit for the year	—	—	—	—	154,991	154,991	(250)	154,741
Transfer from retained profits	—	—	47,225	—	(47,225)	—	—	—
Acquisition of a subsidiary (note 29)	—	—	—	—	—	—	30,001	30,001
Increase in paid-up capital of subsidiaries (note 25)	—	60,290	—	—	—	60,290	—	60,290
As at December 31, 2016 and January 1, 2017	—	108,332	128,959	—	225,703	462,994	31,980	494,974
Profit for the year	—	—	—	—	211,712	211,712	(2,056)	209,656
Transfer from retained profits	—	—	45,941	—	(45,941)	—	—	—
Deemed distribution to equity holder (note 24)	—	(25,242)	—	—	—	(25,242)	—	(25,242)
As at December 31, 2017 and Janaury 1, 2018	—	83,090	174,900	—	391,474	649,464	29,924	679,388

	Attributable to owners of the Company							
	Issued capital	Capital reserve*	Statutory surplus reserve*	Share option reserve*	Retained profits*	Total	Non-controlling interests	Total
	RMB'000 *(note 26)*	*RMB'000* *(note 27)*	*RMB'000* *(note 27)*	*RMB'000* *(note 36)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2017 and January 1, 2018	—	83,090	174,900	—	391,474	649,464	29,924	679,388
Issue of shares	3	—	—	—	—	3	—	3
Profit for the period	—	—	—	—	46,801	46,801	(728)	46,073
Transfer from retained profits	—	—	14,008	—	(14,008)	—	—	—
Disposal of a subsidiary	—	—	—	—	—	—	(26,463)	(26,463)
Equity-settled share option arrangement	—	—	—	5,901	—	5,901	—	5,901
Transfer from the liability of a put option granted to a shareholder (note 25)	—	281,908	—	—	—	281,908	—	281,908
Conversion of the convertible bond (note 24)	—	233,428	—	—	—	233,428	—	233,428
As at March 31, 2018	3	598,426	188,908	5,901	424,267	1,217,505	2,733	1,220,238
As at January 1, 2017	—	108,332	128,959	—	225,703	462,994	31,980	494,974
Profit for the period	—	—	—	—	67,043	67,043	(297)	66,746
Transfer from retained profits	—	—	17,493	—	(17,493)	—	—	—
As at March 31, 2017 (unaudited)	—	108,332	146,452	—	275,253	530,037	31,683	561,720

* These reserve accounts comprise the consolidated reserves of RMB247,713,000, RMB462,994,000, RMB649,464,000 and RMB1,217,502,000 in the consolidated statements of financial position as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31, 2015	2016	2017	Three months ended March 31, 2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		69,090	159,277	229,425	83,866	47,238
Adjustments for:						
Depreciation	7	67,599	81,670	100,684	23,507	33,722
Recognition of prepaid land lease payments	7	9,827	10,222	10,333	2,554	3,356
Amortisation of other intangible assets	7	5,557	7,611	10,450	2,976	1,906
Government grants released	22	(3,972)	(6,475)	(7,759)	(1,801)	(2,114)
Bank interest income	5	(8,070)	(2,610)	(2,389)	(537)	(288)
Finance costs	6	107,767	76,816	144,511	17,230	55,065
(Gains)/losses on disposal of items of property, plant and equipment, net	5,7	610	405	(32,353)	(32,168)	(782)
Gain on disposal of a subsidiary	5	—	—	—	—	(8,256)
Interest income from an entrusted loan	5	(3,731)	—	—	—	—
Fair value gains on conversion right of convertible bond	5	—	—	(6,253)	—	(13,271)
Equity-settled share option expense		—	—	—	—	5,901
Interest income from related parties	5	—	—	(16,969)	—	(16,653)
Share of losses of a joint venture		—	—	1,752	—	1,858
Fair value (gains)/losses on financial assets at fair value through profit or loss		(1,386)	1,386	(188)	—	191
Gains on disposal of financial assets at fair value through profit or loss	5	(1,308)	(2,992)	(9,814)	(1,051)	(571)
		241,983	325,310	421,430	94,576	107,302
(Increase)/decrease in accounts receivable		(5,633)	9,676	177	(245)	(193)
(Increase)/decrease in prepayments, deposits and other receivables		(1,742)	(17,509)	(15,835)	(7,084)	36,832
(Increase)/decrease in amounts due from related parties		(22,222)	(16,427)	6,594	(9,663)	(17,582)
Increase/(decrease) in contract liabilities		47,453	91,049	71,664	(133,636)	(202,387)
Increase/(decrease) in amounts due to related parties		(3,320)	1,672	(15,295)	11,665	26,534
Increase/(decrease) in other payables and accruals		13,148	49,722	32,306	(4,955)	34,627

	Notes	Year ended December 31, 2015	2016	2017	Three months ended March 31, 2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Cash generated from/(used in) operations		269,667	443,493	501,041	(49,342)	(14,867)
Interest received		8,070	2,610	2,389	537	288
Income tax and land appreciation tax paid		—	(1)	(2,774)	—	(2,410)
Net cash flows from/(used in) operating activities		277,737	446,102	500,656	(48,805)	(16,989)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(249,289)	(292,400)	(924,771)	(338,602)	(277,474)
Additions to other intangible assets		(32,542)	(8,157)	(6,491)	(492)	(4,102)
Additions to prepaid land lease payments		(20,877)	(84,465)	(3,376)	(1,447)	—
Payment for acquisition of non-controlling interest of a subsidiary		(70,045)	—	(30,000)	(6,460)	—
Acquisition of subsidiaries	35	(18,455)	(61,283)	(750,318)	(11,630)	—
Proceeds from disposal of items of property, plant and equipment		16	33,950	27,250	23,050	2,772
Proceeds from disposal of prepaid land lease payments		—	—	8,457	6,320	—
Refund of a deposit for the purchase of land use rights		—	40,000	—	—	—
Increase in amounts due from related parties		(346,867)	(83,375)	(4,072)	—	(85,923)
(Increase)/decrease in pledged deposits		93,160	(126,517)	156,882	156,882	—
Receipt of government grants		9,146	78,268	54,709	—	—
Receipt of loans to related parties		136,000	10,000	534,758	438,288	—
Investment in a joint venture		—	—	(50,000)	—	—
(Increase)/decrease in financial assets at fair value through profit or loss		(114,000)	109,000	11,951	(85,400)	7,452
Disposal of a subsidiary	34	—	—	—	—	(392)
Investment income from financial assets at fair value through profit or loss		1,308	2,992	9,814	1,051	571
Loan to an independent third party		—	—	—	—	(125,782)
Entrusted loan interest received		3,731	—	—	—	—
Net cash flows from/(used in) investing activities		(608,714)	(381,987)	(965,207)	181,560	(482,878)

	Notes	Year ended December 31, 2015	2016	2017	Three months ended March 31, 2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES						
Capital injection from a non-controlling shareholder of a subsidiary		—	300,000	—	—	—
Proceeds from bank and other borrowings		1,836,150	2,051,000	2,050,947	653,500	969,111
Repayment of bank and other borrowings		(1,528,737)	(1,984,216)	(1,843,500)	(514,000)	(202,000)
Proceeds from issue of convertible bond		15,000	—	—	—	—
Proceeds from issue of a composite instrument		—	—	600,000	—	—
Redemption of convertible bond		—	—	(15,000)	—	—
Interest paid		(58,993)	(107,137)	(161,770)	(14,488)	(25,990)
Loans from related parties		205,500	70,000	150,000	150,000	20,000
Repayment of loans from related parties		(183,500)	(343,500)	(277,410)	(82,000)	—
Loan from a government bureau		75,832	—	—	—	—
Net cash flows from/(used in) financing activities		361,252	(13,853)	503,267	193,012	761,121
NET INCREASE IN CASH AND CASH EQUIVALENTS		30,275	50,262	38,716	325,767	261,254
Cash and cash equivalents at beginning of year/period		62,079	92,354	142,616	142,616	181,332
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	19	92,354	142,616	181,332	468,383	442,586

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	As at December 31, 2017	As at March 31, 2018
	RMB'000	*RMB'000*
CURRENT ASSET		
Amount due from shareholders	—	3
CURRENT LIABILITY		
Amount due to a related party	27	27
NET CURRENT LIABILITY	(27)	(24)
DEFICIT		
Equity attributable to owners of the Company		
Issued capital (note 26)	—	3
Accumulated losses	(27)	(27)
	(27)	(24)

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is incorporated in the Cayman Islands on March 13, 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 Company is an investment holding company. During the Relevant Periods, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the provision of higher education services (collectively the "Listing Business") in the People's Republic of China (the "PRC").

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in the following entities:

Entity name	Date and place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	*Indirect*	
Hope Education Group (Hong Kong) Co., Ltd. 希望教育集團(香港)有限公司(iv)	March 10, 2017 Hong Kong	HK$1	100%	—	Investment holding
Horgos Tequ Mayflower Information Technology Co., Ltd. ("WFOE") 霍爾果斯特驅五月花信息科技有限公司(iii)	January 19, 2018 PRC/Mainland China	RMB50,000,000	—	100%	Provision of technical management and consultancy services
Sichuan Hope Education Industry Group Limited ("Hope Education") 四川希望教育產業集團有限公司(iv), (v)	January 12, 2005 PRC/Mainland China	RMB50,000,000	—	100%	Investment holding
Sichuan Tequ Mayflower Education Management Co., Ltd. 四川特驅五月花教育管理有限公司 (iii)	April 8, 2018 PRC/Mainland China	RMB50,000,000	—	100%	Investment holding
Southwest Jiaotong University Hope College 西南交通大學希望學院(i), (v)	July 16, 2009 PRC/Mainland China	RMB300,000,000	—	99.67%	Provision of higher education services

Entity name	Date and place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	*Indirect*	
Business College of Guizhou University of Finance and Economics 貴州財經大學商務學院(i), (v)	September 4, 2014 PRC/Mainland China	RMB50,000,000	—	100%	Provision of higher education services
Jinci College of Shanxi Medical University 山西醫科大學晉祠學院(ii), (v)	January 18, 2006 PRC/Mainland China	RMB5,000,000	—	100%	Provision of higher education services
Sichuan Vocational College of Culture & Communication 四川文化傳媒職業學院(i), (v)	September 22, 2005 PRC/Mainland China	RMB20,000,000	—	100%	Provision of higher education services
Sichuan Tianyi College 民辦四川天一學院(i), (v)	June 18, 2002 PRC/Mainland China	RMB23,309,508	—	100%	Provision of higher education services
Guizhou Vocational Institute of Technology 貴州應用技術職業學院(i), (v)	June 12, 2016 PRC/Mainland China	RMB20,000,000	—	100%	Provision of higher education services
Sichuan Hope Automotive Vocational College 四川希望汽車職業學院(i), (v)	June 24, 2013 PRC/Mainland China	RMB20,000,000	—	100%	Provision of higher education services
Sichuan Hope Automotive Technician School 四川希望汽車技師學院(i), (v)	January 23, 2017 PRC/Mainland China	RMB20,000,000	—	100%	Provision of higher education services
Taiyuan Xudong Technology Limited ("Taiyuan Xudong") 太原旭東科技發展有限公司(iv), (v)	February 10, 2004 PRC/Mainland China	RMB10,000,000	—	100%	Investment holding
Sichuan Yonghe Education Investment Limited ("Sichuan Yonghe") 四川永和教育投資有限公司(iv), (v)	May 31, 2002 PRC/Mainland China	RMB20,000,000	—	100%	Investment holding

Entity name	Date and place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	*Indirect*	
Shanghai Shurui Investment Consultant Limited ("Shanghai Shurui") 上海舒瑞投資諮詢有限公司(iv), (v)	February 29, 2008 PRC/Mainland China	RMB10,000,000	—	100%	Investment holding
Fuquan Mayflower Education Investment Limited 福泉五月花教育投資有限公司(iv), (v)	September 18, 2012 PRC/Mainland China	RMB5,000,000	—	100%	Investment holding
Ziyang May Sunshine Education Investment Limited 資陽五月陽光教育投資有限公司(iv), (v)	November 9, 2012 PRC/Mainland China	RMB5,000,000	—	100%	Investment holding
Sichuan Guojian Investment Limited ("Sichuan Guojian") 四川省國建投資有限公司(iv), (v)	October 27, 2004 PRC/Mainland China	RMB60,000,000	—	100%	Investment holding
Sichuan TOP Education Co., Ltd. ("TOP Education") 四川托普教育股份有限公司(iv), (v)	June 28, 2000 PRC/Mainland China	RMB150,000,000	—	100%	Investment holding
Sichuan TOP IT Vocational Institute 四川托普信息技術職業學院(i), (v)	April 22, 2000 PRC/Mainland China	RMB5,000,000	—	100%	Provision of higher education services

Notes:

(i) The statutory financial statements of these entities for the years ended December 31, 2015, 2016 and 2017 prepared in accordance with relevant accounting principles and financial regulations were audited by Sichuan Dajia Certified Public Accountants Limited Company (四川大家會計師事務所有限公司), certified public accountants registered in the PRC.

(ii) The statutory financial statements of this entity for the years ended December 31, 2015, 2016 and 2017 in accordance with relevant accounting principles and financial regulations were audited by Shanxi Qianyuan Certified Public Accountants Limited Company (山西乾元會計師事務所(有限公司)), certified public accountants registered in the PRC.

(iii) No audited financial statements of this entity has been prepared as it was newly incorporated in 2018.

(iv) During the Relevant Periods, no audited financial statements have been prepared as these entities are holding companies with no operations executed.

(v) During the Relevant Periods, the Listing Business was carried out by Hope Education and its direct and indirect subsidiaries and sponsoring schools in the PRC as listed in the above table (collectively the "Consolidated Affiliated Entities").

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 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, Reorganisation and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on March 14, 2018. 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 Company 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 the Consolidated Affiliated Entities during the Relevant Periods. The wholly-owned subsidiary of the Company, the WFOE, has entered into the Structured Contracts with, among others, the Consolidated Affiliated Entities and their respective equity holders (hereafter the equity holders of the Consolidated Affiliated Entities referred to as "Registered Shareholders"). The Structured Contracts enable the WFOE to exercise effective control over the Consolidated Affiliated Entities and obtain substantially all economic benefits of the Consolidated Affiliated Entities. Accordingly, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries for the purpose of the Historical Financial Information and are consolidated in the Historical Financial Information continuously. Details of the Structured Contracts are disclosed in the section headed "Structured Contracts" in the Prospectus.

As part of the Reorganisation, the previous holding company, Hope Education (Predecessor) underwent a demerger process where Hope Education (Predecessor) was divided into two new entities. The demerger process resulted two new entities which are referred to as the existing Hope Education and Sichuan Tequ Education management Co., Ltd. ("Tequ Education"). The existing Hope Education was established to invest in the companies now comprising the Group and Tequ Education which is not part of the Group is treated as a related party of the Group. The demerger process was approved by the relevant government bodies and completed on November 24, 2017 and the registered capital of Hope Education after the demerger was RMB50 million. The financial information of the existing Hope Education comprises the financial information as if the demerger process, being part of the Reorganisation, had been existed at the beginning of the Relevant Periods.

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 combination.

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 IASB. All IFRSs effective for the accounting period commencing from January 1, 2018, 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.

IFRS 15 "Revenue from contracts with customers" are effective for the annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Group has applied IFRS 15 consistently throughout the Relevant Period. It is considered that the adoption of IFRS 15 did not have significant impact on financial position and performance of the Group during the Relevant Period.

IFRS 9 "Financial Instruments" are effective for the annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Group has applied IFRS 9 consistently throughout the Relevant Period. Certain equity investments accounted as available for sale ("AFS") with fair value gains or losses recorded in other comprehensive income under IAS 39 are presented with fair value changes in profit or loss upon the adoption of IFRS 9. It is considered that the adoption of IFRS 9 did not have significant impact on financial position and performance of the Group during the Relevant Period.

The Historical Financial Information has been prepared under the historical cost convention, except for certain financial assets at fair value through profit or loss and conversion rights of convertible bond which have been measured at fair value.

Going concern

The Group recorded net current liabilities of RMB537,314,000, RMB804,431,000, RMB1,054,172,000 and RMB481,449,000 at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively. Included therein, the Group recorded contract liabilities of RMB297,932,000, RMB388,981,000, RMB535,268,000 and RMB332,881,000 as at December 31, 2015, 2016 and 2017 and March 31, 2018, 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. Subsequent to March 31, 2018, based on the arrangements entered into with the licensed banks in Mainland China, the undrawn banking facilities amounted to RMB330 million, of which RMB200 million and RMB130 million are available for withdrawal before January 2019 and April 2023, respectively. Having considered the cash flows from operations and its available resource of finance, 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 IFRS that have been issued but are not yet effective, in the Historical Financial Information.

IFRS 16	*Leases*[1]
IFRS 17	*Annual Improvements to IFRSs 2015-2017 Cycle*[2]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 19	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 19	*Long-term Interests in Associates and Joint Ventures*[1]

1 Effective for annual periods beginning on or after January 1, 2019

2 Effective for annual periods beginning on or after January 1, 2021

3 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 16 *Leases*

IFRS 16 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 lessees to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). For lessor accounting, IFRS 16 is substantially unchanged from the accounting requirements under IAS 17. Accordingly, lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases, and to account for those two types of leases differently.

The Directors expect that this standard will have a material effect on the financial position. While they continue to assess the effect of adoption, they currently believe the most significant changes relate to the recognition of right-to-use ("ROU") assets and lease liabilities in the consolidated statements of financial position for operating leases of the premises. Furthermore, extensive disclosures are required by IFRS 16.

As at March 31, 2018, the Group had payment commitments under non-cancellable operating leases of approximately RMB207,629,000 as disclosed in note 30(b). Based on the preliminary assessment by the Directors, the Directors believes the most significant changes relate to the recognition of right-of-use 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 profit or loss, the operating lease expenses will decrease, while the depreciation and amortisation of interest expenses will increase. Based on the preliminary assessment by the Directors, assuming all non-cancellation operating lease commitments as disclosed in note 30(b) meet the IFRS 16 criteria, the adoption of IFRS 16 will result in a recognition of ROU assets and financial liabilities of approximately RMB160,739,000. The financial liabilities will be measured on an amortised cost basis and the interest expense of RMB46,890,000 will be allocated over the lease term using the effective interest rate method. Given the Group had total assets of RMB6,066.0 million and total liabilities of RMB4,845.8 million as of March 31, 2018, 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 owned use while other operating lease payments are presented as operating cash flows. Under IFRS 16, lease payments in relation to lease liability will be allocated into principal and interest portions 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 joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures 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 joint ventures 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 joint venture, 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 joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects 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 the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 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.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial assets at fair value through profit or loss - investments of wealth management products issued by licensed banks and derivative financial instruments 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 financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each 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 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. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. 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	1.9% to 9.5%
Motor vehicles	24.3%
Furniture and fixtures	9.7% to 19.4%
Devices and equipment	9.7% to 33.0%

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 fixed assets 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.

Software

Purchased software is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of 2 to 10 years.

Cooperation arrangements to operate independent colleges

Cooperation arrangements to operate independent colleges purchased or acquired through the acquisition of subsidiaries that do not represent a business combination, are stated at cost less any impairment losses. They are amortised on the straight-line basis over their estimated useful lives of 20 to 30 years by reference to the contractual terms as stipulated in the cooperation arrangements, which represent the contractual period to operate each of the Group's colleges.

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.

Financial instruments

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost

- Fair value through profit or loss ("FVPL")

The Group classifies and measures its derivative and trading portfolio at FVPL. The Group may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, are measured at amortized cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

The Group measure financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.

- It is settled at a future date.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in profit or loss unless hedge accounting is applied.

Financial assets or financial liabilities held for trading

The Group classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the consolidated statements of financial position at fair value. Changes in fair value are recognised in profit or loss.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS9.

Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or,

- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or,

- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the consolidated statements of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in the own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the effective interest rate, taking into account any discount/premium and qualifying transaction costs being an integral part of instrument.

Interest earnt on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other income when the right to the payment has been established.

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets or liabilities in the Relevant Periods.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates

- The Group cannot sell or pledge the original asset other than as security to the eventual recipients

- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset or

- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer. When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which 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 the Group could be required to pay. If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, canceled or expires. Where 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 the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

Impairment of financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on financial assets measured at amortized cost.

The Group measures loss allowances at an amount equal to lifetime ECL. For trade receivables and lease receivables, the Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Presentation of allowance for ECL in the consolidated statements of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the consolidated statements of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The conversion option of convertible bonds exhibits characteristics of an embedded derivative is separated from the liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. The initial fair value of the liability component and derivative component exceeded the consideration received is debited to the equity. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

Financial liability arising from the put option granted to a shareholder

Put option granted to a shareholder is accounted for as financial liability and is recognised initially at fair value and subsequently measured at amortized costs until the expiry of the option or extinguished on redemption. The fair value of put option granted to a shareholder is determined at the present value of the equity redemption amount. If the option expires without redemption, the carrying amount of the financial liability is reclassified to equity.

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 statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

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 the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of 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 joint ventures, 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 joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if 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 as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is measured based on the fair value of the consideration received or receivable specified in contracts with customers and excludes amounts collected on behalf of third parties. The Group recognizes revenue when the specific criteria have been met for the following activities:

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 contract liability. 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 contract liability and is reflected as a current liability as such amounts represent revenue that the Group expects to earn within one year. The academic year of the Group's schools is generally from September to August of the following year.

Tuition fees from the provision of other education services to students are collected in advance on a lump sum basis. Revenue is recognised proportionately over the relevant period of the applicable program.

The group does not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

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 option scheme for the purpose of providing incentives and rewards to eligible 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 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 36 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of the Relevant Periods 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 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 and/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. This subsidiaries and schools are required to contribute a certain percentage of its 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

This 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 currencies. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of each 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 statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Structured Contracts

The Consolidated Affiliated Entities are engaged in the provision of education services, which falls in the scope of "Catalogue of Restricted Foreign Investment Industries" and foreign investors are restricted to invest in such business.

As disclosed in note 2.1, the Group exercises control over the Consolidated Affiliated Entities and enjoys substantially all economic benefits of the Consolidated Affiliated Entities through the Structured Contracts.

The Company does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Structured Contracts, the Company has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is therefore considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the financial position and results of the Consolidated Affiliated 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 regulation so as to determine whether the Group is subject to corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period when 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 at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating 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. As at December 31, 2015, 2016 and 2017 and March 31, 2018, the carrying amount of goodwill was RMB53,176,000, RMB53,176,000, RMB481,143,000 and RMB481,143,000, respectively. Further details are given in note 15 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the Relevant Periods. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. 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 receivables

Impairment of receivables is made based on assessment of their recoverability. The identification of impairment of receivables requires management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, the differences will impact the carrying value of the receivables and impairment loss/reversal of impairment in the period in which the estimate has been changed.

Valuation of financial liabilities at fair value through profit or loss

Where fair values of financial liabilities cannot be derived directly from active markets, it is determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required in establishing fair values. The estimations include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Convertible bond issued by the Group that contain both a liability and embedded derivatives are classified separately into these respective items on initial recognition. The derivatives are initially recognised at fair value through profit or loss and remeasured to fair value through profit or loss in subsequent reporting periods. The Group engaged an independent qualified professional valuer to assist in determining the fair value of the conversion rights of convertible bond. The fair value of the conversion rights of convertible bond was estimated by the independent qualified professional valuer using the binomial option pricing model and the estimation included some assumptions not supported by observable market prices or rates such as the discount rate, volatility, credit risk, and expected future cash flows, and hence they are subject to uncertainty. Favourable or unfavourable changes to these assumptions would result in significant changes in the fair value of conversion rights contained in the convertible bond and the corresponding adjustments to the amount of gain or loss reported in profit or loss. The fair value of the conversion rights embedded in the composite instrument as at December 31, 2017 RMB52,438,000 (note 24(b)) (December 31, 2015 and 2016 and March 31, 2018: Nil).

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of higher education services in the PRC.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the Directors, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance, does not contain discrete operating segment financial information and the Directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the Relevant Periods, the Group operated within one geographical location because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

Information about major customers

No 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,			Three months ended March 31,	
	Notes	2015	2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue						
Tuition fees		400,110	502,266	620,694	128,371	180,181
Boarding fees		40,828	50,357	63,412	14,927	20,945
Others	(i)	45,776	61,776	68,328	22,590	20,574
Total revenue from contracts with customers		486,714	614,399	752,434	165,888	221,700
Other income and gains						
Government grants						
- related to assets	22	3,972	6,475	7,759	1,801	2,114
- related to expenses	(ii)	3,258	3,969	8,914	548	918
Interest income from bank balances		8,070	2,610	2,389	537	288
Interest income from loans to a related party		—	—	14,581	—	16,653
Interest income from an entrusted loan		3,731	—	—	—	—
Interest income from a loan to a joint venture	32	—	—	2,388	—	—
Rental income		13,053	16,502	16,458	2,963	2,542
Service income	(iii)	13,228	18,721	30,132	1,652	9,779
Donation income		401	3,178	431	—	—
Gains on disposal of items of property, plant and equipment		10	5	32,373	32,172	805
Gains on disposal of financial assets at fair value through profit or loss		1,308	2,992	9,814	1,051	571
Guarantee income	(iv)	—	—	1,057	—	236
Fair value gains/(losses) on financial assets at fair value through profit and loss		1,386	(1,386)	188	—	(191)
Fair value gains on conversion right of convertible bond	(v)	—	—	6,253	—	13,271
Gain on disposal of a subsidiary		—	—	—	—	8,256
Others		1,670	2,306	3,647	283	3,110
		50,087	55,372	136,384	41,007	58,352

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at December 31, 2015, 2016 and 2017 and March 31, 2018 and will be expected to be recognized within one year:

	As at December 31,			As at March 31,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tuition fees	268,815	346,276	473,602	295,219
Boarding fees	29,117	39,204	56,975	34,184
Others	—	3,501	4,691	3,478
Total contract liabilities	297,932	388,981	535,268	332,881

The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable program. The students are entitled to the refund of payments in relation to the proportionate services not yet rendered.

There were no contract assets at the end of each reporting period recognized in the Consolidated Statement of Financial Position.

As at December 31, 2017, the balance of the contract liabilities increased by RMB146,287,000 was mainly due from the business combination of TOP Education in 2017 (note 28) and the increase of the students enrollment in 2017. And as at March 31, 2018, the balance of the contract liabilities decreased by RMB202,387,000 was mainly due the performance obligation had been satisfied and the revenue arising from the contract liability of the beginning balance had been recognised.

The following table shows the revenue recognised during the Relevant Periods related to carried-forward contract liabilities:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year/period					
Tuition and boarding fees	250,478	297,932	388,981	165,888	216,472

Notes:

(i) During the Relevant Periods, others mainly represent income received from the provision of other education service of self-study examination education services, adult education services and training services to the students, which was amortised within the training periods of the service rendered.

(ii) Government grants related to expenses represent the subsidies compensated for the incurred operating expenses arising from teaching activities, which are recognised as other income directly in profit or loss when received. There were no unfulfilled conditions or contingencies relating to these grants.

(iii) During the Relevant Periods, service income mainly represents income derived from granting the rights of canteen and convenient store operations to independent third party operators; and income from services provided to students related to purchase of text books, dormitory bedding and exam material.

(iv) During the Relevant Periods, guarantee income represents fee received by the Group in respect of the provisions of bank loan guarantees to related parties (note 32(iv)).

(v) During the Relevant Periods, fair value gains on a derivative financial instrument represent the fair value changes of the conversion rights embedded in the composite instrument (note 24(b)).

6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Interest on bank and other borrowings ...	107,294	71,243	122,775	12,641	36,273
Increase in the discounted amount of payables arising from the passage of time (notes 21, 24 and 25).................	3,666	11,750	25,105	5,970	19,167
Total interest expense for financial liabilities that are not at fair value through profit or loss.........................	110,960	82,993	147,880	18,611	55,440
Less: interest capitalised (note 13(d))	(3,193)	(6,177)	(3,369)	(1,381)	(375)
	107,767	76,816	144,511	17,230	55,065

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended December 31, 2015	2016	2017	Three months ended March 31, 2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Employee benefit expense (excluding directors' and chief executive's remuneration):						
Wages and salaries		109,500	135,799	169,624	34,223	57,781
Equity-settled share option expense (note 36)		—	—	—	—	1,965
Pension scheme contributions (defined contribution scheme)		19,221	26,172	36,802	8,180	16,794
		128,721	161,971	206,426	42,403	76,540
Management fees	(i)	60,272	72,659	92,688	18,324	23,567
Depreciation	13	67,599	81,670	100,684	23,507	33,722
Recognition of prepaid land lease payments	14	9,827	10,222	10,333	2,554	3,356
Amortisation of other intangible assets	16	5,557	7,611	10,450	2,976	1,906
Marketing and advertising costs		23,649	21,862	18,214	2,457	2,076
Termination fees	(ii)	26,000	—	—	—	—
Provision for claim	21	—	23,000	—	—	—
Listing expenses		—	943	9,843	2,051	10,256
Minimum lease payments under operating leases		7,576	17,537	21,041	3,603	5,496
Auditors' remuneration		59	159	—	—	—
Equity-settled share option expense (note 36)		—	—	—	—	3,801
Losses on disposal of items of property, plant and equipment		620	410	21	3	23

Notes:

(i) During the Relevant Periods, management fees represented the annual fees paid to the universities with which the Group entered into cooperation agreements to operate independent colleges on certain percentage of tuition fees.

(ii) During the Relevant Periods, termination fee represented the one-off payment to the former shareholder of Sichuan Guojian as the consideration for the termination of his right to receive 9% of the tuition fees collected by Southwest Jiaotong University Hope College.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company appointed Mr. Wang Huiwu as an executive director of the Company on March 13, 2017, and the Company appointed Mr. Wang Huiwu as the chief executive officer and president of the Company on February 2, 2018.

The Company appointed Mr. Xu Changjun as an executive director of the Company on March 13, 2017 and as the chairman of the Company on February 2, 2018.

The Company appointed Mr, Li Tao as an executive director on March 13, 2017 and as the Chief strategy officer on February 2, 2018.

The Company appointed Messrs. Tang Jianyuan, Lu Zhichao and Wang Degen as non-executive directors of the Company on March 13, 2017.

The Company appointed Messrs. Zhang Jin, Chen Yunhua and Gao Hao as independent non-executive directors of the Company on February 2, 2018.

Certain of the directors received remuneration from the group entities now comprising the Group prior to their appointment as the directors of the Company. Details of the remuneration received or receivable by the directors from the group entities are as follows:

	Year ended December 31,			Three months ended March 31,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Salaries, allowances and benefits in kind	180	180	534	124	138
Equity-settled share option expense (note 36)	—	—	—	—	135
Pension scheme contributions	—	—	—	—	—
	180	180	534	124	273

Mr. Li Tao received remuneration amounting to RMB180,000, RMB180,000, and RMB191,000 for the years ended December 31, 2015, 2016 and 2017, and RMB45,000 (unaudited) and RMB160,000 for the three months ended March 31, 2017 and 2018, respectively.

Mr. Xu Changjun received remuneration amounting to RMB343,000 for the year ended December 31, 2017 and RMB79,000 (unaudited) and RMB113,000 for the three months ended March 31, 2017 and 2018 (for the years ended December 31, 2015 and 2016: Nil).

There was no arrangement under which an executive director waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees are:

	Year ended December 31,			Three months ended March 31,	
	2015	**2016**	**2017**	**2017**	**2018**
				(Unaudited)	
Director	1	—	1	—	1
Non-director	4	5	4	5	4
	5	5	5	5	5

Details of directors' and chief executives' remuneration are set out in note 8 above. Details of the remaining 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,			Three months ended March 31,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries, allowances and benefits in kind	1,131	1,324	1,710	464	406
Equity-settled share option expense (note 36)	—	—	—	—	365
Pension scheme contributions	120	147	137	16	68
	1,251	1,471	1,847	480	839

The number of the non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
				(Unaudited)	
Nil to HK$1,000,000	4	5	4	5	4

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 out in the Cayman Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment polices applicable to private schools requiring reasonable returns are to be separately formulated by the financing authority, taxation authority and other authorities under the State Council. During the Relevant Periods and up to the date of this report, no regulations have been promulgated by such authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the tax compliance confirmations obtained therefrom, the Group's schools did not pay corporate income tax for the income from the provision of formal educational services and had enjoyed the preferential tax treatment since their establishment. As a result, no income tax expense was recognised for the income from the provision of formal educational services during the Relevant Periods.

The non-academic education services provided by the schools are subject to corporate income tax at a rate of 25%.

All of the Group's non-school subsidiaries established in the PRC are subject to the PRC corporate income tax rate of 25% during the Relevant Periods.

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. The major components of income tax expense of the Group are as follows:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current — Mainland China					
PRC corporate income tax for the year/period	3,692	4,536	8,929	6,280	946
PRC land appreciation tax for the year/period	—	—	10,840	10,840	219
Total tax charged for the year/period	3,692	4,536	19,769	17,120	1,165

Tax payable/(prepayment for tax) in the consolidated statement of financial position represents:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Payable for PRC corporate income tax	30,732	35,268	42,830	41,547	41,363
Payable for PRC land appreciation tax	—	—	10,840	10,917	11,060
Prepaid PRC land appreciation tax	—	—	(1,416)	—	(1,416)
	30,732	35,268	52,254	52,464	51,007

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,			Three months ended March 31,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before tax	69,090	159,277	229,425	83,866	47,238
Tax at the statutory rate of 25%	17,273	39,819	57,356	20,967	11,810
Profits arising from schools not subject to tax	(29,277)	(41,610)	(30,981)	(11,039)	(15,542)
Tax losses utilised from previous years	—	(2,619)	(21,016)	(1,394)	—
Tax losses and deductible temporary differences not recognised	15,696	8,946	6,280	456	4,733
Provision for land appreciation tax ("LAT")	—	—	10,840	10,840	219
Tax effect on LAT	—	—	(2,710)	(2,710)	(55)
Tax charge at the Group's effective rate	3,692	4,536	19,769	17,120	1,165

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 at March 31, 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at December 31, 2015, 2016 and 2017 and March 31, 2018, 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 RMB220,615,000, RMB344,370,000, RMB900,091,000 and RMB930,332,000, respectively.

As at December 31, 2015, 2016 and 2017 and March 31, 2018, the Group has unused tax losses arising in mainland China from PRC entities subject to income tax of RMB202,524,000, RMB217,078,000, RMB158,301,000 and RMB179,229,000, respectively, which will expire in one to five years for offsetting against future profits. Deferred tax assets have been not recognised in respect of these tax losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

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 COMPANY

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	Furniture and fixtures	Motor vehicles	Devices and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2015						
At January 1, 2015:						
Cost	1,456,885	102,924	6,596	87,546	65,131	1,719,082
Accumulated depreciation	(65,618)	(25,652)	(3,870)	(34,662)	—	(129,802)
Net carrying amount	1,391,267	77,272	2,726	52,884	65,131	1,589,280
At January 1, 2015, net of accumulated depreciation	1,391,267	77,272	2,726	52,884	65,131	1,589,280
Additions	9,821	27,073	327	31,953	70,418	139,592
Disposals	—	(7)	(5)	(613)	—	(625)
Depreciation provided during the year	(31,928)	(16,470)	(932)	(18,269)	—	(67,599)
Transfers	129,256	1,765	—	585	(131,606)	—
At December 31, 2015, net of accumulated depreciation	1,498,416	89,633	2,116	66,540	3,943	1,660,648

	Buildings	Furniture and fixtures	Motor vehicles	Devices and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2015:						
Cost	1,595,962	131,752	6,767	119,323	3,943	1,857,747
Accumulated depreciation	(97,546)	(42,119)	(4,651)	(52,783)	—	(197,099)
Net carrying amount	1,498,416	89,633	2,116	66,540	3,943	1,660,648
December 31, 2016						
At January 1, 2016:						
Cost	1,595,962	131,752	6,767	119,323	3,943	1,857,747
Accumulated depreciation	(97,546)	(42,119)	(4,651)	(52,783)	—	(197,099)
Net carrying amount	1,498,416	89,633	2,116	66,540	3,943	1,660,648
At January 1, 2016, net of accumulated depreciation	1,498,416	89,633	2,116	66,540	3,943	1,660,648
Additions	340,123	41,120	—	36,856	223,649	641,748
Disposals	(104)	(844)	(43)	(640)	—	(1,631)
Depreciation provided during the year	(35,571)	(21,140)	(919)	(24,040)	—	(81,670)
Transfers	65,486	—	—	388	(65,874)	—
At December 31, 2016, net of accumulated depreciation	1,868,350	108,769	1,154	79,104	161,718	2,219,095
At December 31, 2016:						
Cost	2,001,468	164,994	6,544	151,779	161,718	2,486,503
Accumulated depreciation	(133,118)	(56,225)	(5,390)	(72,675)	—	(267,408)
Net carrying amount	1,868,350	108,769	1,154	79,104	161,718	2,219,095
December 31, 2017						
At January 1, 2017:						
Cost	2,001,468	164,994	6,544	151,779	161,718	2,486,503
Accumulated depreciation	(133,118)	(56,225)	(5,390)	(72,675)	—	(267,408)
Net carrying amount	1,868,350	108,769	1,154	79,104	161,718	2,219,095

	Buildings	Furniture and fixtures	Motor vehicles	Devices and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2017, net of accumulated depreciation	1,868,350	108,769	1,154	79,104	161,718	2,219,095
Additions	42,700	47,477	7,686	16,576	632,891	747,330
Addition from acquisition of a subsidiary (note 28)	353,743	6,993	—	12,541	7,775	381,052
Disposals	(49,773)	(1,636)	(22)	(4)	—	(51,435)
Depreciation provided during the year	(44,603)	(28,731)	(834)	(26,516)	—	(100,684)
Transfers	545,987	3,650	—	6,358	(555,995)	—
At December 31, 2017, net of accumulated depreciation	2,716,404	136,522	7,984	88,059	246,389	3,195,358
At December 31, 2017:						
Cost	2,884,638	220,489	13,983	186,843	246,389	3,552,342
Accumulated depreciation	(168,234)	(83,967)	(5,999)	(98,784)	—	(356,984)
Net carrying amount	2,716,404	136,522	7,984	88,059	246,389	3,195,358
March 31, 2018						
At January 1, 2018:						
Cost	2,884,638	220,489	13,983	186,843	246,389	3,552,342
Accumulated depreciation	(168,234)	(83,967)	(5,999)	(98,784)	—	(356,984)
Net carrying amount	2,716,404	136,522	7,984	88,059	246,389	3,195,358
At January 1, 2018, net of accumulated depreciation	2,716,404	136,522	7,984	88,059	246,389	3,195,358
Additions	7,354	2,410	734	2,952	46,320	59,770
Disposals	(247)	(2)	(966)	(1,092)	—	(2,307)
Depreciation provided during the period	(15,400)	(10,486)	(306)	(7,530)	—	(33,722)
Transfers	14,297	—	—	—	(14,297)	—
At March 31, 2018, net of accumulated depreciation	2,722,408	128,444	7,446	82,389	278,412	3,219,099
At March 31, 2018:						
Cost	2,906,013	222,842	12,904	186,287	278,412	3,606,458
Accumulated depreciation	(183,605)	(94,398)	(5,458)	(103,898)	—	(387,359)
Net carrying amount	2,722,408	128,444	7,446	82,389	278,412	3,219,099

(a) The net carrying amount of the Group's fixed assets held under finance leases included in the total amount of property, plant and equipment at December 31, 2015 was RMB10,414,000 (note 23(a)) (December 31, 2016 and 2017 and March 31, 2018: Nil).

(b) As at December 31, 2015, 2016 and 2017 and March 31, 2018, the Group was in the customary process of obtaining the relevant property ownership certificates for certain buildings with aggregate net carrying amounts of approximately RMB875,852,000, RMB905,500,000, RMB1,551,675,000 and RMB1,444,542,000, respectively. The Group's buildings can only be sold, transferred or mortgaged when the relevant certificates have been obtained.

(c) At December 31, 2016, certain of the Group's buildings with a net carrying amount of approximately RMB5,086,000 (December 31, 2015, 2017 and March 31, 2018: Nil) were pledge to secure bank loans granted to Sichuan Dawu Trading Co., Ltd., a company controlled by a close family member of Mr. Wang Huiwu (note 32). At March 31, 2018, certain of the Group's buildings with a net carrying amount of approximately RMB95,199,000 were pledge to secure bank loan of the Group (note 23) (December 31, 2015 and 2017: Nil).

(d) Additions to construction in progress during the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018 included interest capitalised in respect of certain bank loans borrowed generally amounting to RMB3,193,000, RMB6,177,000, RMB3,369,000 and RMB375,000, respectively (note 6), and the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 4%, 7%, 4% and 7%, respectively.

14. PREPAID LAND LEASE PAYMENTS

	As at December 31,			As at March 31,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at beginning of the year/period	429,407	430,836	455,122	607,866
Acquisition of a subsidiary (note 28)	—	—	176,521	—
Additions	11,256	34,508	3,376	—
Recognised during the year/period	(9,827)	(10,222)	(10,333)	(3,356)
Disposal during the year/period	—	—	(16,820)	—
Carrying amount at end of the year/period	430,836	455,122	607,866	604,510
Current portion included in prepayments, deposits and other receivables (note 18)	(9,827)	(10,222)	(12,993)	(13,569)
Non-current portion	421,009	444,900	594,873	590,941

As at December 31, 2015, 2016 and 2017 and March 31, 2018, the Group was in the process of applying land use rights certificates with aggregate net carrying amounts of RMB9,021,000, RMB8,556,000, RMB36,888,000 and nil respectively, which the Group had not obtained the land use right certificates.

15. GOODWILL

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost and net carrying amount at beginning of the year/period	53,176	53,176	53,176	481,143
Acquisition of a subsidiary (note 28)	—	—	427,967	—
Cost and net carrying amount At end of the year/period	53,176	53,176	481,143	481,143

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Sichuan Tianyi College cash-generating unit ("Tianyi College CGU")
- Jinci College of Shanxi Medical University cash-generating unit ("Jinci College CGU")
- Sichuan TOP IT Vocational Institute cash-generating unit ("TOP Institute CGU").

The carrying amount of goodwill allocated to each cash-generating unit is as follows:

	As at December 31,		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Tianyi College CGU	36,865	36,865	36,865
Jinci College CGU	16,311	16,311	16,311
TOP Institute CGU (note 28)	—	—	427,967
	53,176	53,176	481,143

The recoverable amounts of the above CGUs had 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 growth rate used to extrapolate the cash flows of the above CGUs beyond the five-year period is 3%.

Assumptions were used in the value in use calculation of the above CGUs for December 31, 2015, 2016 and 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted revenue — The budgeted revenue is 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 the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Long term growth rate — The long term growth rate of 3% 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 units, 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 pre-discount rate used in the value in use calculation for each CGU is as follows:

	As at December 31,		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Tianyi College CGU	14%	14%	15%
Jinci College CGU	14%	14%	15%
TOP Institute CGU	N/A	N/A	15%

The values assigned to the key assumptions on the market development of the cash-generating unit and discount rate are consistent with external information sources.

The most key assumption on which management has based its determination of goodwill's recoverable amount is budgeted tuition and boarding fees, which are dependent on the number of students and 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 CGU, would still exceed its carrying amount.

IAS 36 requires an entity to perform impairment tests on goodwill on an annual basis. Meanwhile, the management did not identify any significant adverse changes in the operating results and macro environment in the three months ended March 31, 2018, and the Company's management has concluded there was no impairment indicator of goodwill at March 31, 2018. Accordingly, the management did not perform impairment testing on goodwill as at March 31, 2018.

16. OTHER INTANGIBLE ASSETS

	Software	**Cooperation arrangements to operate independent colleges**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
December 31, 2015			
Cost at January 1, 2015, net of accumulated amortisation	3,410	116,020	119,430
Additions	3,292	—	3,292
Amortisation provided during the year	(1,305)	(4,252)	(5,557)
At December 31, 2015	5,397	111,768	117,165
At December 31, 2015			
Cost	8,442	117,437	125,879
Accumulated amortisation	(3,045)	(5,669)	(8,714)
Net carrying amount	5,397	111,768	117,165
December 31, 2016			
Cost at January 1, 2016, net of accumulated amortisation	5,397	111,768	117,165
Additions	6,049	—	6,049
Acquisition of a subsidiary (note 29)	—	99,997	99,997
Amortisation provided during the year	(1,540)	(6,071)	(7,611)
At December 31, 2016	9,906	205,694	215,600

	Software	Cooperation arrangements to operate independent colleges	Total
	RMB'000	*RMB'000*	*RMB'000*
At December 31, 2016			
Cost	14,491	217,434	231,925
Accumulated amortisation	(4,585)	(11,740)	(16,325)
Net carrying amount	9,906	205,694	215,600
December 31, 2017			
Cost at January 1, 2017, net of accumulated amortisation	9,906	205,694	215,600
Additions	8,092	—	8,092
Transfer to investment in a joint venture (note 33)	—	(94,542)	(94,542)
Amortisation provided during the year	(2,562)	(7,888)	(10,450)
At December 31, 2017	15,436	103,264	118,700
At December 31, 2017			
Cost	22,590	117,438	140,028
Accumulated amortisation	(7,154)	(14,174)	(21,328)
Net carrying amount	15,436	103,264	118,700
March 31, 2018			
Cost at January 1, 2018, net of accumulated amortisation	15,436	103,264	118,700
Additions	4,091	—	4,091
Amortisation provided during the period	(843)	(1,063)	(1,906)
At March 31, 2018	18,684	102,201	120,885
At March 31, 2018			
Cost	26,681	117,437	144,118
Accumulated amortisation	(7,997)	(15,236)	(23,233)
Net carrying amount	18,684	102,201	120,885

The net carrying amount of the cooperation arrangements to operate independent colleges were as follows:

		As at December 31,			As at March 31,
	Notes	**2015**	**2016**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Jinci College of Shanxi Medical University	(i)	16,275	15,403	14,531	14,314
Business College of Guizhou University of Finance and Economics	(ii)	95,493	92,113	88,733	87,887
College of Science and Technology of Guizhou University	(iii)	—	98,178	—	—
		111,768	205,694	103,264	102,201

(i) The cooperation arrangement to operate the independent college of Jinci College of Shanxi Medical University acquired through acquisition with an original amount of RMB17,437,000 in August 2014 was amortised over 20 years ending in 2034, which represent the contractual period to operate the college.

(ii) The cooperation arrangement to operate the independent college of Business College of Guizhou University of Finance and Economics purchased with an original amount of RMB100,000,000 in April 2014 was amortised over 30 years ending in 2044, which represent the contractual period to operate the college.

(iii) The cooperation arrangement to operate the independent college of College of Science and Technology of Guizhou University acquired through acquisition with an original amount of RMB99,997,000 in September 2016 was amortised over 220 months ending January 2034, which represent the contractual period to operate the college and had been transferred to investment in a joint venture of College of Science and Technology of Guizhou University since September 2017 when the joint venture started to provide the education services. Such arrangement was disposed of in March 2018 together with the Group's disposal of Guizhou Jiexing Huilv Air Service Consultant Services Limited ("Jiexing Huilv") (note 34).

17. ACCOUNTS RECEIVABLE

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tuition and boarding fees receivable	9,853	177	—	106

As at December 31, 2016 and 2017 and as at March 31, 2018, certain of the Group's rights to collect tuition and boarding fees were pledged as security for the Group's interest-bearing bank loans and other borrowings (note 23).

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year, which normally commences in September. The outstanding receivables represent amounts related to students who have applied for student loans. There is no fixed term for delayed payments. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

Accounts receivable as at 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 accounts receivable is either past due or impaired. The receivables have no recent history of default.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	As at December 31,			As at March 31,
		2015	2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion:					
Prepayments for management fees	7(i)	24,464	42,218	38,163	33,118
Prepaid expense		3,427	5,208	11,534	5,072
Deposits		8,216	5,633	7,868	7,668
Other receivables		1,321	3,450	2,800	7,432
Other receivables from the previous shareholder of TOP Education		—	—	40,962	—
Refundable deposit for the purchase land use rights		40,000	—	—	—
Staffs advance		5,546	4,977	4,515	6,554
Prepaid land lease payments to be amortised within one year	14	9,827	10,222	12,993	13,569
Deferred listing expenses		—	220	2,657	5,885
Interest receivable	(a)	—	—	—	2,085
		92,801	71,928	121,492	81,383
Non-current portion:					
Loan to a third party	(a)	—	—	—	125,782
Prepayments for property, plant and equipment		4,588	6,356	8,019	6,811
Prepayments for land lease payments		10,000	10,000	10,000	10,000
Prepayments for software		—	1,829	—	—
		14,588	18,185	18,019	142,593
Total		107,389	90,113	139,511	223,976

Note:

(a) Loan to a third party represented the loan to Chengdu Wuhou Guixi Property Development Company Limited ("Guixi Property") , a company controlled by the previous ultimate shareholder of Sichuan TOP IT Vocational Institute with bearing interest at a rate of 15% per annum and will become mature within two years from the respective grant dates. The interest is paid half-yearly in arrears, and the principal of the loan is repaid in a lump sum when the loans becomes mature. The loans are secured by the properties belonged to Guixi Property.

The remaining receivables 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 at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	122,719	299,498	181,332	442,586
Less: Pledged deposits for bank loans (note 23)	(30,000)	(132,000)	—	—
Pledged deposits for notes payable (note 21)	—	(20,000)	—	—
Other pledged deposits	(365)	(4,882)	—	—
Cash and cash equivalents	92,354	142,616	181,332	442,586

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. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wealth management products issued by licensed banks, at fair value	130,390	20,004	8,241	598

The above wealth management products were designated as financial assets at fair value through profit or loss and have maturity within 30 days and coupon rates ranging from 1.74% to 6.97% per annum.

The Group's financial assets at fair value through profit or loss amounting to RMB45,000,000.00 are pledged as security for bank loans of Sichuan Tianyi College as at December 31, 2015 (note 23) (December 31, 2016 and 2017 and March 31, 2018: Nil).

21. OTHER PAYABLES AND ACCRUALS

	Notes	As at December 31,			As at March 31,
		2015	2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion:					
Payables for purchase of property, plant and equipment		186,838	144,778	253,953	174,531
Payables for acquisitions of equity interests	(i)	126,202	134,916	15,000	—
Miscellaneous advances received from students	(ii)	52,598	63,907	94,517	87,959
Accrued bonuses and other employee benefits		22,345	30,568	48,568	46,951
Payables for land lease payments		50,338	380	380	380
Payables for purchase of other intangible assets		—	171	304	293
Rental payable		6,566	14,327	31,628	34,023
Government scholarship		10,415	6,374	9,987	48,854
Payables for purchase of teaching materials and operating expenditure		15,103	12,000	16,684	15,070
Payables for management fees		947	213	1,435	1,042
Construction deposits		20,948	16,292	30,597	23,383
Advances received for disposal of property, plant and equipment		—	35,288	—	—
Notes payable	(iii)	—	20,000	48,728	18,241
Provision for a dispute	(iv)	—	23,000	—	—
Other taxes payable		8,692	18,837	20,017	19,854
Other payables and accrued expenses		10,638	17,407	84,052	111,024
Construction loan from Mianzhu Education Bureau	(v)	75,832	75,832	75,832	75,832
		587,462	614,290	731,682	657,437
Non-current portion:					
Other payable	(vi)	6,892	6,743	6,585	6,695

Notes:

(i) Balances at the end of each of the Relevant Periods represent payables for the acquisitions of equity interests as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Acquisition of 100% equity interests in Sichuan Vocational College of Culture & Communication and Sichuan Yonghe	46,202	46,036	—	—
Acquisition of 30% equity interests in Sichuan Tianyi College	30,000	30,000	—	—
Acquisition of 100% equity interests in Jinci College of Shanxi Medical University and Taiyuan Xudong	50,000	21,630	—	—
Acquisition of 70% equity interests in Jiexing Huilv (note 29)	—	37,250	15,000	—
	126,202	134,916	15,000	—

(ii) The advances represented expenses relating to textbooks, military training, medical examination, insurance and etc. collected from students which will be paid out on behalf of students.

(iii) As at December 31, 2016, the balance represented notes payable secured by the Group's time deposits with the amount of RMB20,000,000 (note 19). As at December 31, 2017, the balance represented the notes payable which are commercial notes that are unsecured.

(iv) The Group was involved in a dispute with an individual about the delay in repayment of borrowings and interest. The Group recognised a provision of RMB23,000,000 for its best estimate of the obligation which had been fully settled in 2017.

(v) Sichuan Tianyi College obtained an interest-free and non-repayable loan amounted to RMB75,832,000 from Mianzhu Educational Bureau in 2015.

(vi) The non-current other payable represents the liabilities to Nanchong No.19 Middle School for the purchase of fixed assets.

Except as disclosed above, other payables and accruals are unsecured and non-interest-bearing.

22. DEFERRED INCOME

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	513,996	519,170	590,963	637,913
Grants received	9,146	78,268	54,709	—
Released to profit or loss (note 5)	(3,972)	(6,475)	(7,759)	(2,114)
At end of year/period	519,170	590,963	637,913	635,799
Current	5,732	7,203	8,456	8,456
Non-current	513,438	583,760	629,457	627,343
	519,170	590,963	637,913	635,799

Deferred income represents the government grants received for subsidies in connection with the construction of certain buildings. These grants related to assets are released to profit or loss over the expected useful lives of the relevant assets.

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at December 31,			As at December 31,			As at December 31,			As at March 31,		
	2015			2016			2017			2018		
	Effective interest rate	Maturity		Effective interest rate	Maturity		Effective interest rate	Maturity		Effective interest rate	Maturity	
	(%)		*RMB'000*	*(%)*		*RMB'000*	*(%)*		*RMB'000*	*(%)*		*RMB'000*
Current												
Bank loans - secured	5.22-6.91	2016	311,150	3.92-6.00	2017	621,000	4.75-7.50	2018	208,000	4.80-6.00	2019	438,500
Bank loans - unsecured	3.00-6.16	2016	280,000	4.79-6.00	2017	90,000	5.18	2018	200,000	6.50	2019	200,000
Current portion of												
- long term bank loans - secured	—	—	—	6.41-7.50	2017	103,000	—	—	—	4.75	2019	33,248
- long term bank loans - unsecured	6.65	2016	20,000	6.65	2017	20,000	5.23-6.65	2018	109,000	—	—	—
- other borrowings - secured	13.45	2016	6,863	—		—	7.5	2018	96,986	7.00-7.50	2019	148,598
			618,013			834,000			613,986			820,346
Non-current												
Bank loans - secured	5.70-6.00	2017-2018	870,000	5.23-6.41	2018-2021	686,000	5.23-6.18	2019-2022	930,000	5.23-6.41	2020-2023	940,000
Bank loans - unsecured	6.65	2017-2018	74,000	5.23-6.65	2018	109,000	—	—	—	—	—	—
Other borrowings - secured	—	—	—	—	—	—	7.50	2022	335,461	7.00-7.50	2020-2023	879,461
			944,000			795,000			1,265,461			1,819,461
			1,562,013			1,629,000			1,879,447			2,639,807

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year	611,150	834,000	517,000	671,748
In the second year	500,000	117,000	250,000	290,000
In the third to fifth years, inclusive	444,000	678,000	680,000	650,000
	1,555,150	1,629,000	1,447,000	1,611,748
Other borrowings repayable:				
Within one year	6,863	—	96,986	148,598
In the second year	—	—	104,409	204,409
In the third to fifth years, inclusive	—	—	231,052	675,052
	6,863	—	432,447	1,028,059
	1,562,013	1,629,000	1,879,447	2,639,807

Notes:

All of the Group's bank and other borrowings are denominated in RMB.

The Group's bank loans and other borrowing are secured by:

(a) Mortgages over the following assets:

The Group's assets:

(i) the Group's time deposits amounted to RMB30,000,000 and RMB132,000,000 (note 19) as at December 31, 2015 and 2016, respectively (December 31, 2017 and March 31, 2018: Nil);

(ii) the Group's financial assets at fair value through profit or loss amounted to RMB45,000,000 (note 20) as at December 31, 2015 (December 31, 2016 and 2017 and March 31, 2018: Nil)

(iii) In 2012, Southwest Jiaotong University Hope College entered into a sale-leaseback arrangement with an independent third party leasing company to sell and leaseback its furniture and fixtures. Based on the substance of the sale-leaseback arrangement, the lease-back arrangement was a finance lease, whereby the lessor provided finance to Southwest Jiaotong University Hope College, with the furniture and fixtures as security pledged for the borrowings. The sale-leaseback principal of the finance lease was RMB30,000,000 and bore effective interest at a rate of 13.45% per annum. The loan was repayable half-yearly in arrears on January 30, and July 10, respectively in each year. At the end of lease term, the lessor is obliged to transfer the ownership of the above assets to Southwest Jiaotong University Hope College at a nominal consideration of nil. The aggregate net carrying amount of the above assets used to secure the borrowings was RMB10,414,000 (note 13(a)) as at December 31, 2015 (December 31, 2016 and 2017 and March 31, 2018: Nil).

(iv) the Group's buildings of Sichuan Hope Automotive Vocational College are pledged for the bank loans amounted to RMB140,000,000 as at March 31, 2018 (note 13).

Land and buildings belonged to the following related parties (note 32(b)):

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of related party (as defined in note 32)				
Mianzhu Property and Wansheng Property	100,000	100,000	123,000	256,500
Jintang Property	—	100,000	—	—
Mr. Wang Huiwu, Chengdu Red May and Fuquan Property	105,000	90,000	—	—
Guizhou Mayflower Property	60,000	—	—	—
Jintang Property, Ziyang Property and Mianzhu Property	400,000	—	—	—
Ziyang Property	—	112,000	—	—
Guizhou Mayflower Property and Fuquan Property	—	134,000	—	—
Fuquan Property	—	—	127,000	127,000
Mianzhu Property	—	150,000	—	—
Chengdu Golden May and Jintang Property	—	—	75,000	75,000
	665,000	686,000	325,000	458,500

(b) Pledges of equity interests in the following subsidiaries of the Group:

(i) 100% of the equity interests in Sichuan Yonghe have been pledged for bank loans of RMB450,000,000, RMB550,000,000 and RMB550,000,000 as at December 31, 2016 and 2017 and March 31, 2018, respectively;

(ii) 100% of the equity interests in Taiyuan Xudong have been pledged for the bank loans of RMB60,000,000, RMB90,000,000 and RMB90,000,000 as at December 31, 2016 and 2017 and March 31, 2018, respectively.

(iii) 100% of the equity interests in Sichuan Guojian, the guarantee granted by Hope Education and Mr. Wang Huiwu, and the rights over tuition fees of Southwest Jiaotong University Hope College have been provided or pledged to China National Investment and Guaranty Corporation to counter guarantee the corporate guarantee provided by China National Investment and Guaranty Corporation in relation to the Group's asset-back-securities borrowings of RMB432,447,000 and RMB434,102,000 as at December 31, 2017 and March 31, 2018, respectively (December 31, 2015 and 2016: Nil).

(iv) 100% of the equity interests in Top Education have been pledged for the bank loans of RMB600,000,000 as at March 31, 2018 (December 31, 2015, 2016 and 2017: Nil).

(c) Certain of the Group's bank and other borrowings are guaranteed by the following related parties:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of related party (as defined in note 32)				
West Hope Group	300,000	95,000	35,000	—
West Hope Group and Chengdu Meihao Property	450,000	—	—	—
Chengdu Meihao Property	20,000	—	—	—
Mr. Wang Huiwu and Guizhou Property	60,000	—	—	—
Mr. Wang Huiwu, Rongxing Driving, Wanqian Trading and Chengdu Property	—	450,000	250,000	250,000
Mr. Wang Huiwu	—	150,000	90,000	230,000
Mr. Wang Huiwu and Ziyang Property	—	22,000	—	—
	830,000	717,000	375,000	480,000

(d) Rights over tuition or boarding fees of the following schools:

(i) Rights over tuition fees of Sichuan Tianyi College have been pledged for bank loans of RMB99,000,000, RMB130,000,000 and RMB473,248,000 as at December 31, 2016 and 2017 and March 31, 2018, respectively;

(ii) Rights over tuition fees of Sichuan Tianyi College and Sichuan Hope Automotive Vocational College have been pledged for bank loans of RMB20,000,000 as at December 31, 2016;

(iii) Rights over tuition fees of Jinci College of Shanxi Medical University have been pledged for bank loans of RMB60,000,000 as at December 31, 2016;

(iv) Rights over tuition fees of Sichuan Tianyi College, Sichuan Hope Automotive Vocational College, Business College of Guizhou University of Finance and Economics, Sichuan Vocational College of Culture & Communication have been pledged for bank loans of RMB300,000,000 and RMB300,000,000 as at December 31, 2017 and March 31, 2018, respectively.

(v) Right over tuition fees of Southwest Jiaotong University Hope College have been pledged for other borrowings of RMB432,447,000 and RMB434,102,000 in relation to the issuance of asset-backed securities as at December 31, 2017 and March 31, 2018, respectively.

(vi) Rights over tuition fees of Sichuan TOP IT Vocational Institute have been pledged in relation to the Group's asset-backed securities borrowings amounted to RMB600,000,000 as at March 31, 2018. In addition, the rights over tuition fees of Sichuan TOP IT Vocational School, a school controlled by Tequ Education, has been pledged for the abovementioned borrowings of RMB600,000,000 (December 31, 2015, 2016 and 2017: Nil).

24. CONVERTIBLE BONDS AND COMPOSITE INSTRUMENT

		As at December 31,			As at March 31,
	Notes	**2015**	**2016**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Convertible bonds:					
Liability component	(a)	15,000	15,000	—	—
Fair value of embedded derivatives.	(b)	—	—	—	—
		15,000	15,000	—	—
Composite instrument:					
Liability component	(a)	—	—	576,552	388,798
Fair value of embedded derivatives.	(b)	—	—	52,438	—
		15,000	15,000	628,990	388,798

Convertible bonds issued by Sichuan Yonghe

On July 2, 2015, Sichuan Yonghe issued convertible bonds ("Convertible Bonds 1") with a nominal value of RMB15,000,000. Before July 1, 2018, the bonds were convertible at the option of the bondholders into equity interests of Sichuan Yonghe with the agreed percentage up to 9.09%. The Convertible Bond 1 carrying interest at a rate of 6% per annum, which was payable quarterly in arrears on March 31, June 30, September 30, and December 31, respectively in each year. The contract was terminated and Sichuan Yonghe redeemed the Convertible Bond 1 in May 2017.

Composite instrument issued by Hope Education

On August 22, 2017, Hope Education issued a composite instrument of RMB600,000,000 which was consisted of a loan without any conversion right with interest at a rate of 7% amounting to RMB400,000,000 ("Fixed Interest Loan") and convertible bond with interest at a rate of 8%

amounting to RMB200,000,000 ("Convertible Bond 2"), to Zhuhai Maiwen Investment Centre LLP ("Zhuhai Maiwen"). Unless the conversion option is exercised, an additional interest rate of 1% will be charged based on the principal of RMB400,000,000.

The salient terms and conditions of the composite instrument issued by Hope Education are as follows:

(i) ***Interest rate***

The Group shall pay interest at 7% per annum for the Fixed Interest Loan, which is payable half-yearly in arrears on September 30 and March 31, respectively in each year.

At the option of the bondholder, if the Group failed to submit the application proof (the "Application Proof") in connection with the initial listing of the shares of the Company on the Stock Exchange, the Group shall pay interest at 8% per annum for the Convertible Bond 2 and an additional interest at 1% per annum for the Fixed Interest Loan, which is payable in a lump sum, unless the conversion option is exercised.

(ii) ***Maturity***

The Fixed Interest Loan will become matured on October 30, 2020 unless the holder permits to extend the payment date. Unless the conversion option is exercised, the Group will redeem the principal of the Convertible Bond 2 of RMB200,000,000 and the interest at 8% per annum and an additional interest rate of 1% on the principal of RMB400,000,000 on October 30, 2020, which is the maturity date of the Convertible Bond 2.

(iii) ***Conversion price***

The Convertible Bond 2 will be convertible into 4.762% of the fixed equity interests of Hope Education, subject to adjustment of additional capital injection and share option incentive.

(iv) ***Redemption at the option of the bondholder***

The Group will, at the option of the holder, redeem all the Convertible Bond 2 before October 30, 2020.

(v) ***Redemption at the option of the Group***

Upon giving 15 days' notice to the bond holder before submitting the Application Proof and if the bondholder choosing not to convert the bonds, the Group is entitled to redeem the bonds with the principal of RMB200,000,000 and interest at the rate of 8%. An additional interest at the rate of 1% will be charged based on the principal of the Fixed Interest Loan per annum before October 30, 2020.

(vi) ***Pledges***

70% of the equity interest in Jiexing Huilv, 67% of the equity interest in Shanghai Shurui and the rights over tuition or boarding fees of Sichuan Tianyi College have been pledged for the Convertible Bond 2 as at December 31, 2016 and 2017.

The fair value of the composite instrument was determined by an independent qualified valuer, of which the fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option and the fair value of the conversion rights was determined using the binomial option pricing model. The initial fair value of the liability component is RMB566,551,000 and the initial fair value of the conversion rights is RMB58,691,000 and the Group recognised the fair value of the Convertible Bond 2 exceeded the initial consideration in the amount of RMB25,242,000 as deemed distribution to the shareholder.

The convertible bonds and composite instrument issued during the Relevant Periods have been split into the liability component and the conversion rights as follows:

(a) **Liability component:**

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liability component at January 1, ...	—	15,000	15,000	576,552
Convertible bond issued during the year/period	15,000	—	—	—
Composite instrument issued during the year/period	—	—	566,551	—
Effective interest recognised for the year/period	458	915	20,503	13,411
Interest paid during the year/period.................	(458)	(915)	(3,444)	—
Convertible bond converted during the year/period	—	—	—	(194,261)
Redemption of convertible bond......................	—	—	(15,000)	—
Liability component at the year/period end	15,000	15,000	583,610	395,702
Less: interest payable within one year.............	—	—	(7,058)	(6,904)
	15,000	15,000	576,552	388,798

(b) **Conversion rights:**

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fair value of conversion rights at January 1 ...	—	—	—	52,438
Fair value of conversion rights issued during the year/period	—	—	58,691	—
Fair value changes of conversion rights	—	—	(6,253)	(13,271)
Convertible bond converted during the year/period	—	—	—	(39,167)
Fair value of conversion rights at the end of year/period	—	—	52,438	—

The fair value changes of the conversion rights for the year ended December 31, 2017 and for the three months ended March 31, 2018 amounting to RMB6,253,000 and RMB13,271,000 were recognised in profit or loss and accounted for separately. The related interest expense on the liability component was RMB458,000, RMB915,000 and RMB20,503,000 for the years ended December 31, 2015, 2016 and 2017, and RMB13,411,000 for the three months ended March 31, 2018, respectively, which is calculated using the effective interest method with effective interest rates ranging from 6% to 10% per annum.

Zhuhai Maiwen entered into an agreement with the original shareholders of Sichuan Tequ, Mayflower, Guangkong Maiming, Guangwei Qinghe together with Hope Education and WFOE, pursuant to which Zhuhai Maiwen executed the conversion right to convert the Conversion Bond 2 into the equity interests of Hope Education on March 21, 2018. After the completion of all conversion procedures, on June 8, 2018, Zhuhai Maiwen hold a 4.762% of the interest in Hope Education and on July 3, 2018, Glory Aurora Limited, a wholly-owned subsidiary of Zhuhai Maiwen, hold a 4.762% of the interest in the Company by way of issuance of 2,500,053 shares.

25. LIABILITY OF A PUT OPTION GRANTED TO A SHAREHOLDER

On June 30, 2016, the original shareholders of Sichuan Tequ Investment Group Ltd. ("Sichuan Tequ") and Chengdu Mayflower Investment Management Ltd. (Mayflower) together with Hope Education entered into a capital injection agreement with Yixing Guangkong Investment Limited ("Yixing Guangkong"), pursuant to which Yixing Guangkong conditionally agreed to make a capital contribution of RMB300,000,000 to subscribe the equity interests of 13.04% of Hope education (the "Capital Contribution").

In addition to the Capital Contribution, Yixing Guangkong was granted the put option, pursuant to which in the event that Hope Education cannot successfully going public within three years on a well-recognised stock exchange, it shall be entitled to request Hope Education to repurchase those equity interests at the consideration equivalent to the aggregate of the initial investment cost of RMB300,000,000 and the return of the investment based on an annual rate of 4%.

The 33% equity interest in Shanghai Shurui and the rights over the tuition or boarding fees of Sichuan Tianyi College have been pledged for the put option. The original shareholders of Sichuan Tequ and Maysunshine jointly take the responsibility to repurchase the abovementioned equity interests.

Yixing Guangkong transferred its interests in Hope Education to its affiliates, namely, 8.69% to Shanghai Guangkong Maiming Investment Center (Limited Partnership) ("Guangkong Maiming") and 4.35% to Shanghai Guangwei Qinghe Investment Center (Limited Partnership) ("Guangwei Qinghe"). The considerations were determined at initial investment cost.

The liability of the put option granted to Guangkong Maiming and Guangwei Qinghe is initially recognised at fair value and subsequently measured at amortised cost. The initial fair value of the liability is RMB239,710,000 and the Group recognised the contribution amounting to RMB60,290,000 representing the amount of consideration received over the initial fair value of the liability as capital reserve. As at December 31, 2016 and 2017, the liability of the put option amounted to RMB251,048,000 and RMB276,153,000, respectively with the effective interest rate of 10%.

On February 5, 2018, Guangkong Maiming and Guangwei Qinghe entered into a supplemental agreement with the Company to cease the right of put option granted upon the submission of the Application Proof. Upon the cessation of the right of put option granted on March 21, 2018, the date on which the Company submitted the Application Proof, the amortised cost of the liability of the put option granted with the amount of RMB281,908,000 had been transferred to the equity.

26. SHARE CAPITAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on March 13, 2017 with authorised share capital of amount divided into 50,000 shares of US$1 each.

Pursuant to the written resolution of the sole shareholder of the Company dated January 30, 2018, each share of a par value of US$1 in the authorised share capital of the Company was subdivided into 100,000 shares of a par value of US$0.00001 each ("Share Subdividsion"), such that immediately following the Share Subdivision, the authorised share capital of the Company was 5,000,000,000 shares of a par value of US$0.00001 each. As at March 31, 2018, the Company's issued shares are 50,000,000 ordinary shares of a par value of US$0.00001 each (December 31, 2017: 1 ordinary shares of a par value of US$1 each).

	As at December 31, 2017	As at March 31, 2018
	RMB'000	*RMB'000*
Issued but not fully paid	—	3

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 of the Historical Financial Information.

Capital reserve

The capital reserve of the Group represents the capital contributions from the then equity holders of the Group's subsidiaries, after elimination of investments in subsidiaries. The additions during the Relevant Periods represent the injection of additional paid-up capital by the then equity holders of the Group's subsidiaries.

Statutory surplus reserves

Pursuant to the relevant laws in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries. These reserves include (i) general reserve of the limited liability companies and (ii) the development fund of schools.

(i) In accordance with the 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, for private schools that require reasonable returns, they are required to appropriate to the development fund not less than 25% of the net income of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

28. BUSINESS COMBINATION

On December 28, 2017, the Group acquired a 100% equity interest in TOP Education. Upon completion of the acquisition, the Group directly owned 100% effective equity interests in Sichuan TOP IT Vocational Institute, which is engaged in the provision of higher education services. The purchase consideration was RMB1,000,000,000, of which RMB717,532,000 was paid on December 28, 2017 and the remaining of RMB282,468,000 was offset by the amount due from the then shareholder of Top Education. The acquisition has been accounted for using the acquisition method.

The Group has acquired TOP Education and Sichuan TOP IT Vocational Institute to further expand its market share of higher education services in Western China.

The following table summarises the consideration paid for the acquisition, the fair values of the identifiable assets acquired and liabilities assumed at the acquisition date:

	Notes	Fair value recognised on acquisition
		RMB'000
Property, plant and equipment	13	381,052
Prepaid land lease payments	14	176,521
Cash and cash equivalents		11,094
Prepayments, deposits and other receivables		322,086
Contract liabilities		(74,623)
Other payables and accruals		(176,876)
Interest-bearing bank and other borrowings		(56,544)
Deferred tax liabilities		(10,677)
Total identifiable net assets at fair value		572,033
Goodwill on acquisition	15	427,967
Satisfied by		
- cash		717,532
- offsetting with the amount due from the then shareholder		282,468
		1,000,000

The value of goodwill arising from the acquisition Sichuan TOP Education Co., Ltd. and Sichuan TOP IT Vocational Institute. The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projects based on financial forecasts, which are in turn based on a number of assumptions, including the benefits in connection with the expected synergies, student roster and the assembled workforce of Sichuan TOP IT Vocational Institute.

An analysis of the cash flows in respect of the acquisition of the above subsidiary is as follows:

	RMB'000
Cash consideration paid in 2017	(717,532)
Cash and cash equivalents acquired	11,094
Net outflow of cash and cash equivalents included in cash flows from investing activities	(706,438)

As the acquisition took place on December 28, 2017, TOP Education and Sichuan TOP IT Vocational Institute contributed nil to the Group's revenue and 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 total comprehensive income of the Group for the year ended December 31, 2017 would be increased by RMB127,618,000 and RMB52,393,000, respectively.

29. ACQUISITION OF A SUBSIDIARY THAT IS NOT A BUSINESS

On September 6, 2016, the Group entered into a share transfer agreement with an independent individual, the then shareholder of Jiexing Huilv, to acquire 70% equity interests in Jiexing Huilv at a consideration of RMB70,000,000. Jiexing Huilv owns the sponsor right to operate the College of Science and Technology of Guizhou University for a validity term of 20 years from December 24, 2014 to December 23, 2034. The acquisition of Jiexing Huilv was completed on September 23, 2016.

The above acquisition has been accounted for as an acquisition of assets as this acquisition had no attribution of a business.

The Group has elected to measure the non-controlling interest in Jiexing Huilv at the non-controlling interest's proportionate share of Jiexing Huilv's identifiable net assets.

The identified assets and liabilities acquired by the Group in the above acquisition were as follows:

	RMB'000
Other intangible assets (note 16)	99,997
Cash and cash equivalents	3
Other receivables	5
Other payables	(4)
Non-controlling interests	(30,001)
Total identifiable net assets at fair value	70,000
Satisfied by:	
Cash	32,750
Other payable (note 21(i))	37,250
	70,000

An analysis of the cash flows in respect of the acquisition of the above subsidiary is as follows:

Cash consideration	(32,750)
Cash and cash equivalents acquired	3
Net outflow of cash and cash equivalents included in cash flows from investing activities	(32,747)

30. OPERATING LEASE COMMITMENTS

(a) As lessor

The Group leased out its land and buildings under operating lease arrangements, with leases negotiated for terms ranging from 1 to 10 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at the end of each of the Relevant Periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	4,253	10,039	7,412	6,709
After one year but within five years	6,319	6,181	3,891	5,109
More than five years	1,027	801	467	397
	11,599	17,021	11,770	12,215

(b) **As lessee**

The Group leases certain of its dormitory buildings, land use rights and motor vehicles under operating lease arrangements. Leases for dormitory buildings, land use rights and motor vehicles are negotiated for terms ranging from 1 to 13 years, 5 years and 1 year, respectively.

As at the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	2,203	1,472	4,572	17,329
After one year but within five years	24,191	58,249	79,638	85,761
Over five years	88,504	109,904	117,499	104,539
	114,898	169,625	201,709	207,629

31. COMMITMENTS

In addition to the operating lease commitments detailed in note 30 above, the Group had the following capital commitments as at the end of each of the Relevant Periods:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for:				
Property, plant and equipment	28,042	138,747	169,849	110,395
Other intangible assets	—	571	3,593	110
	28,042	139,318	173,442	110,505

32. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Name and relationship

The directors of the Company are of the view that the following parties/companies are related parties that had transactions or balances with the Group during the Relevant Periods.

Related parties	Relationships
Mr. Wang Huiwu	One of the ultimate joint controlling parties
Mr. Chen Yuxin	One of the ultimate joint controlling parties
Sichuan Tequ Investment Group Ltd. ("Tequ Investment Group")	One of the jointly controlling shareholders
Chengdu West Hope Group Ltd. ("West Hope Group")	Parent of Tequ Investment Group
Sichuan Tequ Education Management Co., Ltd. ("Tequ Education")	A company controlled by the jointly controlling shareholders
Mianzhu May Sunshine Property Development Co., Ltd. ("Mianzhu Property")	A company controlled by Tequ Education

Related parties	Relationships
Mianzhu Wansheng Property Development Co., Ltd. ("Mianzhu Wansheng Property")	A company controlled by Tequ Education
Fuquan Mayflower Property Development Co., Ltd. ("Fuquan Property")	A company controlled by Tequ Education
Chengdu Golden May Business Management Co., Ltd. ("Chengdu Golden May Business")	A company controlled by Sichuan Tequ Investment
College of Science and Technology of Guizhou University	Joint venture of the Group
Jintang Golden May Property Development Co., Ltd. ("Jintang Property")	A company controlled by Tequ Education
Sichuan Mayflower Precision Instrument Co., Ltd. ("Mayflower Precision Instrument")	A company controlled by Mr. Wang Huiwu
Sichuan Wanqian Trading Co., Ltd. ("Wanqian Trading")	A company ultimately controlled by Tequ Education before July 2017
Sichuan Ziyang May Sunshine Education Fund ("May Sunshine Fund")	A fund controlled by Mr. Wang Huiwu
Ziyang Automobile Science and Technology Vocational College ("Ziyang Automobile College")	A school controlled by the Controlling Shareholder
Ziyang May Sunshine Property Development Co., Ltd. ("Ziyang Property")	A company controlled by Tequ Education
Chengdu Hope English Training School ("Hope English School")	A school controlled by Tequ Education
School Hospital of Southwest Jiaotong University Hope College ("School Hospital")	A hospital once controlled by Tequ Education
Nanchong Jinse Nanhu Real Estate Co., Ltd. ("Nanchong Jinse Nanhu")	A joint venture of Tequ Investment Group
Jianyang Yujing Horticulture Store ("Jianyang Yujing")	A company controlled by a close relative of Mr. Wang Huiwu
Sichuan Dawu Trading Co., Ltd. ("Dawu Trading")	A company controlled by a close relative of Mr. Wang Huiwu

Related parties	Relationships
Sichuan Dawu Technology Co., Ltd. ("Dawu Technology")	A company controlled by Dawu Trading
Sichuan Rongxing Driving School Co., Ltd. ("Rongxing Driving School")	A company controlled by Mr. Wang Huiwu
Sichuan Tianyuan Insurance Co., Ltd. ("Tianyuan Insurance")	A company controlled by Dawu Trading
Chengdu Meihao Property Development Ltd. ("Chengdu Meihao Property")	A company controlled by West Hope Group
Chengdu Red May Film Production Advertising Ltd. ("Chengdu Red May")	A company controlled by Tequ Education
Guizhou Mayflower Property Development Co., Ltd. ("Guizhou Mayflower Property")	A company controlled by Tequ Education
Guizhou Mayflower Driving Training Co., Ltd. ("Guizhou Mayflower Driving")	A company controlled by Rongxing Driving School
Chengdu Jinniu District Tianyi Primary School ("Tianyi Primary School")	A school controlled by Tequ Education
Chengdu Mayflower Property Management Co., Ltd. ("Chengdu Mayflower Property Management")	A company controlled by Dawu Trading
Sichuan Hope Insurance Co., Ltd. ("Hope Insurance")	A company controlled by Dawu Trading
Sichuan Wuyang Construction Project Company Limited ("Wuyang Construction")	A company controlled by a close relative of Mr. Wang Huiwu
Chengdu Mayflower Senior Technical School ("Chengdu Mayflower Technical")	A company controlled by Tequ Education
Sichuan TOP IT Vocational School ("TOP School")	A company controlled by Tequ Education
Guizhou Mayflower Education Investment Limited ("Guizhou Mayflower Investment")	A company controlled by Tequ Education

(b) **Transactions with related parties**

(i) ***Loans received from/(repayment of loans to)***

	Year ended December 31,			Three months ended March 31,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
West Hope Group					
Loans received from	105,500	70,000	150,000	150,000	—
Repayment of loans to	—	(100,000)	(277,410)	(82,000)	—
Interest paid	—	(11,572)	(49,561)	—	—
Interest expense charged by	4,911	15,913	6,223	984	—
Tequ Investment Group					
Loans received from	100,000	—	—	—	20,000
Repayment of loans to	(139,600)	(243,500)	—	—	—
Interest paid	(35,744)	(46,396)	—	—	—
Interest expense charged by	30,684	1,364	—	—	26

During the Relevant Periods, the Group received loans from West Hope Group with effective interest rates ranging from 6% to 8%. The loans are unsecured and repayable on demand or within one year.

During the Relevant Periods, the Group received loans from Tequ Investment Group with effective interest rates ranging from 8.02% to 12%. The loans as at 31 December 2015, 2016 and 2017 are unsecured and repayable on demand. The loans as at March 31, 2018 are unsecured and repayable within three months.

(ii) ***Interest income received***

	Year ended December 31,			Three months ended March 31,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Tequ Education	—	—	14,581	—	14,568
College of Science and Technology of Guizhou University	—	—	2,388	—	—
Nanchong Jinse Nanhu	3,731	—	—	—	—
	3,731	—	16,969	—	14,568

The Group have granted loans to Tequ Education and charged interest with 9% based on the average loans balance since the completion of the demerger for the year ended December 31, 2017 and the three months ended March 31, 2018 (Years ended December 31, 2015 and 2016: Nil).

During the year ended December 31, 2017, the Group granted loans to College of Science and Technology of Guizhou University and charged interest with 8% based on the average loans balance between September 30, 2017 and December 31, 2017 (note 32(c) (v)) (December 31, 2015 and 2016 and March 31, 2018: Nil).

During the year ended December 31, 2015, the Group received the repayment of a loan from Nanchong Jinse Nanhu with the principal amounted to RMB136,000,000 and interest amounted to RMB3,371,000 based on the effective interest rate of 9.07% (December 31, 2016 and 2017 and March 31, 2018: Nil).

(iii) ***Guarantees provided by the related parties***

	Year ended December 31,			Three months ended March 31,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Guarantee fee paid/payable to:					
West Hope Group	14,031	9,853	900	82	—

West Hope Group provided a guarantee for the Group's certain interest-bearing bank loans amounting to RMB595,000,000, RMB95,000,000 and RMB35,000,000 during the years ended December 31, 2015, 2016 and 2017, respectively, with a guarantee fee of 2% per annum based on the principal amount of the bank loans (for the three months ended March 31, 2018: Nil).

In 2015, West Hope Group provided a guarantee for the Group's certain interest-bearing bank loans amounting to RMB135,000,000 free of charge.

Other related parties listed in note 23(c) also provided guarantees for the Group's interest-bearing bank loans free of charge.

Certain of the Group's interest-bearing bank loans with aggregate carrying values as at December 31, 2015, 2016 and 2017 and March 31, 2018 of RMB665,000,000, RMB686,000,000, RMB325,000,000 and RMB458,500,000, respectively are secured by mortgages over the land use rights and buildings (note 23(a)) owned by certain related parties.

Certain of the Group's interest-bearing bank loans with aggregate carrying values at March 31, 2018 of RMB600,000,000 are secured by right over tuition fees of Sichuan TOP IT Vocational School free of charge (note 23(d)).

(iv) ***Guarantees provided to a related party***

The Group provided guarantees for Chengdu Mayflower Technical's interest-bearing bank loan up to RMB80,000,000 and RMB50,000,000, respectively, both with guarantee income of 2% per annum based on the principal of bank loan guaranteed. The after-tax guarantee income was RMB1,057,000 and RMB236,000 for the year ended December 31, 2017 and the three months ended March 31, 2018, respectively.

The Directors are of the opinion that the fair value of the financial guarantee provided to the related party is not material.

(v) ***Procurement of property, equipment and fixtures***

	Year ended December 31,			Three months ended March 31,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Wuyang Construction	500	76,644	423,243	26,849	19,878
Dawu Trading	31,746	54,853	71,406	34,405	33,767
Ziyang Property	—	249,362	—	—	—
Guizhou Mayflower Property	—	76,014	—	32,555	360
Mianzhu Property	—	—	32,671	—	5,101
Mayflower Precision Instrument	—	4,894	3,776	1,952	3,731
Jianyang Yujing	2,004	75	2,938	1,369	—
Wanqian Trading	—	—	—	—	3
Dawu Technology	2,704	79	690	9	118
	36,954	461,921	534,724	97,139	62,598

The considerations for the construction of property, equipment and fixtures were determined at prices mutually agreed between the Group and its related parties with reference to the arm's length pricing obtained from the market.

(vi) ***Sales of properties***

	Year ended December 31,			Three months ended March 31,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Guizhou Mayflower Property	—	—	68,322	68,322	—
Tianyi Primary School	—	—	29,736	—	—
	—	—	98,058	68,322	—

The sales of property to the related parties were determined at prices mutually agreed between the Group and it related parties with reference to arm's length pricing obtained from the market.

(vii) ***Goods purchased and service received from related parties***

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Chengdu Mayflower Property Management	470	2,480	608	—	—
Tianyuan Insurance	1,015	300	290	—	—
School Hospital	—	—	491	50	—
Hope English School	—	—	237	—	—
Wanqian Trading	—	202	—	—	—
Hope Insurance	36	30	22	16	2
	1,521	3,012	1,648	66	2

The purchases of goods or services from the related parties were determined at prices mutually agreed between the Group and it related parties with reference to arm's length pricing obtained from the market.

(viii) ***Properties leased to related parties***

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Chengdu Mayflower Technical	11,275	11,607	11,915	3,017	3,168
Ziyang Automobile College	8,400	8,820	7,883	2,315	2,431
Rongxing Driving School	1,915	2,186	2,155	527	565
Guizhou Mayflower Driving	—	800	800	200	200
Ziyang Property	—	—	123	—	—
Tianyi Primary School	800	1,200	424	340	—
	22,390	24,613	23,300	6,399	6,364

Rental charges were determined at price mutually agreed between the Group and it related parties with reference to arm's length pricing obtained from the appraiser.

(ix) ***Donations received from/(provided to) a related party***

The Group paid/received donations amounting to RMB100,000 and RMB2,400,000 to from May Sunshine Fund for the years ended December 31, 2015 and 2016.

(x) ***Disposal of a subsidiary***

In March 2018, the Group entered into an equity transfer agreement with Tequ Education, to transfer the 70% equity interest in Jiexing Huilv at a consideration of RMB70 million (note 34).

(c) **Balances with related parties**

As disclosed in the consolidated statements of financial position, the Group had outstanding balances due from and to related parties at December 31, 2015, 2016 and 2017 and March 31, 2018.

Amounts due from related parties

		As at December 31,			As at March 31,
		2015	**2016**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade in nature					
Tequ Education	(i)	1,116,940	1,200,315	545,686	764,810
Mr. Wang Huiwu	(iv)	15,000	5,000	—	—
Amounts due from shareholders	(vi)	—	—	—	3
College off Science and Technology of Guizhou University	(v)	—	—	74,559	57
		1,131,940	1,205,315	620,245	764,870
Trade in nature					
Tequ Education (note 34)		—	—	—	70,000
Chengdu Mayflower Technical	(ii)	16,775	28,614	42,644	44,556
Guizhou Mayflower Property	(iii)	—	—	23,796	22,884
Wuyang Construction		—	—	—	33,469
Ziyang Automobile College	(ii)	16,400	16,878	18,613	21,736
Tianyi Primary School	(ii)	1,200	2,400	2,871	2,871
Rongxing Driving School	(ii)	3,144	5,252	7,515	6,241

		As at December 31,			As at March 31,
		2015	2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guizhou Mayflower Driving	(ii)	—	800	1,600	1,800
Chengdu Mayflower Property Management		—	—	795	—
Hope Insurance		—	2	—	—
Dawu Technology		2	—	500	496
Dawu Trading		—	—	478	3,853
TOP School		—	—	1,417	1,678
Chengdu Golden May		—	—	11,800	11,800
Jintang Property		—	—	427	410
WFOE		—	—	—	45
Ziyang Property		—	—	123	—
		37,521	53,946	112,579	221,839
		1,169,461	1,259,261	732,824	986,709

(i). The Group granted interest-free loans to Tequ Education amounting to RMB1,116,940,000 and RMB1,200,315,000 as at December 31, 2015 and 2016, respectively. Loans granted to Tequ Education of RMB545,686,000 and RMB764,810,000 as at December 31, 2017 and March 31, 2018 bear interest at a rate of 9% per annum.

(ii). The Group charged rental for providing teaching venues to the above schools and training institutions and the lease receivables are not past due as at December 31, 2015, 2016 and 2017 and March 31, 2018.

(iii). In June 2017, the Group entered into an agreement, pursuant to which the Group agreed to transfer to Guizhou Mayflower Property the building for a total consideration of RMB68,322,000 (note 31(b) (vi)).

(iv). The Group granted interest-free loans to Mr. Wang Huiwu amounted to RMB15,000,000 and RMB5,000,000 as at December 31, 2015 and 2016 (December 31, 2017 and March 31, 2018: Nil).

(v). The Group granted a loan to College of Science and Technology of Guizhou University amounted to RMB74,559,000 with the interest rate of 8%, which had been transferred to Tequ Education when Tequ Education acquired Jiexing Huilv (the sponsor of College of Science and Technology of Guizhou University) in March 2018.

(vi) Amounts due from the shareholders represented the issued capital which should be paid by the shareholders of the Company.

Except for the details set out above, the other amounts due from the related parties are unsecured, interest-free and have no fixed terms of repayment.

Amounts due to related parties

	As at December 31,			As at March 31,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans				
West Hope Group				
- Interest-bearing loans	157,410	127,410	—	—
- Interest unpaid	45,220	49,561	—	—
Tequ Investment Group				
- Interest-bearing loans	243,500	—	—	20,000
- Interest unpaid	45,032	—	—	26
	491,162	176,971	—	20,026

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Amounts due to related parties

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables				
Trade in nature				
Chengdu Red May	6,049	6,460	—	—
West Hope Group	2,876	1,329	—	—
Ziyang Property	—	249,362	—	13
School Hospital	—	—	—	56
Mianzhu Property	—	—	—	5,101
Guizhou Mayflower Investment	—	—	—	91
Ziyang Automobile College	—	—	—	69
Wuyang Construction	—	44,115	78,699	47,275
Guizhou Mayflower Property	—	76,014	—	—
Dawu Trading	20,811	17,528	52,613	32,260
Mayflower Precision Instrument	—	681	1,986	1,187
Chengdu Mayflower Property Management	343	1,821	595	313
Dawu Technology	814	373	603	478
Tianyuan Insurance	604	388	443	451
Jianyang Yujing	—	343	—	—
Hope English School	—	—	137	137
Wanqian Trading	—	127	127	210
Rongxing Driving School	—	36	—	—
Hope Insurance	8	3	3	3
Science College	—	—	6,249	—
Chengdu Mayflower Technical	—	6	—	21
	31,505	398,586	141,455	87,665
Non-trade in nature				
Mr. Wang Huiwu	—	—	—	53
TOP School	—	—	13,544	13,544
	—	—	13,544	13,597
	522,667	575,557	154,999	121,288

Details of the Group's loans from shareholders as at December 31, 2015 and 2016 and March 31, 2018 are included in note 32(b) (i) and (iii) (December 31, 2017: nil).

Other payable to Chengdu Red May with an annual interest rate of 6% was paid by Hope Education in 2017. Besides, the remaining other payables due to shareholders and related parties are unsecured, interest-free and has no fixed terms of repayment.

(d) **Compensation of key management personnel of the Group:**

	Year ended December 31,			Three months ended March 31,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Salaries, allowances and benefits in kind	363	626	1,488	341	450
Equity-settled share option expense (note 36)	—	—	—	—	381
Pension scheme contributions	59	109	139	—	51
	422	735	1,627	341	882

Further details of directors' emoluments are included in note 8 to the Historical Financial Information.

33. INVESTMENT IN A JOINT VENTURE

	As at December 31, 2017	As at March 31, 2018
	RMB'000	*RMB'000*
Share of net assets of College of Science and Technology of Guizhou University	50,066	—
Intangible assets used by College of Science and Technology of Guizhou University	92,724	—
	142,790	—

The Group's joint venture is the indirect investment in College of Science and Technology of Guizhou University with the details set out as follows:

Name	Particulars of registered capitals	Place of registration and business	Percentage of Ownership interest*	Principal activities
College of Science and Technology of Guizhou University 貴州大學科技學院..	RMB50,000,000	PRC/Mainland	70%	Provision of higher education services

* All registered capitals of RMB50,000,000 were paid up by the Group. Pursuant to the agreement entered into by Jiexing Huilv and an independent third party on September 6, 2016, the Group is entitled to 70% of ownership interest and profit sharing of College of Science and Technology of Guizhou University. The Group appointed three out of seven directors to the board of directors of College of Science and Technology of Guizhou University. The board of directors is the highest authoritative body to exercise the major function and powers of the school. Any resolution made at the meeting of the board of directors shall be subjected to the agreement of two-third of the directors. Subsequently, the Group and Guizhou University jointly controlled College of Science and Technology of Guizhou University since September 2017.

The following table illustrates the summarised financial information in respect of College of Science and Technology of Guizhou University adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements as at December 31, 2017 (March 31, 2018: Nil):

	Notes	As at December 31, 2017
		RMB'000
Current assets		
Cash and cash equivalents		102
Accounts receivable		34,867
Prepayments, deposits and other receivables		2,742
Amount due from a shareholder	32(c)	6,249
		43,960
Non-current assets		
Property, plant and equipment		167,404
Other intangible assets		4,603
		172,007

	Notes	As at December 31, 2017
		RMB'000
Current liabilities		
Other payable and accruals		91,313
Amount due to a related party	32(c)	74,559
		165,872
Net assets		50,095

Reconciliation to the Group's share of net assets of the joint venture:

Proportion of the Group's ownership	70%
Share of net assets of the joint venture based on the proportion of the Group's ownership (RMB50,095,000*70%)	35,066
30% of the registered capital paid up by Group (RMB50,000,000*30%)	15,000
The Group's share of net assets of the joint venture	50,066

	Years ended December 31, 2017	Three months ended March 31, 2018
	RMB'000	*RMB'000*
Revenue	13,524	6,839
Profit/(loss) before tax	95	(706)
Proportion of the Group's ownership	70%	70%
Group's share of profits/(losses) of the joint venture	66	(494)
Less: amortisation of the intangible assets used by College of Science and Technology of Guizhou University	1,818	1,364
Share of losses of the joint venture	(1,752)	(1,858)

The Group disposed of the investment in a joint venture in March, 2018 with details set out in note 34.

34. DISPOSAL OF SUBSIDIARY

On February 6, 2018, Hope Education established a wholly owned subsidiary i.e., Chengdu Maysunshine Education Management Co., Ltd. ("Maysunshine Education Management"), and subsequently, Hope Education transferred its directly owned 70% equity interest in Jiexing Huilv to Maysunshine Education Management. On March 19, 2018, Hope Education and Maysunshine Education Management entered into a share transfer agreement with Tequ Education, pursuant to which Hope Education transferred its 100% interests in Maysunshine Education Management (indirectly 70% interests in Jiexing Huilv) to Tequ Education at a consideration of RMB70,000,000. The transfer of shares was completed on March 19, 2018.

	RMB'000
Net assets disposed of	
Cash and bank balances	392
Other receivables	88
Investment in a joint venture	49,572
Intangible assets	91,361
Tax payable	(2)
Other payable	(261)
Due to related parties	(52,942)
	88,208
% of equity interest held	70%
Net assets disposed of	61,744
Gain on disposal of a subsidiary	8,256
	70,000
Satisfied by:	
Amounts due from a related party (note 32(c))	70,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

Cash consideration	—
Cash and bank balances disposed of	(392)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(392)

35. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) In 2016, Yixing Guangkong conditionally agreed to make a capital contribution of RMB300,000,000 (note 25) to subscribe the equity interest of 13.04% of Hope education. The Group received RMB300,000,000 in July 2016. The liability of the put option granted to Yixing Guangkong is initially recognised at fair value and subsequently measured at amortised cost. The initial fair value of the liability is RMB239,710,000 and the Group recognised the contribution exceeded the fair value of the liability amounted to RMB60,290,000 representing the amount of consideration received over the initial fair value of the liability as capital reserve. The non-cash amortised cost of the liability of the put option granted to Yixing Guangkong is RMB11,339,000 and RMB25,104,000 for the year ended December 31, 2016 and 2017, and RMB5,970,000 (unaudited) and RMB5,756,000 for the three months ended March 31, 2017 and 2018 respectively. On March 21, 2018, the then shareholders of Guangkong Maiming and Guangwei Qinghe (note 25) forgo the put option granted and the carrying amount of the liability of RMB281,908,000 was transferred to reserves.

(b) In 2015, Sichuan Yonghe issued Convertible Bond 1 with a nominal value of RMB15,000,000 with interest at a rate of 6% per annum. The Group redeemed the Convertible Bond 1 in May 2017 (note 24).

In August 2017, Hope Education issued a composite instrument of RMB600,000,000 which consisted of a loan with an interest rate of 7% amounting to RMB400,000,000 and Convertible Bond 2 with an interest rate of 10% amounting to RMB200,000,000, to Zhuhai Maiwen.

The non-cash fair value changes of the conversion rights amounted to RMB6,253,000 and RMB13,271,000 for the year ended December 31, 2017 and for the three months end March 31, 2018 respectively, and the non-cash amortised cost for the liability component of the composite instrument was RMB20,203,000 and RMB13,411,000 for the year ended December 31, 2017 and for the three months ended March 31, 2018, respectively.

The carrying amount of the component of liability and the fair value of the component of the derivative with the amounts of RMB194,261,000 and RMB39,167,000, respectively were transferred to capital reserves when Zhuhai Maiwen executed the conversion right to convert the Convertible Bond 2 on March 21, 2018.

(c) During the Relevant Periods, the cash flows of acquisition of subsidiaries can be further analysed as follows:

		Year ended December 31,			Three months ended March 31,	
	Notes	**2015**	**2016**	**2017**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Acquisition of subsidiaries						
- Jiexing Huilv	29	—	(32,747)	(22,250)	—	—
- Sichuan Vocational College of Culture & Communication		(18,455)	(166)	—	—	—
- TOP Education	28	—	—	(706,438)	—	—
- Jinci College of Shanxi Medical University		—	(28,370)	(21,630)	(11,630)	—
		(18,455)	(61,283)	(750,318)	(11,630)	—

The Group acquired Top Education and Sichuan TOP IT Vocational Institute in 2017 (note 28), acquired Jiexing Huilv in 2016 (note 29), and acquired Sichuan Vocational College of Culture & Communication and Jinci College of Shanxi Medical University in 2014.

(d) Reconciliation of financial liabilities arising from financing activities during the Relevant Periods is as follows:

	Interest-bearing bank and other borrowings	Other payables and accruals	Amounts due to related parties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2015	1,253,563	99,100	427,191	1,779,854
Cash flows	307,413	4,091	65,437	376,941
Non-cash changes	1,037	3,281	—	4,318
At December 31, 2015	1,562,013	106,472	492,628	2,161,113
Cash flows	66,784	4,797	(315,739)	(244,158)
Non-cash changes	203	—	—	203
At December 31, 2016	1,629,000	111,269	176,889	1,917,158
Cash flows	192,447	(22,317)	(178,382)	(8,252)
Non-cash changes	43,000	—	—	43,000
At December 31, 2017	1,864,447	88,952	(1,493)	1,951,906
Cash flows	782,112	9,515	20,082	811,709
Non-cash changes	(6,752)	—	(26)	(6,778)
March 31, 2018	2,639,807	98,467	18,563	2,756,837
At January 1, 2017	1,629,000	111,269	176,889	1,917,158
Cash flows	169,500	(34,212)	(176,889)	(41,601)
Non-cash changes	—	—	—	—
March 31, 2017 (unaudited)	1,798,500	77,057	—	1,875,557

The non-cash changes represented the financial expenses related to the liabilities at amortised cost.

36. SHARE OPTION SCHEME

On March 18, 2018, the Company adopted a share option scheme (the "2018 Pre-IPO Share Option Scheme") for the purpose of providing incentives to senior management, mid-level employee and staffs who contribute to the success of the Group. The 2018 Pre-IPO Share Option Scheme became effective on March 18, 2018 and will expire on the day immediately prior to the earlier of (i) the date on which the shares of the Company first commence trading on the Stock Exchange (the "Listing Date"); (ii) the date which is twenty years after March 18, 2018; or (iii) the Company by resolution of the shareholders, or the board of directors, may at any time terminate the operation of the 2018 Pre-IPO Share Option Scheme, after which period no further Pre-IPO Share Options will be granted but the provisions of the 2018 Pre-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Pre-IPO Share Options which are granted during the life of the scheme or otherwise as may be required in accordance with the provisions of the 2018 Pre-IPO Share Option Scheme.

There are in total three tranches of Pre-IPO Share Options under the 2018 Pre-IPO Share Option Scheme, namely Pre-IPO Share Options under tranche A ("Tranche A Options"), tranche B ("Tranche B Options") and tranche C ("Tranche C Options"), the exercise price is RMB0.5911 for Tranche A Options, RMB0.9311 for Tranche B Options, and RMB1.1311 for Tranche C Options.

HK$1.00 is required to be paid by the grantees of the 2018 Pre-IPO Share Option Scheme as consideration for the grant.

The following table discloses the details of share options granted during the three months ended March 31, 2018:

	Number of shares options	Exercise price per share	Fair value per share option	Exercise period of share options
		RMB	*RMB*	*notes*
Tranche A Options	3,552,918	0.5911	0.4427	(i)
Tranche B Options - 1	265,958,443	0.9311	0.3542	(i)
Tranche B Options - 2	61,865,727	0.9311	0.2377	(ii)
Tranche C Options - 1	115,831,582	1.1311	0.3133	(i)
Tranche C Options - 2	17,517,849	1.1311	0.1840	(ii)
	464,723,519			

The vesting periods and the exercise periods of the share options granted under the 2018 Pre-IPO Share Option Scheme are further analysed as below:

Notes:

(i). Tranche A Options, Tranche B Options - 1 and Tranche C Options - 1 will vest over the period from the grant date to 180 days after the Listing Date. The exercise period of Tranche A Options, Tranche B Options - 1 and Tranche C - 1 Options commences after the vesting period and ends on March 18, 2038.

(ii). Tranche B Options - 2 and Tranche C Options - 2 will vest over the period from the grant date to 18 months after the Listing Date. The exercise period of Tranche B Options - 2 and Tranche C Options - 2 commences after a vesting period and ends 6 months later when Tranche B Options - 2 and Tranche C Options - 2 become vested.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

There are no share options of the 2018 Pre-IPO Share Option Scheme forfeited for the three months ended March 31, 2018.

The fair value of the share options granted during the three months ended March 31, 2018 was RMB149,984,000 (RMB0.1840 to RMB0.4427 each), of which the Group recognised a share option expense of RMB5,901,000 for the three months ended March 31, 2018.

The fair value of equity-settled share options granted during the three months ended March 31, 2018, was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Tranche A Options	**Tranche B Options**	**Tranche C Options**
Dividend yield (%)	0.00%	0.00%	0.00%
Expected volatility (%)	50%	50%	50%
Risk-free interest rate (%)	1.75%	1.41-1.75%	1.41-1.75%
Forfeiture rate	2.36%	2.36%	2.36%

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

	As at December 31,			As at March 31,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss:				
Financial assets at fair value through profit or loss	130,390	20,004	8,241	598
Loans and receivables:				
Accounts receivable	9,853	177	—	106
Cash and cash equivalents	92,354	142,616	181,332	442,586
Pledged deposits	30,365	156,882	—	—
Financial assets included in prepayments, deposits and other receivables	55,082	14,060	15,183	22,558
Due from related parties	1,169,461	1,259,261	732,824	986,709
	1,357,115	1,572,996	929,339	1,451,959

Financial liabilities

	As at December 31,			As at March 31,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at fair value through profit or loss:				
Derivatives embedded in composite instrument	—	—	52,438	—
Financial liabilities at amortised cost:				
Due to related parties	522,667	575,557	154,999	121,288
Interest-bearing bank and other borrowings	1,562,013	1,629,000	1,879,447	2,639,807
Liability component of convertible bonds	15,000	15,000	—	—
Liability component of a composite instrument	—	—	576,552	388,798
Financial liabilities included in other payables and accruals	562,140	568,720	667,215	577,497
Liability of a put option granted to a shareholder	—	251,048	276,153	—
	2,661,820	3,039,325	3,554,366	3,727,390

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximately to their fair values, are as follows:

	Carrying amount			
	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at fair value through profit or loss	130,390	20,004	8,241	598
Financial liabilities				
Conversion rights embedded in the composite instrument	—	—	52,438	—

	Fair value			
	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at fair value through profit or loss	130,390	20,004	8,241	598
Financial liabilities				
Conversion rights embedded in the composite instrument	—	—	52,438	—

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, accounts receivable, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, short-term interest-bearing bank and other borrowings and 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 financial assets at fair value through profit or loss are measured using expectation return published by licensed banks.

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 Group's own non-performance risk for interest-bearing bank loans as at December 31, 2015, 2016 and 2017 and March 31, 2018 was assessed to be insignificant.

The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk. And the fair value of the conversion right of the convertible bonds was valued using the binomial option pricing model. The model incorporates inputs including market price, discount rate and share price volatility.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

December 31, 2015

	Fair value measurement using			
	Quoted prices in active markets Level 1	**Significant observable inputs Level 2**	**Significant unobservable inputs Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	—	130,390	—	130,390

December 31, 2016

	Fair value measurement using			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	—	20,004	—	20,004

December 31, 2017

	Fair value measurement using			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	—	8,241	—	8,241
Derivative financial instruments	—	—	(52,438)	(52,438)
	—	8,241	(52,438)	(44,197)

March 31, 2018

	Fair value measurement using			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	—	598	—	598

During the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The fair value of the derivative financial instruments was valued by estimating the value of the whole bond with and without the embedded derivatives using the binomial option pricing model. The model incorporates inputs including market price, discount rates and share price volatility. If the market price, discount rates and volatility rate had been 3% higher/lower than management's estimates at December 31, 2017, the increase and decrease of the fair value of conversion rights as at December 31, 2017 is further analysed as follows:

	Increase/ (decrease) of fair value of derivative financial instruments
	RMB'000
Discount rate increased by 3%	3,757
Discount rate decreased by 3%	—
Share price increased by 3%	2,288
Share price decreased by 3%	(2,640)
Volatility increased by 3%	886
Volatility decreased by 3%	(1,421)

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise convertible bonds, interest-bearing bank and other borrowings, entrusted loan to related parties, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable, other receivables, other payables and accruals, amounts due from related parties and amounts due to related parties, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks which are 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 and other borrowings with floating interest rates. The interest rates and terms of repayments of the borrowings are disclosed in note 23. The Group has not used any interest swaps to hedge its exposure to interest rate risk.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate bank borrowings and bank balances at the end of each reporting period and assumed that the amount outstanding at the end of each reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended December 31, 2015, 2016 and 2017 and for the three months ended March 31, 2018 would decrease/increase by RMB470,000, RMB870,000, RMB3,367,000 and RMB4,958,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its bank balances and borrowings with variable rate.

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meets its contractual obligation. The Group have no concentration of credit risk from third party debtors. Deposits are mainly placed with licensing banks which are all high-credit-quality financial institutions. The Group's maximum exposure to credit risk is the carrying amounts of cash and cash equivalents, trade and other receivables, amounts due from related parties.

As of December 31, 2015, 2016 and 2017 and March 31, 2018, substantially all of the bank deposits were deposited with major financial institutions incorporated in the PRC, which management believes are of high-credit-quality without significant credit risk.

All of the trade receivables, other receivables and amounts due from related parties have no collateral. The Group assessed the credit quality of the counterparties by taking into account their financial position, credit history of failure to make payments on their contractually due date, the existing of forecast changes in market or environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amount overdue, if any. The Management is of the opinion that the risk of default by counterparties is low.

The Group consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compare the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and lease receivables. The expected loss allowance provision for these balances was not material during the Relevant Periods.

As at December 31, 2015, 2016 and 2017 and March 31, 2018, the credit rating of other receivables and amounts due from related parties were performing. The Group assessed that the expected credit losses for these receivables and amounts due from related parties are not material under the 12 months expected losses method. Thus no loss allowance provision was recognised during the Relevant Periods.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., accounts receivable) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings, convertible bonds and finance leases.

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 at 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 and other borrowings	—	273,726	359,556	1,075,717	1,708,999
Convertible bonds	—	225	675	15,375	16,275
Financial liabilities included in other payables and accruals	555,248	—	—	6,892	562,140
Due to related parties	422,667	—	100,000	—	522,667
	977,915	273,951	460,231	1,097,984	2,810,081

	As at 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 and other borrowings	—	420,582	429,302	935,781	1,785,665
Convertible bonds	—	225	15,150	—	15,375
Liability of put option granted to shareholder	—	—	—	350,958	350,958
Financial liabilities included in other payables and accruals	561,977	—	—	6,743	568,720
Due to related parties	505,557	70,000	—	—	575,557
	1,067,534	490,807	444,452	1,293,482	3,296,275

	As at 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 and other borrowings	—	464,241	602,248	1,405,296	2,471,785
Composite instrument	—	6,904	21,096	710,320	738,320
Liability of a put option granted to a shareholder	—	—	—	350,958	350,958
Financial liabilities included in other payables and accruals	660,630	—	—	6,585	667,215
Due to related parties	154,999	—	—	—	154,999
	815,629	471,145	623,344	2,473,159	4,383,277

	As at March 31, 2018				
	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 and other borrowings	—	42,998	942,907	2,225,941	3,211,846
Composite instrument	—	13,885	14,038	451,397	479,320
Financial liabilities included in other payables and accruals	577,497	—	—	—	577,497
Due to related parties	121,288	—	—	—	121,288
	698,785	56,883	956,945	2,677,338	4,389,951

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The debt-to-asset ratios as at the end of each of the Relevant Periods were as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total liabilities	3,541,868	4,106,850	4,915,384	4,845,805
Total assets	3,791,810	4,601,824	5,594,772	6,066,043
Debt to asset ratio	93%	89%	88%	80%

40. EVENTS AFTER THE RELEVANT PERIODS

In addition to the event detailed elsewhere in this report, the Group had the following event after the reporting period:

In May 2018, Hope Education entered into an agreement with the government of Xinfeng County People's Government, Guangdong Province, pursuant to which Hope Education agreed to invest and establish Guangdong Agricultural Science and Technology Vocational College, a school for modern agriculture-focused higher education, in Shaoguan, Guangdong Province. It is expected that the school will be officially established after the Listing.

41. 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 March 31, 2018.

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 of shares of the Company (the "Global Offering") as if the Global Offering had taken place on March 31, 2018.

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 March 31, 2018 as if it had taken place on March 31, 2018.

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 March 31, 2018 or at any future date.

	Consolidated net tangible assets attributable to the equity owners of the Company as of March 31, 2018(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 March 31, 2018(3)**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$1.37 per Offer Share, after a Downward Offer Price Adjustment of 10%	615,477	1,863,993	2,479,470	0.37	0.44
Based on an Offer Price of HK$1.52 per Offer share	615,477	2,070,577	2,686,054	0.40	0.47
Based on an Offer Price of HK$1.92 per Offer share	615,477	2,621,470	3,236,947	0.49	0.57

Note:

(1) The consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2018 is based on the audited consolidated net assets of the Group attributable to owners of the Company of RMB1,217,505,000 after deducting other intangible assets of RMB120,885,000 and goodwill of RMB481,143,000 as of March 31, 2018 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 1,666,686,000 Offer Shares of an indicative Offer Prices of HK$1.52 and HK$1.92 per Offer Share, respectively (after deducting the underwriting fees and other related expenses), and assuming the Over-allotment Option is not exercised and no Shares are issued upon the exercise of options that may be granted under the 2018 Pre-IPO Share Option Scheme or allotted and issued or repurchased by the Company pursuant to the general mandates and also based on an Offer Price of HK$1.37 per Offer Share after making a Downward Offer Price Adjustment of 10%. The estimated net proceeds are converted into Renminbi at the rate of HK$1=RMB0.8502.

(3) The unaudited pro forma adjusted consolidated net tangible assets as of March 31, 2018 per Share is arrived at after the adjustments referred to in note 2 in the preceding paragraph and on the basis that 6,666,668,000 Shares were in issue assuming the Global Offering and the Capitalization Issue had been completed on March 31, 2018. It takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option, or any Shares which may be issued upon the exercise of options that may be granted under the 2018 Pre-IPO Share Option Scheme or allotted and issued or repurchased by the Company pursuant to the general mandates.

(4) No adjustment has been made to the pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2018 to reflect any trading result or other transaction of the Group entered into subsequent to March 31, 2018.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF 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.

To the Directors of Hope Education Group Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Hope Education Group Co., Ltd. (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 March 31, 2018, and related notes as set out on Appendix II of the prospectus dated July 24, 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 the Global Offering of shares of the Company on the Group's financial position as at March 31, 2018 as if the transaction had taken place at March 31, 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended March 31, 2018, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the Global Offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
July 24, 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 May 2018 of the property interests held by the Consolidated Affiliated Entities.

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

24 July 2018

The Board of Directors
Hope Education Group Co., Ltd.
5/F, Administrative Building
Sichuan TOP IT Vocational Institute
2000 Xi Qu Avenue, Pidu District
Chengdu
PRC

Dear Sirs,

In accordance with instructions of **Hope Education Group Co., Ltd.** (the "**Company**") to value the property interests held by several entities (the "**Consolidated Affiliated Entities**", the entities that are controlled by the Company through the contractual arrangements) 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 May 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".

We have valued the property interests of 3 buildings of property no. 3 and property no. 7 by the comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Due to the nature of the completed buildings and structures of the property nos. 1, 2, remaining portion of property no. 3, property nos. 4 to 6 and 8 to 10 in the PRC, there are no market sales comparables readily available, the property interests have been valued by the cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing the construction in progress (the "CIP") for portion of the property in property nos. 2, 8 and 9, we have assumed that they will be developed and completed in accordance with the latest development proposal provided to us by the Consolidated Affiliated Entities. In arriving at our opinion of values, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the date of valuation.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their 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 Consolidated Affiliated Entities 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, Real Estate Title 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 interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Tian Yuan Law Firm, concerning the validity of the property interests in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company and the Consolidated Affiliated Entities. We have also sought confirmation from the Company and the Consolidated Affiliated Entities that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the 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 January 2018 and May 2018 by Ms. Gloria Wang, Ms. Jun Yang and Ms. Elaine Huang. Ms. Gloria Wang is a qualified China Real Estate Appraiser and has 10 year' property valuation experience in the PRC. Ms. Jun Yang and Ms. Elaine Huang have 3 years' and 2 years' experience respectively in the valuation of properties in the PRC.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 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 CONSOLIDATED AFFILIATED ENTITIES IN THE PRC

No.	Property	Market value in existing state as at 31 May 2018 *RMB*
1.	Business College of Guizhou University of Finance and Economics located at the western side of Jianshe Road Huishui County Qianna Buyi and Miao Autonomous Prefecture Guizhou Province The PRC	332,744,000
2.	Guizhou Vocational Institute of Technology located at Shuang Qiao Village Jin Shan Agency Fuquan City Qianna Buyi and Miao Autonomous Prefecture Guizhou Province The PRC	No commercial value
3.	Sichuan Hope Automotive Vocational College located at the northern side of Chengnan Avenue Yanjiang District Ziyang City Sichuan Province The PRC	225,432,000
4.	Sichuan Vocational College of Culture & Communication located at the eastern side of of Xueyuan Road Chongzhou City Sichuan Province The PRC	No commercial value
5.	Southwest Jiaotong University Hope College located at 3rd Section of Yubi Road Jialin District Nanchong City Sichuan Province The PRC	499,561,000

No.	Property	Market value in existing state as at 31 May 2018 *RMB*
6.	Southwest Jiaotong University Hope College located at No. 8 Xuefu Avenue San Xing Town Jintang County Chengdu City Sichuan Province The PRC	No commercial value
7.	241 residential units and 217 underground car parking spaces of Sichuan Tianyi College located at No. 160 Xuezi Road Dongbei Town Mianzhu City Sichuan Province The PRC	37,600,000
8.	Sichuan Tianyi College located at No. 88 Eastern Section of 2nd Ring Road Mianzhu City Sichuan Province The PRC	No commercial value
9.	Sichuan TOP IT Vocational Institute located at No. 2000 Xi Avenue High-tech Zone (West area) Chengdu City Sichuan Province The PRC	No commercial value
10.	Jinci College of Shanxi Medical University located at Dongguan Village Dongguan Town Qi County Jinzhong City Shanxi Province The PRC	No commercial value
	Grand total:	**1,095,337,000**

VALUATION CERTIFICATE

PROPERTY INTERESTS HELD AND OCCUPIED BY THE CONSOLIDATED AFFILIATED ENTITIES IN THE PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
1.	Business College of Guizhou University of Finance and Economics located at the western side of Jianshe Road Huishui County Qianna Buyi and Miao Autonomous Prefecture Guizhou Province The PRC	The property comprises 9 parcels of land with a total site area of approximately 553,639.92 sq.m., and 16 buildings and various structures erected thereon which were completed in various stages between 2014 and 2017. The buildings have a total gross floor area of approximately 182,651.21 sq.m., mainly including an academic building, training buildings, a library, dormitory buildings, canteens and ancillary facilities. The structures mainly include ancillary facility rooms, boundary walls and roads. The land use rights of 4 parcels of land of the property with a total site area of approximately 337,350.07 sq.m. have been granted to the Consolidated Affiliated Entities for terms expiring on 2 December 2053 for educational and commercial service uses. The land use rights of the remaining 5 parcels of land of the property with a total site area of approximately 216,289.85 sq.m. have been allocated to the Consolidated Affiliated Entities for educational use.	Except for a portion of the land parcels with a site area of approximately 37,362 sq.m. which has been leased to a connected party, the property is currently held and occupied by the Consolidated Affiliated Entities for educational and ancillary purposes.	332,744,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — 522731-2014-CR-009 dated 21 August 2015, the land use rights of 4 parcels of land of the property with a total site area of approximately 337,350 sq.m. were contracted to be granted to Guizhou Mayflower Education Investment Company Limited (貴州五月花教育投資有限公司, "Guizhou Mayflower", the wholly-owned subsidiary of the Company) for a term of 50 years for educational and commercial service uses.

2. Pursuant to 2 State-owned Land Use Rights Certificates — Hui Guo Yong (2015) Di Nos. A144 and A-221, the land use rights of 2 parcels of land of the property with a total site area of approximately 335,992.15 sq.m. have been granted to Business College of Guizhou University of Finance and Economics (貴州財經大學商務學院, "**Guizhou Business College**", one of the Consolidated Affiliated Entities) for terms expiring on 2 December 2053 for educational and commercial service uses.

3. Pursuant to 2 State-owned Land Use Rights Certificates — Hui Guo Yong (2015) Di Nos. A-227 and A-228, the land use rights of 2 parcels of land of the property with a total site area of approximately 1,357.92 sq.m. have been granted to Guizhou Business College for terms expiring on 2 December 2053 for commercial service use.

4. Pursuant to 5 State-owned Land Use Rights Certificates — Hui Guo Yong (2015) Di Nos. A-162 to A-166, the land use rights of 5 parcels of land of the property with a total site area of approximately 216,289.85 sq.m. have been allocated to Guizhou Business College for educational use.

5. Pursuant to 11 Building Ownership Certificates — Hui Fang Quan Zheng He Ping Zhen Zi Di Nos. 201502639 to 201502641, 201502643 to 201502647 and 201502840 to 201502842, 11 buildings with a total gross floor area of approximately 94,947.65 sq.m. are owned by Guizhou Business College for educational and ancillary uses.

6. Pursuant to an Apartment Sales Contract dated 26 December 2016 entered into between Guizhou Mayflower Real Estate Development Co., Ltd. and Guizhou Business College, 2 buildings of the property with a total gross floor area of approximately 23,388.84 sq.m. have been transferred to Guizhou Business College. As confirmed by Guizhou Business College, they have fully paid the transfer fees and the Building Ownership Certificate of the buildings is in the process of application.

7. For the remaining 3 buildings of the property with a total gross floor area of approximately 64,314.72 sq.m., we have not been provided with any title certificates.

8. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 520000201515081 in favour of Guizhou Business College, the buildings with a total gross floor area of approximately 307,981 sq.m. (include buildings mentioned in note 7) has been approved for construction.

9. Pursuant to a Tenancy Agreement dated 1 January 2016, a portion of the land parcels of the property with a site area of approximately 37,362 sq.m. were leased to a connected party for a term of 5 years commencing from 1 January 2016. The annual rent is RMB800,000 for the first year with an annual growth rate of 5%, exclusive of management fees, water, electricity, gas and communication charges.

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. Guizhou Business College has obtained the valid land use rights certificates to the 9 parcels of land mentioned in notes 2 to 4;

    b. Guizhou Business College has the legal rights to use the land mentioned in notes 2 and 3 in according with their stipulated land usage, and is entitled to legally transfer, lease and mortgage the land use rights within the expiry date indicated on the Land Use Rights Certificates;

    c. Guizhou Business College has the rights to use the allocated land parcels mentioned in note 4 in accordance with their stipulated land usage and should obtain consents from the relevant competent authority to transfer, lease and mortgage the land;

    d. Guizhou Business College has legally obtained the Building Ownership Certificates to the 11 buildings mentioned in note 5. Guizhou Business College has the legal rights to occupy, use, transfer, lease, mortgage and other dispose of the buildings;

e. for the buildings mentioned in note 6, according to Apartment Sales Contract, Guizhou Business College has fully paid the consideration and has the rights to apply for the Building Ownership Certificate;

f. for the buildings of the property mentioned in note 7, there is low possibility to be charged for any administrative penalty for using the buildings that are without fire control inspection acceptance; and

g. for the leased out land mentioned in note 9, there is low possibility to be required to terminate the lease by relevant competent authority.

11. In the valuation of this property, we have relied on the aforesaid legal opinions and attributed no commercial value to the buildings (mentioned in notes 6 and 7) and the land parcels (mentioned in note 4) as Guizhou Business College has not obtained proper title certificates and due to the allocated land nature respectively. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land element) as at the valuation date would be RMB180,794,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
2.	Guizhou Vocational Institute of Technology located at Shuang Qiao Village Jin Shan Agency Fuquan City Qianna Buyi and Miao Autonomous Prefecture Guizhou Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 192,389.79 sq.m., and 7 buildings and various structures erected thereon which were completed in December 2016. The buildings have a total gross floor area of approximately 67,198.86 sq.m., mainly including an academic building, a library, dormitory buildings, canteens and ancillary buildings. The structures mainly include ancillary facility rooms, boundary walls and roads. The property also comprises various buildings which were under construction (the "CIP") as at the valuation date. The CIP will be developed into 2 dormitory buildings with a total gross floor area of approximately 11,509.44 sq.m. and it is scheduled to be completed in August 2018. As advised by the Consolidated Affiliated Entities, the total construction cost of the CIP is estimated to be approximately RMB17 million, of which RMB6.90 million has been paid up to the valuation date. The land use rights of a parcel of land with a site area of approximately 172,063 sq.m. have been allocated to the Consolidated Affiliated Entities. For the remaining parcel of land with a site area of approximately 20,326.79 sq.m., the relevant land use rights certificate has not been obtained.	The property is currently held and occupied by the Consolidated Affiliated Entities for educational and ancillary purposes, except for the CIP which is under construction.	No commercial value

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Qian (2017) Fu Quan Shi Bu Dong Chan Quan Di No. 0001449, the land use rights of a parcel of land of the property with a site area of approximately 172,063 sq.m. have been allocated to Guizhou Vocational Institute of Technology(貴州應用技術職業學院, "**Vocational Institute**", one of the Consolidated Affiliated Entities) for educational use.

2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 520000201716994, permission towards the planning of a parcel of land with a site area of approximately 20,326.79 sq.m. has been given to Vocational Institute. As confirmed by Vocational Institute, they have not obtained Land Use Rights Certificate for this land parcel.

3. For the 7 completed buildings of the property with a total gross floor area of approximately 67,198.86 sq.m., we have not been provided with any title certificates.

4. Pursuant to 2 Construction Work Planning Permits — Jian Zi Di Nos. 520000201411935 and 520000201719256 in favour of Vocational Institute, various buildngs with a total gross floor area of approximately 103,528.66 sq.m. has been approved for construction (include the completed buildings and the CIP of the property).

5. For the CIP with a total gross floor area of approximately 11,509.44 sq.m. upon completion, we have not been provided with Construction Work Commencement Permit.

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. Vocational Institute has obtained the valid Land Use Rights Certificate to a parcel of land mentioned in note 1, they have the rights to use the allocated land and should obtain the consents of the relevant competent authority to transfer, lease and mortgage the land;

   b. for the land parcel mentioned in note 2, Vocational Institute has obtained the Construction Land Planning Permit, and Fuquan Land and Resources Bureau has issued a confirmation letter to confirm that relevant land use rights application procedure is in process. There is low possibility for Vocational Institute to be required by relevant competent authority to return the land for the absence of title certificate despite construction work starts;

   c. for the buildings mentioned in note 3, there is no legal impediment for Vocational Institute to apply for completion and inspection certificates and there is low possibility to be charged for any administrative penalty for the constructed buildings that are without Construction Work Completion and Inspection Acceptance Certificate; and

   d. for the CIP mentioned in note 5, there is low possibility for Vocational Institute to be required for confiscation of the CIP and to be charged for any administrative penalty for the absence of relevant permits or certificates.

7. In the valuation of this property, we have relied on the aforesaid legal opinions and attributed no commercial value to the property as Vocational Institute has not obtained proper title certificates and due to the allocated land nature of the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and structures and the CIP (excluding the land element) as at the valuation date would be RMB137,568,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
3.	Sichuan Hope Automotive Vocational College located at the northern side of Chengnan Avenue Yanjiang District Ziyang City Sichuan Province The PRC	The property comprises a parcel of land with a site area of approximately 204,520 sq.m., and 7 buildings and various structures erected thereon which were completed in various stages between 2013 and 2017 ("**Part A**"). The buildings of Part A have a total gross floor area of approximately 85,621.3 sq.m., mainly including 2 academic buildings, a training building, a library, a dormitory building, and canteens. The structures mainly include ancillary facility rooms, boundary walls and roads. In addition, the property also comprises 968 residential units of 3 residential buildings completed in 2016 with a total gross floor area of approximately 76,687.43 sq.m. ("**Part B**"). The land use rights of Part A of the property have been allocated to the Consolidated Affiliated Entities for educational use. The land use rights of Part B of the property have been granted to the Consolidated Affiliated Entities for a term expiring on 15 January 2083 for residential use.	Except for a portion of land with a site area of approximately 119,664 sq.m. and various buildings with a total gross floor area of approximately 87,170.82 sq.m. which have been leased to 2 connected parties, the property is currently held and occupied by the Consolidated Affiliated Entities for educational, residential and ancillary purposes.	225,432,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Zi Yang Guo Yong (2013) Di No. AA42005, the land use rights of a parcel of land of Part A of the property with a site area of approximately 204,520 sq.m. have been allocated to Sichuan Hope Automotive Vocational College (四川希望汽車職業學院, "**Automotive College**", one of the Consolidated Affiliated Entities) for educational use.

2. Pursuant to 7 Building Ownership Certificates — Chuan (2017) Zi Yang Shi Bei Ji Bu Dong Chan Quan Di Nos.0000270 to 0000276, 7 buildings of Part A with a total gross floor area of approximately 85,621.3 sq.m. are owned by Automotive College for educational and ancillary uses.

3. Pursuant to 968 Real Estate Title Certificates, 968 residential units of 3 residential buildings of Part B with a total gross floor area of approximately 76,687.43 sq.m. are owned by Automotive College. The relevant land use rights have been granted to Automotive College for a term expiring on 15 January 2083 for residential use.

4. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the residential units of the Part B. The unit price of these comparable properties ranges from RMB3,000 to RMB5,500 per sq.m. The relevant residential sale evidences, which share the similar location, completion date, size, building condition, transaction date and other characters compared with the property, are selected as the comparables in our valuation. We have made adjustment to these comparables in terms of floor, size, time, building age and layout, etc. to arrive at an assumed unit rate for the property.

5. Pursuant to 2 Tenancy Agreements dated 1 January 2014, a portion of land of the property with a site area of approximately 119,664 sq.m., and various buildings erected thereon with a total gross floor area of approximately 87,170.82 sq.m. were leased to 2 connected parties for a term of 5 years commencing from 1 January 2014. The annual rent is RMB8,260,000 for the first year with an annual growth rate of 5%, exclusive of management fees, water, electricity, gas and communication charges.

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. Automotive College has obtained the valid Land Use Rights Certificate of the land of the property. Automotive College has the rights to use the allocated land and should obtain the consents of the relevant competent authority to transfer, lease and mortgage the land;

   b. Automotive College has legally obtained the Building Ownership Certificates of the 7 buildings mentioned in note 2, and has the legal rights to occupy and use the buildings, and should obtain the consents of the relevant competent authority to transfer, lease and mortgage the buildings;

   c. Automotive College has legally obtained the Real Estate Title Certificates of the 968 residential units mentioned in note 3. Pursuant to a Maximum Loan Amount Contract, the 968 residential units are subject to a mortgage in favor of Bank of Shanghai Co., Ltd. (Chengdu Branch) for a loan period expiring on 22 January 2021, and Automotive College has the legal rights to occupy and use the buildings, and should obtain the consents of the mortgagee to transfer, lease and mortgage the buildings; and

   d. there exits legal risk for Automotive College to be confiscated the illegal income and be subject to penalty due to lease of the allocated land mentioned in note 5 without permits.

7. In the valuation of this property, we have relied on the aforesaid legal opinions and attributed no commercial value to Part A of the property due to its allocated land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and structures of Part A (excluding the land element) as at the valuation date would be RMB233,348,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
4.	Sichuan Vocational College of Culture & Communication located at the eastern side of Xueyuan Road Chongzhou City Sichuan Province The PRC	The property comprises a parcel of land with a site area of approximately 76,326.71 sq.m., and 14 buildings and various structures erected thereon which were completed in March 2015. The buildings have a total gross floor area of approximately 53,162.72 sq.m., mainly including academic buildings, training buildings, a library, dormitory buildings, canteens and ancillary buildings. The structures mainly include ancillary facility rooms, boundary walls and roads. The land use rights of the property were not vested in the Consolidated Affiliated Entities.	Except for a portion of the land parcel with a site area of approximately 9,990 sq.m. which has been leased to a connected party, the property is currently held and occupied by the Consolidated Affiliated Entities for educational and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Chuan (2018) Chong Guo Shi Bu Dong Chan Quan Di No. 0001157, the land use rights of a parcel of land with a site area of approximately 76,326.71 sq.m. have been granted to Chongzhou City Yonghe Culture & Communication Co. Ltd.("**Yonghe Culture & Communication**") for a term expiring on 19 February 2053 for educational use. According to an Agreement Letter, Yonghe Culture & Communication agreed that Sichuan Vocational College of Culture & Communication (四川文化傳媒職業學院, "**College of Culture & Communication**", one of the Consolidated Affiliated Entities) could use the land parcel of the property for free.

2. For the 14 buildings of the property with a total gross floor area of approximately 53,162.72 sq.m., we have not been provided with any title certificates.

3. Pursuant to a Tenancy Agreement dated 1 June 2014, a portion of the land parcel of the property with a site area of approximately 9,990 sq.m. was leased to a connected party for a term of 5 years commencing from 1 June 2014. The annual rent is RMB450,000 for the first year with an annual growth rate of 5%, exclusive of management fees, water, electricity, gas and communication charges.

4. 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. according to an Agreement Letter, Yonghe Culture & Communication agreed that College of Culture & Communication could use the land parcel mentioned in note 1 for free;

b. as confirmed by Chongzhou Housing and Construction Bureau, there is no legal impediment for College of Culture & Communication to apply for the Completion and Inspection Acceptance Certificate and Building Ownership Certificate for the buildings mentioned in note 2, and there is low possibility for College of Culture & Communication and Yonghe Culture & Communication to be charged for any administrative penalty; and

c. for the leased out land mentioned in note 3, there is low possibility for College of Culture and Communication to be required to terminate the lease by relevant competent authority.

5. In the valuation of this property, we have relied on the aforesaid legal opinions and attributed no commercial value to the property as College of Culture & Communication has not obtained proper title certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and structures (excluding the land element) as at the valuation date would be RMB109,536,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
5.	Southwest Jiaotong University Hope College located at 3rd Section of Yubi Road Jialin District Nanchong City Sichuan Province The PRC	The property comprises 4 parcels of land with a total site area of approximately 356,435.00 sq.m., and 20 buildings and various ancillary structures erected thereon which were completed in various stages between 2011 and 2016. The buildings have a total gross floor area of approximately 124,526.97 sq.m., mainly including an academic building, training buildings, a library, dormitory buildings, canteens and ancillary buildings. The structures mainly include ancillary facility rooms, boundary walls and roads. The land use rights of the property have been granted to the Consolidated Affiliated Entities for terms expiring on 25 February 2058 and 19 April 2057 for educational use.	The property is currently held and occupied by the Consolidated Affiliated Entities for educational and ancillary purposes.	499,561,000

Notes:

1. Pursuant to 7 State-owned Land Use Rights Certificates — Bu Dong Chan Zi Di Nos. 0040182, 0040183, 0040186, 0040188, 0040189, 0040191, and Nan Shi Jia Guo Yong (2013) Di No. 01804 , the land use rights of 4 parcels of land the property with a total site area of approximately 356,435.00 sq.m. have been granted to Southwest Jiaotong University Hope College (西南交通大學希望學院, "**Hope College**", one of the Consolidated Affiliated Entities) for terms with the expiry dates of 25 February 2058 and 19 April 2057 for educational use.

2. Pursuant to 132 Building Ownership Certificates, 18 buildings of the property with a total gross floor area of approximately 115,649.97 sq.m. are owned by Hope College for educational and ancillary uses.

3. For the remaining 2 buildings of the property with a total gross floor area of approximately 8,877 sq.m., we have not been provided with any title certificates.

4. 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. Hope College has the legal rights to use the land of the property mentioned in note 1 in accordance with their stipulated land usage, and is entitled to legally transfer, lease and mortgage the land use rights within the expiry date indicated on the Land Use Rights Certificates;

   b. Hope College has legally obtained the Building Ownership Certificates of the buildings mentioned in note 2. They have the legal rights to occupy, use, transfer, lease, mortgage and other dispose of the buildings; and

c. for the buildings mentioned in note 3, there is no impediment for Hope College to apply for Building Ownership Certificates and there is low possibility to be charged for any administrative penalty for the buildings without Construction Work Completion and Inspection Acceptance Certificate.

5. In the valuation of this property, we have relied on the aforesaid legal opinions and attributed no commercial value to the buildings mentioned in note 3 as Hope College has not obtained proper title certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land element) as at the valuation date would be RMB18,300,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
6.	Southwest Jiaotong University Hope College located at No. 8 Xuefu Avenue San Xing Town Jintang County Chengdu City Sichuan Province The PRC	The property comprises a parcel of land with a site area of approximately 333,382.49 sq.m., and 19 buildings and various structures erected thereon which were completed in various stages between 2012 and 2015. The buildings have a total gross floor area of approximately 241,077 sq.m., mainly including academic buildings, training buildings, a library, dormitory buildings, canteens and ancillary buildings. The structures mainly include ancillary facility rooms, boundary walls and roads.	Except for a portion of the land parcel with a site area of approximately 131,868 sq.m. and 11 buildings with a total gross floor area of approximately 89,391.09 sq.m. which have been leased to 2 connected parties, the property is currently held and occupied by the Consolidated Affiliated Entities for educational and ancillary purposes.	No commercial value

Notes:

1. As advised by Southwest Jiaotong University Hope College (西南交通大學希望學院, "**Hope College**", one of the Consolidated Affiliated Entities), they has not obtained any Land Use Rights Certificates to the land parcel as at the valuation date.

2. Pursuant a Construction Land Planning Permit — Jin Gui Di Zi Di No. 510121201020106, permission towards the planning of the aforesaid land parcel with a site area of approximately 333,382.49 sq.m.(500.0737 mu) has been given to Hope College.

3. For the 19 buildings of the property with a total gross floor area of approximately 241,077 sq.m., we have not been provided with any title certificates.

4. Pursuant to 2 Tenancy Agreements, a portion of the land parcel of the property with a site area of approximately 131,868 sq.m., and 11 buildings erected thereon with a total gross floor area of approximately 89,391.09 sq.m. were leased to 2 connected parties for a term of 5 years commencing from 1 June 2014 and 1 July 2014. The total annual rent is RMB12,000,000 for the first year with an annual growth rate of 5%, exclusive of management fees, water, electricity, gas and communication charges.

5. 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. as confirmed by Jintang Government, Hope College has the rights to occupy and use the property before obtaining proper title certificate;

b. for the buildings mentioned in note 3, there is low possibility for Hope College to be charged for administrative penalty or to be required for confiscation of buildings by relevant competent authority for using the buildings because of absence of the Construction Work Completion and Inspection Acceptance Certificate; and

c. for the leased out portions mentioned in note 4, there is low possibility to be required by relevant competent authority to terminate the lease and to be charged for administrative penalty.

6. In the valuation of this property, we have relied on the aforesaid legal opinions and attributed no commercial value to the property as Hope College has not obtained the land use rights certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and structures (excluding the land element) as at valuation date would be RMB522,943,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
7.	241 residential units and 217 underground car parking spaces of Sichuan Tianyi College located at No. 160 Xuezi Road Dongbei Town Mianzhu City Sichuan Province The PRC	The property comprises 241 residential units and 217 underground car parking spaces of 3 residential buildings (known as Youth City) of Sichuan Tianyi College completed in 2016. The property has a total gross floor area of approximately 12,077.78 sq.m. (Comprising residential units of approximately 6,796.54 sq.m. and car parking spaces of approximately 5,281.24 sq.m.) The land use rights of the property have been granted to the Consolidated Affiliated Entities for terms expiring on 8 October 2084.	The property is currently held and occupied by the Consolidated Affiliated Entities for residential and car parking purposes.	37,600,000

Notes:

1. Pursuant to 242 Building Ownership Certificates, 241 residential units and 217 underground car parking spaces of 3 residential buildings with a total gross floor area of approximately 12,077.78 sq.m. are owned by Sichuan Tianyi College (民辦四川天一學院, "Tianyi College" a wholly owned subsidiary of Shanghai Shurui Investment Consultant Limited which is one of the Consolidated Affiliated Entities) for residential and car parking uses.

2. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the residential units and car parking spaces of the property. The unit price of these comparable properties ranges from RMB3,400 to RMB4,000 per sq.m. for residential units and RMB60,000 to RMB70,000 per space for car parking spaces. The relevant residential and car parking spaces sale evidences, which share the similar location, size, building condition, transaction date and other characters compared with the property, are selected as the comparables in our valuation. We have made minor adjustment to these comparables in terms of completion date, gross floor area and layout, etc. to arrive at an assumed unit rate for the property.

3. 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. Tianyi College has legally obtained the Building Ownership Certificates to the buildings mentioned in note 1, and they have legal rights to occupy, use, transfer, lease, mortgage and other dispose of the buildings.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
8.	Sichuan Tianyi College located at No. 88 Eastern Section of 2nd Ring Road Mianzhu City Sichuan Province The PRC	The property comprises 4 parcels of land with a total site area of approximately 734,466 sq.m., and 35 buildings and various structures erected thereon which were completed in various stages between 2014 and 2017. The buildings have a total gross floor area of approximately 228,685.78 sq.m., mainly including academic buildings, training buildings, libraries, dormitory buildings, canteens and ancillary buildings. The structures mainly include ancillary facility rooms, boundary walls and roads. The property also comprises various buildings and a structure which were under construction (the "CIP") as at the valuation date. The CIP will be developed into academic and ancillary buildings, dormitory buildings, a canteen, a library, and a training building with a total gross floor area of approximately 160,528.81 sq.m., and it is scheduled to be completed in August 2018. As advised by the Consolidated Affiliated Entities, the total construction cost of the CIP is estimated to be approximately RMB438.9 million, of which RMB202 million has been paid up to the valuation date. The land use rights of the property have been allocated to the Consolidated Affiliated Entities for educational use.	Except for a potion of the land parcels with a site area of approximately 26,666.8 sq.m. which has been leased to a connected party, and the CIP which is under construction, the property is currently held and occupied by the Consolidated Affiliated Entities for educational and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 4 State-owned Land Use Rights Certificates — Zhu Guo Yong (2013) Di No. 03354 dated August 2013, Chuan (2016) Mian Zhu Bu Dong Chan Di Nos. 0000133, 0000134 and 0000135 dated September 2016, the land use rights of 4 parcels of land of the property with a total site area of approximately 734,466 sq.m. have been allocated to Sichuan Tianyi College (民辦四川天一學院, "Tianyi College", a wholly owned subsidiary of Shanghai Shurui Investment Consultant Limited which is one of the Consolidated Affiliated Entities) for educational use.

2. Pursuant to 2 Building Ownership Certificates — chuan (2018) Mian Zhu Shi Bu Dong Chan Di Nos. 0004177 and 0004934, 28 completed buildings with a total gross floor area of approximately 187,966.21 sq.m. are owned by Tianyi College for educational and ancillary uses.

3. For the remaining 7 completed buildings of the property with a total gross floor area of approximately 40,719.57 sq.m., we have not been provided with any title certificates.

4. Pursuant to 2 Construction Work Planning Permits — Jian Zi Di (2016) 040 Jian Zi Di (2017) 006, and 007 in favour of Tianyi College, various buildings with a total gross floor area of approximately 195,944.71 sq.m. have been approved for construction (including the CIP of the property).

5. Pursuant to 4 Construction Work Commencement Permits — Nos. 510683201612260101, 510683201807110101, 5100832018013000101 and 510083201800050101 in favour of Tianyi College, permission by relevant local authority was given to commence the construction work of 21 buildings with a total gross floor area of approximately 199,836.26 sq.m. (including the CIP and 7 completed buildings of the property).

6. Pursuant to a Tenancy Agreement, a portion of the land parcels of the property with a site area of approximately 26,666.8 sq.m. was leased to a connected party for a term of 3 years commencing from 1 January 2017. The annual rent is RMB600,000 for the first year with an annual growth rate of 5%, exclusive of management fees, water, electricity, gas and communication charges.

7. 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. Tianyi College has the rights to use the allocated land parcels mentioned in note 1 in accordance with their stipulated land usage, they should obtain consents from the relevant competent authority to transfer, lease and mortgage the land;

   b. for the 28 buildings mentioned in note 2, Tianyi College has legally obtained the Building Ownership Certificates, and has the legal rights to occupy and use the buildings, and should obtain the consents of the relevant competent authority to transfer, lease and mortgage the buildings;

   c. for the buildings mentioned in note 3, there is low possibility for Tianyi College to be charged for administrative penalty for using the buildings without relevant title certificate;

   d. Tianyi College has obtained all relevant authorities' permits to take ownership rights of the CIP of the property, and there is no legal impediment for Tianyi College to obtain such Building Ownership Certificates; and

   e. for the leased out land mentioned in note 6, there is low possibility for Tianyi College to be required to terminate the lease and to be charged for administrative penalty for leasing allocated land.

8. In the valuation of this property, we have relied on the aforesaid legal opinions and attributed no commercial value to the property due to the allocated land nature of the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the completed buildings and structures and the CIP (excluding the land element) as at the valuation date would be RMB823,600,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
9.	Sichuan TOP IT Vocational Institute located at No. 2000 Xi Avenue High-tech Zone (West area) Chengdu City Sichuan Province The PRC	The property comprises a parcel of land with a site area of approximately 353,027.85 sq.m., and 40 buildings and various structures erected thereon which were completed in various stages between 2001 and 2017. The buildings have a total gross floor area of approximately 216,964.1 sq.m., mainly including an academic building, training buildings, a library, dormitory buildings, canteens and ancillary buildings. The structures mainly include ancillary facilities, sports ground, boundary walls and roads. The property also comprises various buildings which were under construction (the "CIP") as at the valuation date. The CIP will be developed into academic buildings with a total gross floor area of approximately 34,826.54 sq.m., and it is scheduled to be completed in August 2018. As advised by the Consolidated Affiliated Entities, the total construction cost of the CIP is estimated to be RMB59.21 million, of which RMB7.78 million has been paid up to the valuation date. The land use rights of the property have been allocated to the Consolidated Affiliated Entities for educational use.	Except for the CIP which is under construction and a portion of the land parcel with a site area of approximately 8,603 sq.m. and various buildings with a total gross floor area of approximately 6,420.6 sq.m. which have been leased to a connected party, the property is currently held and occupied by the Consolidated Affiliated Entities for educational and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Land Payment and Land Transfer Agreement — Gao Xin Guo Tu Xi (2011) No.1 dated 12 October 2012, the land use rights of a parcel of land of the property with a site area of approximately 353,027.85 sq.m. were agreed to be allocated to Sichuan TOP Education Co., Ltd. (四川托普教育股份有限公司, "**TOP Education**", one of the Consolidated Affiliated Entities) for construction of Sichuan TOP IT Vocational Institute (四川托普信息技術職業學院, "TOP IT Vocational", a college established by TOP Education).

2. Pursuant to a State-owned Land Use Rights Certificate — Cheng Gao Guo Yong (2016) Di No. 15791, the land use rights of a parcel of land of the property with a site area of approximately 353,027.85 sq.m. have been allocated to TOP Education for educational use.

3. For the buildings of the property with a total gross floor area of approximately 216,964.1 sq.m., we have not been provided with any title certificates.

4. Pursuant to 4 Construction Work Planning Permits — Jian Zi Di Nos. 510124201239170, 510124201539008, 510124201639049 and 510124201639077 in favour of TOP Education, the buildings with a total gross floor area of approximately 281,498.33 sq.m. have been approved for construction (including the completed buildings and the CIP of the property).

5. For the CIP with a gross floor area of approximately 34,826.54 sq.m. upon completion, we have not been provided with any Construction Work Commencement Permits.

6. Pursuant to a Tenancy Agreement dated 1 January 2015, a portion of the land parcel of the property with a site area of approximately 8,603 sq.m. and various buildings erected thereon with a total gross floor area of approximately 6,420.6 sq.m. were leased to a connected party for a term of 5 years commencing from 1 January 2014. The annual rent is RMB530,000, exclusive of management fees, water, electricity, gas and communication charges.

7. 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. TOP Education has obtained the valid Land Use Rights Certificate of the land parcel mentioned in note 2. They have the rights to use the allocated land and should obtain the consents from the relevant competent authority to transfer, lease, and mortgage the land;

   b. as confirmed by relevant competent authority, there is no legal impediment for TOP Education to apply for the proper title certificates for the buildings mentioned in note 3, and TOP Education would not be subject to any administrative penalty;

   c. for the CIP of the property, there is low possibility for TOP Education to be charged for administrative penalty for the absence of the Construction Work Commencement Permits; and

   d. for the leased out properties mentioned in note 6, there is low possibility for TOP Education to be charged for administrative penalty for leasing allocated land.

8. In the valuation of this property, we have relied on the aforesaid legal opinions and attributed no commercial value to the property due to the allocated land nature of the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings, structures and the CIP (excluding the land element) as at the valuation date would be RMB375,725,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
10.	Jinci College of Shanxi Medical University located at Dongguan Village Dongguan Town Qi County Jinzhong City Shanxi Province The PRC	The property comprises 4 parcels of land with a total site area of approximately 90,117.94 sq.m., and 11 buildings and various ancillary structures erected thereon which were completed in 2017. The buildings have a total gross floor area of approximately 53,966.08 sq.m., mainly including academic buildings, dormitory buildings, canteens and ancillary buildings. The structures mainly include ancillary facility rooms, boundary walls and roads. The land use rights of 3 parcels of land of the property with a total site area of approximately 63,098.47 sq.m. have been allocated to the Consolidated Affiliated Entities for educational use. For the remaining parcel of land with a site area of approximately 27,019.47 sq.m., the relevant land use rights certificate has not been obtained.	The property is currently held and occupied by the Consolidated Affiliated Entities for educational and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 3 State-owned Land Use Rights Certificates — Jin (2017) Qi Xian Bu Dong Chan Quan Di Nos.0000021, 0000444 and 0000445, the land use rights of 3 parcels of land of the property with a total site area of approximately 63,098.47 sq.m. have been allocated to Jinci College of Shanxi Medical University (山西醫科大學晉祠學院, "**Jinci College**", one of the Consolidated Affiliated Entities) for educational use.

2. For the remaining one parcel of land of the property with a site area of approximately 27,019.47 sq.m., we have not been provided with any title certificates.

3. Pursuant to a Building Ownership Certificate — Jin (2018) Qi Xian Bu Dong Chan Quan Di No. 0000706, 4 buildings with a total gross floor area of approximately 29,115.4 sq.m. are owned by Jinci College for dormitory use.

4. For the remaining 7 buildings of the property with a total gross floor area of approximately 24,850.68 sq.m., we have not been provided with any title certificates.

5. 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. Jinci College has the rights to use the allocated land parcels mentioned in note 1 in accordance with their stipulated land usage and should obtain consents from the relevant competent authority to transfer, lease and mortgage the land;

   b. Jinci College has not obtained the Land Use Rights Certificate for the land parcel mentioned in note 2 and there are some buildings constructed on the land. As confirmed by Qi County Government, Jinci College could continue to use the buildings and they would not ask Jinci College to relocate and demolish the buildings. So there is low possibility for Jinci College to be required to return the land and to be required for confiscation of the erected buildings with penalty;

c. for the 4 buildings mentioned in note 3, Jinci College has legally obtained the Building Ownership Certificate, and has the legal rights to occupy and use the buildings, and should obtain the consents of the relevant competent authority to transfer, lease and mortgage the buildings; and

d. for the buildings mentioned in note 4, there is no impediment for Jinci College to apply for Completion and Inspection Acceptance Certificates and there is low possibility for Jinci College to be charged for any administrative penalty for the constructed buildings without Construction Work Completion and Inspection Acceptance Certificate.

6. In the valuation of this property, we have relied on the aforesaid legal opinions and attributed no commercial value to the property due to the allocated land nature of the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and structures (excluding the land element) as at the valuation date would be RMB188,500,000.

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on July 14, 2018 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 Available for Inspection".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on July 14, 2018 and include provisions to the following effect:

2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US$100,000 divided into 10,000,000,000 shares of US$0.00001 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 Company in general meeting, 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 annual 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; or

(vi) 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; provided, however, that the following matters shall require the approval of at least four-fifths of the Directors present and voting at a meeting of the Board or by unanimous written resolution passed by the Directors:

(a) the appointment of any person as an additional Director;

(b) the appointment or removal of the chief executive officer or the chief financial officer of the Company, or the determination of such officer's remuneration;

(c) the election of the chairman of the Board;

(d) the nomination and/or recommendation to the members of candidates to be elected as Directors; and

(e) the appointment or removal by the Company of any director to its subsidiaries or investee companies.

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 [REDACTED] 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.

Notwithstanding any provision in the Articles of Association to the contrary, where Hope Education Investment Limited is a member, the proxy or corporate representative appointed by Hope Education Investment Limited to attend a general meeting of the Company shall produce the resolution of directors or shareholders of Hope Education Investment Limited, specifying (a) the name of the proxy or corporate representatives authorised to attend on its behalf a general meeting of the Company; and (b) how such proxy or corporate representative shall vote the shares at such general meeting on behalf of Hope Education Investment Limited. In the event such proxy or corporate representative fails to vote the shares of Hope Education Investment Limited in the manner specified in such resolution, such votes shall not be counted.

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 Hong Kong 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 by 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 Hong Kong 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 Hong Kong 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 Hong Kong 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 Hong Kong 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 any dividend which may be 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 Hong Kong 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 Hong Kong Stock Exchange has been notified of such intention. The net [REDACTED] of any such sale shall belong to the Company and upon receipt by the Company of such [REDACTED] it shall become indebted to the former member for an amount equal to such [REDACTED].

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 13 March 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 (2018 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(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 (2018 Revision).

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 advisors 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 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 COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under Cayman Companies Law on March 13, 2017. Our registered office address is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

Our Company has established a place of business in Hong Kong at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on April 12, 2017. Leung Wing Han Sharon, the joint company secretary of our Company, has been appointed as our authorized representative for the acceptance of service of process in Hong Kong, with a correspondence address at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

As our Company was incorporated in the Cayman Islands, our corporate structure as well as our Memorandum and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of relevant parts of our Memorandum and Articles of Association is set out in "Summary of the Constitution of our Company and Cayman Companies Law" in Appendix IV to this prospectus. A summary of certain relevant aspects of the laws and regulations of the Cayman Islands is also set out in "Summary of the Constitution of our Company and Cayman Companies Law" in Appendix IV to this prospectus.

2. Changes in Share Capital of our Company

i. At the time of the incorporation of our Company, our Company had an authorized share capital of US$50,000 divided into 50,000 shares of a nominal value of US$1.00 each.

ii. On 30 January 2018, each share of a par value of US$1.00 in the authorised share capital of our Company was subdivided into 100,000 shares of a par value of US$0.00001 each, such that following such share subdivision, the authorised share capital of our Company was US$50,000 divided into 5,000,000,000 shares of a par value of US$0.00001 each.

iii. On July 14, 2018, the authorized share capital of our Company was increased to US$100,000 divided into 10,000,000,000 Shares of a nominal value of US$0.00001 each, by the creation of 5,000,000,000 Shares of a nominal value of US$0.00001 each.

Immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options), the authorized share capital of our Company will be US$100,000 divided into 10,000,000,000 Shares. 6,666,668,000 Shares will be issued fully paid or credited as fully paid, and 3,333,332,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Shareholders' Resolutions passed on July 14, 2018" in this Appendix upon completion of the Global Offering, we do not have any present intention to issue any part of the authorized but unissued share capital of our Company, and without prior approval of our Shareholders at a general meeting, no issuance of Shares which would effectively alter the control of our Company will be made.

Save as aforesaid, as of the Latest Practicable Date, there has been no other alteration in the share capital of our Company since its incorporation.

3. **Shareholders' Resolutions passed on July 14, 2018**

Pursuant to the written shareholders' resolution dated July 14, 2018, the following resolutions, among other things, were passed and approved by our Shareholders:

i. The authorized share capital of our Company was increased to US$100,000 divided into 10,000,000,000 Shares of a nominal value of US$0.00001 each, by the creation of 5,000,000,000 Shares of a nominal value of US$0.00001 each.

ii. Our Company conditionally approved and adopted the Memorandum and Articles of Association, which will come into effect upon the Listing.

iii. Conditional upon (i) the Listing Committee of the Hong Kong Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares to be issued pursuant to the Global Offering, the exercise of the Over-allotment Option and the Shares to be issued upon the exercise of the Pre-IPO Share Options; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with their terms or otherwise:

(i) the Global Offering was approved and our Directors were authorized to effect the same and to allot and issue new Shares pursuant to the Global Offering;

(ii) the proposed listing of the Shares on the Hong Kong Stock Exchange as mentioned in this prospectus was approved and our Directors were authorized to implement such listing; and

(iii) the Over-allotment Option was approved and the Directors were authorized to effect the same and to allot and issue up to 250,000,000 Shares upon the exercise of the Over-allotment Option.

iv. A general unconditional mandate was granted to our Directors to, inter alia, issue, allot 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 shall not exceed the aggregate of:

(i) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be allotted and issued pursuant to the Pre-IPO Share Options); and

(ii) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

The total nominal value of the Shares which our Directors are authorized to allot and issue under this mandate will not be reduced by the allotment and issue of Shares pursuant to:

(i) a rights issue;

(ii) 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 as amended from time to time; or

(iii) any specific authority granted by the Shareholders in general meeting.

This general mandate to issue Shares will expire at the earlier of:

(i) the conclusion of our next annual general meeting; or

(ii) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

v. A general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options) upon completion of the Global Offering.

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 and all applicable laws. Such mandate will expire at the earlier of:

(i) the conclusion of our next annual general meeting; or

(ii) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting; and

vi. The general unconditional mandate as mentioned in paragraph (iv) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (v) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and Shares to be issued and allotted pursuant to the Pre-IPO Share Options) upon completion of the Global Offering.

4. **Reorganization**

The companies comprising our Group underwent Reorganization in preparation for the listing of the Shares on the Hong Kong Stock Exchange. For further details, see "History, Reorganization and Corporate Structure".

5. **Our Subsidiaries**

Our principal subsidiaries as of the Latest Practicable Date are set out in "History, Reorganization and Corporate Structure" in this prospectus. The following sets out the changes in the share capital of our subsidiaries and Consolidated Affiliated Entities within the two years immediately preceding the date of this prospectus:

i. On March 10, 2017, Hope Education Group (Hong Kong) Company Limited (希望教育集團(香港)有限公司) was incorporated in Hong Kong with an initial share capital of HK$1.00, divided into one ordinary share.

ii. On January 19, 2018, WFOE was incorporated in the PRC with a registered capital of RMB50,000,000 and the capital in the amount of RMB50,000,000 was contributed by Hope Education Group (Hong Kong) Company Limited (希望教育集團(香港)有限公司).

iii. On September 22, 2016, the registered capital of Hope Education increased from RMB50,000,000 to RMB57,500,000 and the capital in the amount of RMB75,000,000 was contributed by Yixing CEL.

On February 14, 2017, Yixing CEL transferred 8.69% interest in Hope Education to CEL Maiming, and transferred 4.35% interest in Hope Education to Guangwei Qinghe.

iv. On November 29, 2016, Shanghai Shurui Investment Consultant Limited acquired 30% interest in Sichuan Tianyi College at a consideration of RMB100,000,000.

v. On January 3, 2017, Chengdu Red May Film Production Advertising Limited (成都紅五月影視製作廣告有限責任公司) transferred 100% interest in Shanghai Shurui Investment Consultant Limited (上海舒瑞投資諮詢有限公司) to Hope Education at a consideration of RMB6,460,000.

vi. On December 20, 2017, we acquired Sichuan TOP Education Co., Ltd. (四川托普教育股份有限公司) from Independent Third Parties at a consideration of RMB1,000 million.

vii. On March 7, 2018, Hope Education transferred its 70% interests in Jiexing Huilv to Chengdu Maysunshine Education Management Co., Ltd. (成都五月陽光教育管理有限公司), its wholly-owned subsidiary, at a consideration of RMB70 million.

On March 19, 2018, Sichuan Tequ Education acquired the entire interest in Maysunshine Education Management from Hope Education at a consideration of RMB70 million.

viii. On April 8, 2018, Sichuan Tequ Mayflower Education Management Co., Ltd. (四川特驅五月花教育管理有限公司) was established as a wholly foreign-owned enterprise in the PRC with a registered capital of RMB50 million.

Save as disclosed above, there has been no other alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. **Share Repurchase Mandate**

This section includes information relating to the repurchase of our Shares, including information required by the Hong Kong Stock Exchange to be included in this prospectus concerning such repurchase.

i. *Relevant Legal and Regulatory Requirements*

The Listing Rules permit our Shareholders to grant to our Directors a general mandate to repurchase our Shares that are listed on the Hong Kong Stock Exchange. Such mandate is required to be given by way of an ordinary resolution passed by our Shareholders in a general meeting.

ii. *Shareholder Approval*

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

On July 14, 2018, our Directors were granted a general unconditional mandate to repurchase up to 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be allotted and issued pursuant to the Pre-IPO Share Options) upon completion of the Global Offering, 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). This mandate will expire at the earlier of (i) the conclusion of our next annual general meeting, or (ii) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting (the "**Relevant Period**").

iii. *Source of Funds*

Our repurchase of the Shares listed on the Hong Kong Stock Exchange must be funded out of funds legally available for the purpose in accordance with our Memorandum and Articles of Association and the applicable laws of the Cayman Islands. We may not repurchase our Shares on the Hong Kong Stock Exchange for consideration other than cash or for settlement other than in accordance with the trading rules of the Hong Kong Stock Exchange. Subject to the foregoing, we may make repurchases with profits of our Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorized by our Articles of Association and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by our Articles of Association and subject to the Cayman Companies Law, out of capital.

iv. *Suspension of Repurchase*

Pursuant to the Listing Rules, our Company may not make any repurchases of Shares after inside information has come to its knowledge until the information is 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 Company's 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 our Company to publish an announcement of our Company's 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,

our Company may not repurchase Shares on the Hong Kong Stock Exchange unless the circumstances are exceptional.

v. *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 our Company 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 Company's 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.

vi. *Connected Persons*

A company is prohibited from knowingly repurchasing securities on the Hong Kong Stock Exchange from a connected person (as defined in the Listing Rules) and a connected person shall not knowingly sell its securities to the company on the Hong Kong Stock Exchange.

vii. *Reasons for Repurchase*

Our Directors believe that it is in our and our Shareholders' best interests for our Directors to have general authority to execute repurchases of our Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

viii. *Funding of Repurchase*

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Memorandum and Articles of Association, Cayman Companies Law or any other applicable laws of Cayman Islands and the Listing Rules.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which, in the opinion of our Directors, are from time to time appropriate for us.

ix. *Share Capital*

The exercise in full of the current repurchase mandate, on the basis of 6,666,668,000 Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised and takes no account of any Shares to be issued upon the exercise of the Pre-IPO Share Options, could accordingly result in up to 666,666,800 Shares being repurchased by us during the Relevant Period.

x. *General*

None of our Directors or, to the best of their knowledge, having made all reasonable inquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any of our Shares to us or our subsidiaries.

Our 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, the Memorandum and Articles of Association, the Cayman Companies Law and any other applicable laws of the Cayman Islands.

If, as a result of any repurchase of our Shares pursuant to the repurchase mandate, a shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders interest, could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Our Directors are not aware of any consequences of repurchases which could arise under the Takeovers Code if the repurchase mandate is exercised.

No connected person, as defined in the Listing Rules, has notified us that he/she or it has a present intention to sell his/her or its 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 in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

(1) an equity acquisition agreement (the "**Equity Acquisition Agreement**") dated September 6, 2016 and entered into amongst Hope Education, Guo Xiaolan (郭小蘭) and Jiexing Huilv, pursuant to which Hope Education agreed to, among other things, acquire an aggregate of 70% equity interest in Jiexing Huilv at a total consideration of RMB59.5 million;

(2) a supplemental agreement to the Equity Acquisition Agreement dated September 6, 2016 and entered into amongst Hope Education, Guo Xiaolan (郭小蘭) and Jiexing Huilv, pursuant to which the parties shall amend, among other things, the consideration under the Equity Acquisiton Agreement to RMB70 million if the new campus of The College of Science and Technology of Guizhou University is confirmed to be at Huishui;

(3) an equity transfer agreement dated December 12, 2016 and entered into amongst Yixing CEL, CEL Maiming and Hope Education, pursuant to which Yixing CEL agreed to transfer 8.69% equity interest in Hope Education to CEL Maiming at a consideration of RMB207,232,876.71;

(4) an equity transfer agreement dated December 12, 2016 and entered into amongst Yixing CEL, Guangwei Qinghe, Hope Education, Sichuan Tequ Investment and Chengdu Mayflower Investment Management Limited (成都五月花投資管理有限公司) ("**Chengdu Mayflower Investment Management**"), pursuant to which Yixing CEL agreed to transfer 4.35% equity interest in Hope Education to Guangwei Qinghe at a consideration of RMB100 million;

(5) an equity transfer agreement dated January 3, 2017 and entered into between Hope Education and Chengdu Red May Film Production Advertising Company Limited (成都紅五月影視製作廣告有限責任公司) ("**Red May Film**"), pursuant to which Red May Film agreed to transfer 100% equity interest in Shanghai Shurui Investment Consultant Company Limited (上海舒瑞投資諮詢有限公司) to Hope Education at a consideration of RMB6,460,000;

(6) an agreement (the "**Original Zhuhai Maiwen Investment Agreement**") dated August 7, 2017 and entered into amongst Hope Education, Sichuan Tequ Investment, Chengdu Mayflower Investment Management, CEL Maiming, Guangwei Qinghe and Zhuhai Maiwen, pursuant to which Zhuhai Maiwen agreed to advance RMB600 million to Hope Education, among which RMB400 million bore fixed interest rate of 7% per annum for a term of three years and RMB200 million is convertible into equity interest in Hope Education and its respective entities after the division of Hope Education;

(7) an equity investment agreement dated December 20, 2017 and entered into amongst Hope Education, Fan Zengming (樊增明), Chengdu Wuhou District Guixi Property Development Company (成都市武侯區桂溪房地產開發公司) and Sichuan Hezhong Scientific Education Industry Company Limited (四川和眾科教實業有限公司), pursuant to which, among other things, Hope Education acquired 100% equity interest and certain properties of Sichuan TOP Education Co., Ltd. (四川托普教育股份有限公司) at a total consideration at RMB709.4325 million and assume its debt obligation amounted to RMB290.5675 million;

(8) a supplemental agreement dated February 5, 2018 and entered into amongst Hope Education, Sichuan Tequ Investment, Chengdu Mayflower Investment Management, Guangwei Qinghe and CEL Maiming, pursuant to which, among other things, the parties agree to the arrangement of issue of shares by the offshore listing vehicle of Hope Education to the offshore entities of Guangwei Qinghe and CEL Maiming and to terminate certain special rights granted to Guangwei Qinghe and CEL Maiming;

(9) a supplemental agreement to the Original Zhuhai Maiwen Investment Agreement dated February 5, 2018 and entered into amongst Hope Education, Sichuan Tequ Investment, Chengdu Mayflower Investment Management, CEL Maiming, Guangwei Qinghe and Zhuhai Maiwen, pursuant to which Zhuhai Maiwen notified Hope Education of its decision to convert the loan of RMB200 million as described in paragraph (6) above, among other things, and the parties agreed to terminate certain special rights granted to Zhuhai Maiwen;

(10) an equity investment agreement dated March 7, 2018 and entered into between Hope Education and Chengdu Maysunshine Education Management Co., Ltd. (成都五月陽光教育管理有限公司) ("**Maysunshine Education Management**"), pursuant to which Hope Education agreed to transfer 70% equity interest in Jiexing Huilv to Maysunshine Education Management at a consideration of RMB70 million;

(11) an exclusive management consultancy and business cooperation agreement dated June 22, 2018 and entered into by and between WFOE, Hope Education and the Registered Shareholders, pursuant to which Hope Education and the Registered Shareholders agreed to engage WFOE as the exclusive service provider to provide Hope Education and our Consolidated Affiliated Entities with, among other things, corporate management consultancy services, education management consultancy services, intellectual property licensing services as well as technical and business support services in return for service fees;

(12) an exclusive call option agreement dated June 22, 2018 entered into by and between WFOE, Hope Education and the Registered Shareholders, pursuant to which the Registered Shareholders granted WFOE an exclusive, unconditional and irrevocable option to purchase from the Registered Shareholders all or part of the equity interests in Hope Education;

(13) an equity pledge agreement dated June 22, 2018 entered into by and between WFOE, Hope Education and the Registered Shareholders, pursuant to which the Registered Shareholders unconditionally and irrevocably pledged all of the Registered Shareholders' equity interests in Hope Education to WFOE;

(14) the Cornerstone Investment Agreement entered into among our Company, Value Partners Hong Kong Limited, Citigroup Global Markets Asia Limited, China Merchants Securities (HK) Co., Limited and Citigroup Global Markets Limited, dated July 19, 2018, pursuant to which Value Partners Hong Kong Limited agreed to subscribe for our Shares in the amount of US$55,000,000; and

(15) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights

(i) *Trademarks*

As of the Latest Practicable Date, we have registered the following trademarks which are material to our business:

No.	Trademark	Registered Owner	Class(es)	Place of Registration	Registration number
1.	希望教育集團有限公司 Hope Education Group Co., Ltd. 希望教育集團有限公司 Hope Education Group Co., Ltd.	Sichuan Hope Education Industry Group Co. Ltd.	41	Hong Kong	304021316
2.		Sichuan Hope Education Industry Group Co. Ltd.	41	Hong Kong	304048975

(ii) ***Domain names***

As of the Latest Practicable Date, we have registered the following major domain names:

No.	Domain name	Registered Owner	Date of Registration	Expiry Date
1........	Hope55.com	Sichuan Hope Education Industry Group Co. Ltd.	May 12, 2011	May 12, 2018
2........	55s.com	Sichuan Hope Education Industry Group Co. Ltd	May 11, 2006	May 11, 2019
3.	Tianyi.edu.cn	Sichuan Tianyi College	April 22, 2002	
4........	Svccc.net	Sichuan Vocational College of Culture & Communication	March 26, 2009	March 26, 2020
5........	Sxmu-jcc.com	Jinci College of Shanxi Medical University	April 17, 2009	April 17, 2022
6.	Swjtuhc.cn	Southwest Jiaotong University Hope College	May 5, 2009	May 5, 2018
7.	55qx.com	Sichuan Hope Automotive Technical College	March 23, 2010	March 23, 2019
8........	Qicheedu.com	Sichuan Hope Automotive Vocational College	29 October, 2012	29 October, 2018
9.	Gzsu.edu.cn	Guizhou University of Finance and Economics	June 30, 2014	
10. ...	Gzyyxy.com	Guizhou Vocational Institute Of Technology	March 1, 2016	March 1, 2019
11.	Gzyyxy.cn	Guizhou Vocational Institute Of Technology	April 25, 2016	April 25, 2019

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

Save as disclosed below, immediately following completion of the Global Offering (excluding any Shares which may be issued upon the exercise of the Over-allotment Option and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options), so far as our Directors are aware, the interests or short positions of our Directors and the chief executives in any shares, underlying shares and debentures of our company or any associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

(i) ***The Company***

Name of Director	Title	Nature of interest	Number of shares	Approximate percentage of Interest in relevant class of shares of our Company immediately after completion of the Global Offering (assuming no exercise of Over-allotment Option and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options)
Wang Huiwu (汪輝武)[1]	Executive Director	Interest of a controlled corporation	43,480,000	62.11%

Note:

(1) Wang Huiwu (汪輝武) will hold 96.00% interest in Maysunshine Limited, which in turn will hold 49.00% interest in Hope Education Investment Limited. Hope Education Investment Limited will hold 62.11% interest in our Company. Accordingly, Wang Huiwu (汪輝武) would be deemed as holding interest in our Company through Hope Education Investment Limited.

2. **Substantial Shareholders**

For information on the persons who will, immediately following the completion of the Global Offering (excluding any Shares which may be issued upon the exercise of the Over-allotment Option, and without taking into account any Shares which may be issued upon the exercise of the Pre-IPO Share Options), have interests or short positions in our Shares or underlying shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, see "Substantial Shareholders".

Save as set out above, as of the Latest Practicable Date, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (excluding any Shares which may be issued upon the exercise of the Over-allotment Option and without taking into account any Shares which may be issued upon the exercise of the Pre-IPO Share Options), be interested, directly or indirectly, 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 member of our Group or had option in respect of such capital.

3. **Service Contracts**

Our executive Directors and non-executive Directors have each entered into a service contract with our Company pursuant to which they agree to act as an executive Director or a non-executive Director (as the case may be) for an initial term of three years from July 24, 2018 (subject to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than one month's prior notice in writing. Each of our independent non-executive Directors has signed a letter of appointment with our Company and has been appointed for a term of three years from July 24, 2018. The appointment may be terminated by either party giving to the other not less than one month's prior notice in writing.

4. **Directors' Remuneration**

Save as disclosed in "Directors and Senior Management" and under Note 8 in the "Appendix I — Accountants' Report", no Director received any other remuneration or benefits in kind from our Company in Accountants' respect of each of the three financial years ended December 31, 2015, 2016 and 2017.

5. **Disclaimers**

Save as disclosed herein:

i. none of our Directors or the chief executive of our Company has any interest or short position in the Shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;

ii. none of our Directors or any of the parties listed in "Qualifications of Experts" of this Appendix is interested in our promotion, or in any assets which, within the two years immediately preceding the date of this prospectus, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;

iii. none of our Directors or any of the parties listed in "Qualifications 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 our business taken as a whole;

iv. save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the parties listed in "Qualifications of Experts" of this Appendix is interested legally or beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;

v. none of our Directors is a director or employee of a company who will, immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options), have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, 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 member of our Group.

D. 2018 PRE-IPO SHARE OPTION SCHEME

On March 18, 2018, the 2018 Pre-IPO Share Option Scheme was approved and adopted by our Shareholders. Persons who can participate are any of our Group's directors, senior management, employees, advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners and service providers (see summary of terms and other details below).

Summary of Terms

The following is a summary of the principal terms of the 2018 Pre-IPO Share Option Scheme which was adopted by the Shareholders' resolutions dated March 18, 2018 (the "**2018 Scheme Adoption Date**"). The terms of the 2018 Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the 2018 Pre-IPO Share Option Scheme will not involve the grant of Pre-IPO Share Options by us to subscribe for Shares after we have become a listed issuer. The total number of Shares subject to the 2018 Pre-IPO Share Option Scheme represents not more than 10% of the issued share capital of the Company immediately upon the completion of the Global Offering (but excluding any Shares which may be issued upon the exercise of the Pre-IPO Share Options).

(a) ***Purpose***

The 2018 Pre-IPO Share Option Scheme is a share incentive scheme and is established to, among others, promote the success and enhance the value of the Company by linking the personal interests of the selected participants to those of the Shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to the Shareholders. The 2018 Pre-IPO Share Option Scheme will enable the Company to retain, motivate and reward the services of the selected participants, and to provide remuneration, compensation and/or benefits.

(b) ***Who may Join***

The eligible participants under the 2018 Pre-IPO Share Option Scheme (the "**Participants**") include the following:

(i) any director (including executive director, non-executive director and independent non-executive director) of any member of the Group from time to time and any employee or officer of any member of the Group; and

(ii) any senior officer, advisor, consultant, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group;

whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

An offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the offer is duly signed by the Grantee or accepted in accordance with such terms and conditions and procedures as set out in the 2018 Pre-IPO Share Option Scheme, with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favor of the Company stated therein (receipt of which shall be deemed to be acknowledged by the Company upon receipt of the duplicate letter comprising acceptance of the offer duly signed by the Grantee) by way of consideration for the grant thereof, is received by the Company. Such remittance shall not be refundable. Any offer may be accepted in respect of less than the number of Shares to which the offered option relates. To the extent that the offer is not accepted within five days from the offer date in accordance with paragraph (c) below, it will be deemed to have been irrevocably declined.

HK$1.00 is required to be paid by the grantees of the Pre-IPO Share Options (the "**Grantees**") as consideration for the grant under the 2018 Pre-IPO Share Option Scheme.

(c) ***Offer and Grant of Pre-IPO Share Option***

An offer shall be made to a Participant by letter in duplicate in such form as our Board may from time to time determine, requiring the Participant to undertake to hold the Pre-IPO Share Option on the terms on which it is to be granted and to be bound by the provisions of the 2018 Pre-IPO Share Option Scheme and shall remain open for acceptance by the participant to whom an offer is made for a period of five days from the offer date, provided that no such offer shall be open for acceptance after the 2018 Pre-IPO Share Option Scheme has been terminated in accordance with the provisions thereof.

(d) ***Maximum Number of Shares***

The total number of Shares subject to the 2018 Pre-IPO Share Option Scheme is 500,000,000 Shares. The total number of Shares subject to the 2018 Pre-IPO Share Option Scheme may be adjusted upon the occurrence of any alteration in the capital structure of the Company as provided by the paragraph (i) below.

(e) ***Exercise Price***

There are in total three tranches of Pre-IPO Share Options under the 2018 Pre-IPO Share Option Scheme, namely Pre-IPO Share Options under tranche A ("**Tranche A Options**"), tranche B ("**Tranche B Options**" and tranche C ("**Tranche C Options**"). Subject to any alteration in the capital structure of the Company by way of capitalization of profits or reserves, rights issue, sub-division or consolidation of Shares or reduction of share capital of the Company (see sub-paragraph (i) below for further details), the exercise price is RMB0.5911 for Tranche A Options, RMB0.9311 for Tranche B Options, and RMB1.1311 for Tranche C Options.

(f) ***Rights are Personal to Grantee***

A Pre-IPO Share Option is personal to the Grantee and shall not be assignable or transferable. No grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest (legal or beneficial) in favor of any third party over or in relation to any Pre-IPO Share Option or enter into any agreement so to do, except for (i) the transmission of a Pre-IPO Share Option on the death of the Grantee to his or her personal representatives(s) according to the terms of the 2018 Pre-IPO Share Option Scheme, or (ii) the transfer of any Pre-IPO Share Option to any trustee, acting in its capacity as such trustee, of any trust of which the Grantee is a beneficiary.

A Grantee may exercise his or her Pre-IPO Share Options in whole or in part.

(g) ***Exercise of Pre-IPO Share Options and Duration of the 2018 Pre-IPO Share Option Scheme***

A Grantee (or where permitted under the terms of the 2018 Pre-IPO Share Option Scheme) may exercise his or her Pre-IPO Share Options in whole or in part by giving notice in accordance with such instructions from our Company pursuant to the grant letter stating that the Pre-IPO Share Option is thereby exercised and specifying the number of Shares to be subscribed and by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given.

Except as provided otherwise and subject to the terms and conditions upon which such Pre-IPO Share Option was granted, the vesting period for any Pre-IPO Share Option granted to a Grantee under the 2018 Pre-IPO Share Option Scheme will be stated in the grant letter through which the offer is made, provided that:

(i) in the event a Grantee terminates his or her employment or service on account of other than (A) his or her incapacitation or death, or (B) on one or more of the grounds of termination of employment, appointment or directorship specified in paragraph (j)(viii) below, all Pre-IPO Share Options that are unvested as of the date of such termination shall lapse; and

(ii) in the event a Grantee terminates his or her employment or service on account of incapacitation or death, such Grantee shall be entitled to immediate vesting for 100% of the Pre-IPO Share Options that remain unvested as of the date of such incapacitation or death.

The Pre-IPO Share Options are only exercisable upon the Listing of our Shares on the Hong Kong Stock Exchange. There is no performance target that needs to be achieved by the Grantee before the Pre-IPO Share Options can be exercised.

The 2018 Pre-IPO Share Option Scheme shall be valid and effective for the period of time commencing on the 2018 Scheme Adoption Date and expiring on the day immediately prior to the earlier of (i) the date on which the Shares first commence trading on the Hong Kong Stock Exchange; (ii) the date which is twenty years after the 2018 Scheme Adoption Date; or (iii) our Company by resolution of the Shareholders, or the Board, may at any time terminate the operation of the 2018 Pre-IPO Share Option Scheme, after which period no further Pre-IPO Share Options will be granted but the provisions of the 2018 Pre-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Pre-IPO Share Options which are granted during the life of the scheme or otherwise as may be required in accordance with the provisions of the 2018 Pre-IPO Share Option Scheme.

(h) ***Ranking of Shares***

The Shares to be allotted and issued upon the exercise of an Pre-IPO Share Option will rank *pari passu* with the fully paid Shares in issue as from the date of entering of entries in the register of members of the Company and in particular will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of exercise of the Pre-IPO Share Option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the date of exercise of the Pre-IPO Share Option, provided always that when the date of exercise of the Pre-IPO Share Option falls on a date upon which the register of members of our Company is closed then the exercise of the Pre-IPO Share Option shall become effective on the next available Business Day on which the register of members of our Company is re-opened.

(i) ***Effect of Alterations to Capital***

In the event of any alteration in the capital structure of our Company by way of capitalization of profits or reserves, rights issue, sub-division or consolidation of Shares or reduction of share capital of our Company, but excluding, for the avoidance of doubt, any alteration in the capital structure of our Company as a result of an issue of Shares or other securities of our Group as consideration in a transaction to which our Company is a party, the auditors or the financial advisors engaged by our Company for such purpose shall determine what adjustment is required to be made to:

(i) the number of Shares subject to any unexercised Pre-IPO Share Option; and/or

(ii) the exercise price; and/or

(iii) the method of exercise of the Pre-IPO Share Options ,

and the auditors or such financial advisors shall certify in writing to the Board that such adjustments are in their opinion fair and reasonable.

Any such adjustments shall give each Participant the same proportion of the equity capital of our Company for which such Participant was entitled to subscribe for prior to such adjustments, and any adjustments to the advantage of the Participants to the exercise price or to the number of Shares subject to the options must be approved by the Shareholders in general meeting. No adjustment may be made to the extent that Shares would be issued at less than their nominal value.

(j) ***Lapse of Option***

An option shall lapse automatically and not be exercisable (to the extent not already vested or vested but not already exercised) on the earliest of:

(i) the expiry of the option period;

(ii) the expiry of the period on the day when the Company has been listed and the Share have commenced trading on a Stock Exchange;

(iii) the expiry of the period according to the notice issued by our Company in the event of a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement) is made to all the Shareholders and such offer becomes or is declared unconditional;

(iv) the expiry of the period according to the notice issued by our Company in the event of a compromise or arrangement (other than by way of scheme of arrangement) between our Company and our Shareholders and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company;

(v) subject to the scheme of arrangement becoming effective, the expiry of the period according to the notice issued by our Company in the event of a general offer for Shares by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings;

(vi) the date of commencement of the winding up of our Company according to the notice issued by our Company in the event a notice is given by our Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company;

(vii) the date on which the Board cancels the Pre-IPO Share Option because the holder of the Pre-IPO Share Option commits a breach of paragraph (f) above;

(viii) the date on which the Grantee (being an employee or director of any member of our Group) ceases to be a participant by reason of the termination of his or her employment, appointment directorship or engagement on the grounds that he or she has been guilty of serious misconduct or has been convicted of any criminal offense involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily; provided that whether any of the events specified above occur in relation to a Grantee shall be solely and conclusively determined by the Board;

(ix) the date the Grantee ceases to be a Participant (as determined by a board resolution) for any reason;

(x) the date on which the Pre-IPO Share Option is cancelled by the Board with the mutual consent of the Grantee, cancel Pre-IPO Share Options previously granted to, but not yet exercised by a Grantee; or

(xi) the termination date provided in paragraph (m) below.

(k) ***Alteration of the 2018 Pre-IPO Share Option Scheme***

Apart from the change to the authority of the Board in relation to any alteration to the terms of the 2018 Pre-IPO Share Option Scheme which is subject to the approval of the Shareholders in general meeting, our Board may amend any of the provisions of the 2018 Pre-IPO Share Option Scheme (including without limitation, amendments in order to comply with changes in legal or regulatory requirements and in order to waive any restrictions, imposed by the provisions of the 2018 Pre-IPO Share Option Scheme) at any time (but not so as to affect adversely any rights which have accrued to any Grantee at that date).

Any change to the authority of our Board in relation to any alteration to the terms of the 2018 Pre-IPO Share Option Scheme must be approved by the Shareholders in general meeting.

(l) ***Cancellation of Pre-IPO Share Options***

The Company may cancel any option granted to a Grantee to the extent not already exercised without incurring any liability on the part of the Company if the Grantee breaches paragraph (f) above.

Furthermore, our Board may at any time, with the mutual consent of the Grantee, cancel Pre-IPO Share Options previously granted to, but not yet exercised by a Grantee. Where our Company cancels Pre-IPO Share Options and offers Pre-IPO Share Options to the same Grantee, the offer of such new Pre-IPO Share Options may only be made with available Pre-IPO Share Options to the extent not yet granted (excluding the cancelled options) within the limit referred to in paragraph (d) above.

(m) ***Termination of the 2018 Pre-IPO Share Option Scheme***

The 2018 Pre-IPO Share Option Scheme will terminate on the day immediately prior to the earlier of (i) the date on which the Shares first commence trading on the Hong Kong Stock Exchange (ii) the date which is twenty years after the 2018 Scheme Adoption Date; or (iii) our Company by resolution of the Shareholders, or the Board, may at any time terminate the operation of the 2018 Pre-IPO Share Option Scheme, after which period no further options will be granted but the provisions of the 2018 Pre-IPO Share Option Scheme will remain in force to the extent necessary to give effect to the exercise of any Pre-IPO Share Option which are granted during the life of the 2018 Pre-IPO Share Option Scheme or otherwise as may be required in accordance with the provisions of the 2018 Pre-IPO Share Option Scheme.

(n) ***Administration of the Board***

The 2018 Pre-IPO Share Option Scheme shall be subject to the administration of the Board who shall have the right (i) to interpret and construe the provisions of the scheme; (ii) to determine the persons who will be awarded Pre-IPO Share Options under the scheme, and the number of Pre-IPO Share Options awarded; (iii) to make such appropriate and equitable adjustments to the terms of Pre-IPO Share Options granted under the Scheme as it deems necessary; and (iv) to make such other decisions or determinations as it shall deem appropriate in the administration of the scheme, and such decision shall be final and binding on all parties.

(o) ***Share Capital***

The exercise of any Pre-IPO Share Option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorized share capital of our Company. Subject thereto, the Board shall make available sufficient authorized but unissued share capital of our Company to meet subsisting requirements on the exercise of the Pre-IPO Share Options.

(p) ***Disputes***

Any dispute arising in connection with the 2018 Pre-IPO Share Option Scheme (whether as to the number of Shares the subject of a Pre-IPO Share Option, the amount of the exercise price or otherwise) may be determined by the Board, the decision of which shall be final and binding on all parties who may be affected thereby.

(q) ***Disclosure in Annual and Interim Reports***

We will disclose details of the 2018 Pre-IPO Share Option Scheme in our annual and interim reports including the number of Pre-IPO Share Options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

See "Outstanding Pre-IPO Share Options" below for details of the outstanding share options under the 2018 Pre-IPO Share Option Scheme.

2. **Granting of Pre-IPO Share Options**

On March 18, 2018, options to subscribe under the 2018 Pre-IPO Share Option Scheme for an aggregate of 3,552,921 Shares were conditionally granted to a total of 8 Grantees under Tranche A, options to subscribe for an aggregate of 342,861,192 Shares were conditionally granted to a total of 222 Grantees under Tranche B, and options to subscribe for an aggregate of 124,505,102 were conditionally granted to a total of 135 Grantees under Tranche C.

3. **Outstanding Pre-IPO Share Options**

As set out below, the grant of Pre-IPO Share Options to Grantees under the 2018 Pre-IPO Share Option Scheme was approved by the Board. The maximum total number of relevant shares subject to the 2018 Pre-IPO Share Option Scheme is 500,000,000 Shares. The number of relevant Shares subject to outstanding options granted under the 2018 Pre-IPO Share Option Scheme is 464,723,519 Shares, representing approximately 6.97% of the issued share capital of the Company upon completion of the Global Offering (assuming that the Pre-IPO Share Options granted under the 2018 Pre-IPO Share Option Scheme have not been exercised). As of the Latest Practicable Date, our Company had granted Pre-IPO Share Options to 340 Participants under the 2018 Pre-IPO Share Option Scheme. After the Latest Practicable Date, our Company has not and will not grant other Pre-IPO Share Options under the 2018 Pre-IPO Share Option Scheme. The exercise prices for Tranche A Options, Tranche B Options and Tranche C Options granted under the 2018 Pre-IPO Share Option Scheme were RMB0.5911, RMB0.9311 and RMB1.1311 respectively, representing discounts of 59.6%, 36.3% and 22.7% to the midpoint of the indicative Offer Price range of HK$1.72 respectively.

Assuming full exercise of the outstanding Pre-IPO Share Options, the shareholding of our Shareholders immediately following the Listing will be diluted by approximately 6.52% if calculated based on 7,131,391,519 Shares, and the consequent impact on the earning per share for the year ended December 31, 2017 is RMB0.0020 being the difference between basic and diluted earnings per share assuming the Reorganization would have been completed. Such assumed number of Shares to be in issue and outstanding throughout the year ended December 31, 2017 solely for purposes of this calculation, comprises of 6,666,668,000 Shares to be in issue immediately after the Global Offering (assuming the Over-allotment Option is not exercised), and 464,723,519 Shares to be issued upon the exercise of the Pre-IPO Share Options.

(a) ***Directors and Senior Management***

As of the Latest Practicable Date, our Directors and members of our senior management have been granted the Pre-IPO Share Options to subscribe for a total of 32,679,827 Shares, representing approximately 0.49% of the issued share capital of our Company upon completion of the Global Offering, but excluding any Shares to be issued upon the exercise of the Over-allotment Options and without taking into account any Shares to be allotted and issued upon the exercise of the Pre-IPO Share Options.

Below is a list of our Directors and members of our senior management who are Grantees under the 2018 Pre-IPO Share Option Scheme:

Name of Grantee	Address	Exercise Price	Number of Shares under the Options Granted	Date of Grant	Option Period	Approximate Percentage of Issued Shares Immediately after Completion of the Global Offering[(1)]
Jiang Lin (蔣林)......	11 Picai Alley, Xicheng District, Beijing City (北京市西城區辟才胡同11 號)	0.9311	3,329,583 2,685,148	March 18, 2018	20 years from date of grant 6 months from vesting of options	0.09%

Name of Grantee	Address	Exercise Price	Number of Shares under the Options Granted	Date of Grant	Option Period	Approximate Percentage of Issued Shares Immediately after Completion of the Global Offering[(1)]
Li Tao (李濤)	Xuefu Huayuan, 12 South Section 1, First Ring Road, Chengdu City（成都市一環路南一段12號學府花園）	0.9311	6,659,167	March 18, 2018	20 years from date of grant	0.14%
			2,685,148		6 months from vesting of options	
Xu Changjun (徐昌俊) .	No. 602, Unit 8, Building 38, 276 South Avenue, Tianpeng Town, Pengzhou City, Sichuan Province (四川省彭州市天彭鎮南大街276 號38 棟8 單元602 號)	0.9311	1,288,871	March 18, 2018	20 years from date of grant	0.03%
			859,247		6 months from vesting of options	
Li Xiao (李驍)......	No.9, Unit 1, Building 1, 1 Dongyi Street, Jinjiang District, Chengdu City (成都市錦江區東怡街1 號1 棟1 單元9 號)	0.9311	1,503,682	March 18, 2018	20 years from date of grant	0.04%
			966,653		6 months from vesting of options	
		1.1311	2,121,944		20 years from date of grant	0.04%
			265,243		6 months from vesting of options	
Lou Qunwei (婁群偉) .	1 Jinfeng Road, Chengdu City (成都市金鳳路1 號)	0.9311	2,685,148	March 18, 2018	20 years from date of grant	0.08%
			2,685,148		6 months from vesting of options	

Name of Grantee	Address	Exercise Price	Number of Shares under the Options Granted	Date of Grant	Option Period	Approximate Percentage of Issued Shares Immediately after Completion of the Global Offering[(1)]
Chen Houyi (陳厚義) .	No. 10, Unit 2, Building 18, Shangzai, Guigong Road, Nanming District, Guiyang City, Guizhou Province (貴州省貴陽市南明區貴工路上寨18棟2 單元附10號)	0.5911	1,691,867	March 18, 2018	20 years from date of grant	0.05%
		1.1311	1,856,701		20 years from date of grant	
He Xuan (何旋)	Wanke Haiyue Yicheng, Haichang Road, Tianfu Avenue, Chengdu City (成都市天府大道海昌路萬科海悅億城)	0.9311	1,396,277	March 18, 2018	20 years from date of grant	0.02%

Note:

(1) The above table assumes that the Pre-IPO Share Options granted under the 2018 Pre-IPO Share Option Scheme have not been exercised.

(b) ***Connected Persons (other than Directors)***

As of the Latest Practicable Date, 23 connected persons of our Company (who are not Directors) had been granted Pre-IPO Share Options, to subscribe for a total of 61,904,175 Shares, representing approximately 0.93% of the issued share capital of our Company upon completion of the Global Offering but excluding any Shares to be issued upon the exercise of the Over-allotment Option and without taking into account any Shares to be allotted and issued upon the exercise of the Pre-IPO Share Options.

Below is a list of these connected persons of our Company (who are not Directors) who are Grantees under the 2018 Pre-IPO Share Option Scheme:

Name of Grantee	Address	Exercise Price	Total Number of Shares Granted under the Options	Date of Grant	Option Period
Chen Xiaohui (陳曉輝)	50 Tongsheng Road, Qingyang District, Chengdu City, Sichuan Province (四川省成都市青羊區同盛路50號)	0.9311	1,127,762 483,326	March 18, 2018	20 years from date of grant 6 months from vesting of options
Dai Jun (戴君) .	Unit 3, Building 7, Dongqi Zhuyuan, Jiannan Town, Mianzhu City (綿竹市劍南鎮東汽竹苑7棟三單元)	0.9311	590,732 247,033	March 18, 2018	20 years from date of grant 6 months from vesting of options
He Shengli (賀勝利)	No.1604, Unit 2, Building 10, 1000 Jincheng Boulevard, Hitech Zone, Chengdu City (成都市高新區錦城大道1000 號10 棟2 單元1604 號)	0.9311	1,288,871 859,247	March 18, 2018	20 years from date of grant 6 months from vesting of options
Hu Wenhua (胡文華)	No. 601, Building 9, Songshupingxin, 6 Chenfeng Road, Yanjiang District, Ziyang City, Sichuan Province (四川省資陽市雁江區晨風路6 號松樹坪新9 棟601) 號	0.9311	2,255,524 966,653	March 18, 2018	20 years from date of grant 6 months from vesting of options
Huang Zhongcai (黃忠財)	Zhongxin Weilaicheng, Pidu District, Chengdu City, Sichuan Province (四川省成都市郫都區中信未來城)	0.9311	5,477,702 2,255,524	March 18, 2018	20 years from date of grant 6 months from vesting of options
Li Xiaoyun (李曉筠)	No. 99, 56 Mofan Street, Wujin Town, Xinjin County, Sichuan Province (四川省新津縣五津鎮模範街56號附99號)	0.9311	1,353,314 579,991	March 18, 2018	20 years from date of grant 6 months from vesting of options
Liu Hongxin (劉洪新)	No. 11, Unit 2, Building 3, 53 Fanghua Street, High-tech Zone, Chengdu City, Sichuan Province (四川省成都市高新區芳華街53號3 棟2 單元11 號)	0.9311	1,127,762 322,217	March 18, 2018	20 years from date of grant 6 months from vesting of options

Name of Grantee	Address	Exercise Price	Total Number of Shares Granted under the Options	Date of Grant	Option Period
Lu Hui (盧惠) ..	No. 310, Unit 1, Building 8, 178 Mianxiu Road, Tong'an, Longquanyi District, Chengdu City (成都市龍泉驛區同安綿繡路178 號8棟1單元310 號)	0.9311	751,841 322,217	March 18, 2018	20 years from date of grant 6 months from vesting of options
Ma Jialing (馬嘉靈)	110 Chang'an Road, Wenjiang District, Chengdu City (成都市溫江區長安路110 號)	0.9311	880,728 375,920	March 18, 2018	20 years from date of grant 6 months from vesting of options
Shen Wenge (沈文革)	No.53, Group 2, Chuanxin Village, Yuejiang Town, Gaoxian County, Sichuan Province (四川省高縣月江鎮川新村2 組53 號)	0.9311	2,255,524 966,653	March 18, 2018	20 years from date of grant 6 months from vesting of options
Tan Yong (唐勇)	No. 716, Unit 1, 2 Ximianqiao Street, Wuhou District, Chengdu City (成都市武侯區洗面橋街2號1 單元716 號)	0.9311	1,503,682 644,435	March 18, 2018	20 years from date of grant 6 months from vesting of options
Tao Xiuzhen (陶秀珍)	45 Sancha Street, Sancha Town, Jianyang City, Sichuan Province (四川省簡陽市三岔鎮三岔街45號)	0.9311	2,685,148 2,685,148	March 18, 2018	20 years from date of grant 6 months from vesting of options
Wang Huijun (汪輝君)	Sichuan Mayflower Training College, 68 Huashi Road, Tuanjie Town, Pi County, Chengdu City (成都市郫縣團結鎮花石路68號四川五月花專修學院)	0.9311	5,370,296 805,544	March 18, 2018	20 years from date of grant 6 months from vesting of options
Wang Huiliang (汪輝良)	No. 9, Unit 3, Building 7, 589 Honghong North Road, Damian, Longquanyi District, Chengdu City (成都市龍泉驛區大面洪河北路589 號7 棟3 單元9 號)	0.9311	5,370,296 644,435	March 18, 2018	20 years from date of grant 6 months from vesting of options
Wang Huiming (汪輝明)	68 Huashi Road, Tuanjie Town, Pi County, Chengdu City (成都市郫縣團結鎮花石路68號)	0.9311	5,370,296 644,435	March 18, 2018	20 years from date of grant 6 months from vesting of options
Wu Jianwei (吳建偉)	Dongsen Huayuan, Linqiong Town, Qionglai City, Sichuan Province (四川省邛崍市臨邛鎮東森花園)	0.9311	214,811 85,924	March 18, 2018	20 years from date of grant 6 months from vesting of options

Name of Grantee	Address	Exercise Price	Total Number of Shares Granted under the Options	Date of Grant	Option Period
Wu Yucong (吳玉聰)	No. 217 Jiangjun Village, Huacong Town, Bazhou District, Bazhong City, Sichuan Province (四川省巴中市巴州區花叢鎮將軍村217 號)	0.9311	601,473 257,774	March 18, 2018	20 years from date of grant 6 months from vesting of options
Xu Chunfang (徐春芳)	2 Xingyu Shuangcheng, Jitou Town, Chengdu City (成都市機投鎮星語雙城二期)	0.9311	1,944,047 805,544	March 18, 2018	20 years from date of grant 6 months from vesting of options
Yan Youlin (袁有林)	No. 1701, Building 29, Zhujiang Yujingwan, Liaoyuan Road, Wenjiang District, Chengdu City (成都市溫江區燎原路珠江禦景灣29棟1701)	0.9311	1,074,059 429,623	March 18, 2018	20 years from date of grant 6 months from vesting of options
Zou Yong (鄒勇)	No.2, 2/F, Building 1, 150 Taishan North Road Section 1, Jingyang District, Deyang City, Sichuan Province (四川省德陽市旌陽區泰山北路一段150 號1 幢2 樓2 號)	1.1311	265,243 106,097	March 18, 2018	20 years from date of grant 6 months from vesting of options
Peng Lan (彭蘭)	No. 102, Gate 1, Building 3, 106 Jinbei West Road, Nanyuan, Fengtai District, Beijing City (北京市豐台區南苑警備西路106 號3 號樓1 門102 號)	0.9311	1,611,088	March 18, 2018	20 years from date of grant
Wang Weihang (汪維杭)	No. 50, Group 1, Changle Village, Yucheng Town, Jianyang City, Sichuan Province (四川省簡陽市玉成鄉長樂村1 組50 號)	0.9311	3,222,178	March 18, 2018	20 years from date of grant
Wang Xiaoqiang (汪小強)	68 Huashi Road, Tuanjie Town, Pi County, Chengdu City (成都市郫縣團結鎮花石路68號)	0.9311	751,841 322,217	March 18, 2018	20 years from date of grant 6 months from vesting of options

Note:

(1) The above table assumes that that the Pre-IPO Share Options granted under the 2018 Pre-IPO Share Option Scheme have not been exercised.

(c) ***Grantees with options representing the right to subscribe for more than 4,600,000 Shares (other than Directors, senior management and connected persons)***

Below is a list of the Grantees other than Directors, senior management and connected persons under the 2018 Pre-IPO Share Option Scheme with options representing the right to subscribe for more than 4,600,000 Shares:

Name of Grantee	Address	Exercise Price	Total Number of Shares Granted under the Options	Date of Grant	Option Period
Zhang Liang (張亮)	Teachers' Apartment, University for Science and Technology Sichuan, Chengdu City, Sichuan Province (四川省成都市川科院教師公寓)	0.9311	15,036,829	March 18, 2018	20 years from date of grant
Fu Min (付敏)	23 Jianshe West Road Section 1, Ziyang City, Sichuan Province (四川省資陽市建設西路一段23號)	0.9311	9,666,533	March 18, 2018	20 years from date of grant
Fan Duocong (范多聰)	No. 403, Building 14, 288 Xingyi Avenue, Hesheng Town, Wenjiang District, Chengdu City (成都市溫江區和盛鎮星藝大道288號14棟403)	1.1311	8,841,434	March 18, 2018	20 years from date of grant
Wang Zheng (王政)	No. 7, Unit 3, Building 2, Jingdu Campus, Xipu Town, Chengdu City, Sichuan Province (四川省成都市郫縣犀浦鎮晶都校區2棟3單元7號)	1.1311	7,073,147	March 18, 2018	20 years from date of grant
Yang Lin (楊琳)	1-6-11-3 Xinjiapo Huayuan, 9 Xinguang Road, Chengdu City (成都市新光路9號新加坡花園1-6-11-3)	0.9311	6,444,355	March 18, 2018	20 years from date of grant
Wu Hongchuan (吳紅川)	No. 901, Unit 1, Building 71, Dongjun Hujingwan, 555 Machao East Road, Xindu Town, Xindu District, Chengdu City, Sichuan Province (四川省成都市新都區新都鎮馬超東路555號東駿湖景灣71幢1單元901號)	0.9311	5,907,325	March 18, 2018	20 years from date of grant
Cai Ping (蔡萍)	77 Mochi Street, Jiannan Town, Mianzhu City, Sichuan Province (四川省綿竹市劍南鎮墨池街77號)	0.9311	5,681,773	March 18, 2018	20 years from date of Grant
			2,685,148		6 months from vesting of options

Name of Grantee	Address	Exercise Price	Total Number of Shares Granted under the Options	Date of Grant	Option Period
Mao Kai (毛凱)	32 Shiren South Road, Qingyang District, Chengdu City (成都市青羊區石人南路32號)	0.9311	5,370,296	March 18, 2018	20 years from date of Grant
			805,544		6 months from vesting of options
Luo Keyu (駱柯玉)	58 Shierqiao Road, Jinniu District, Chengdu City (成都市金牛區十二橋路58號)	0.9311	5,370,296	March 18, 2018	20 years from date of Grant
Zhang Bing (張兵)	No. 8, Floor 1, Old Dorm 2, 77 Jingjusi Road, Jinjiang District, Chengdu District (成都市錦江區淨居寺路77號舊2宿舍1樓8號)	0.9311	5,155,484	March 18, 2018	20 years from date of Grant
			3,436,989		6 months from vesting of options
Wang Rurong (王儒蓉)	48 Dongyi Road, Qingyang District, Chengdu City, Sichuan Province (四川省成都市青羊區東一路48號)	0.9311	4,833,266	March 18, 2018	20 years from date of Grant

(d) ***Other Grantees***

As of the Latest Practicable Date, other than what has been disclosed in (a) and (b) above, no Pre-IPO Share Options were granted to any Director, senior management or connected person of the Company under the 2018 Pre-IPO Share Option Scheme. Among the other Grantees who are not our Directors, senior management, connected persons and those with options representing the right to subscribe for more than 4,600,000 Shares (collectively, the "**Other Grantees**"), 184 Other Grantees are employees of our Group who have been granted options under the 2018 Pre-IPO Share Option Scheme to subscribe for a total of 145,694,500 Shares, representing approximately 2.19% of the issued share capital of our Company upon completion of the Global Offering excluding any Shares to be issued upon the exercise of the Over-allotment Option and without taking into account any Shares to be allotted and issued upon the exercise of the Pre-IPO Share Options. The remaining 115 Other Grantees include, among others, employees of Sichuan Tequ Education (who were our employees before our delineation of business), our customers, suppliers and business partners. Such remaining Other Grantees have been granted options under the 2018 Pre-IPO Share Option Scheme to subscribe for a total of 138,136,598 Shares, representing approximately 2.07% of the issued share capital of our Company upon completion of the Global Offering excluding any Shares to be issued upon the exercise of the Over-allotment Option and without taking into account any Shares to be allotted and issued upon the exercise of the Pre-IPO Share Options.

Among the Other Grantees: (i) 6 Grantees have been granted Tranche A Options to subscribe for a total of 1,861,051 Shares; (ii) 163 Grantees have been granted Tranche B Options to subscribe for a total of 169,153,425 Shares; and (iii) 143 Grantees have been granted Tranche C Options to subscribe for a total of 112,816,622 Shares. Some of the Other Grantees have been granted Pre-IPO Share Options of more than one tranche.

See below the list of the Other Grantees under the 2018 Pre-IPO Share Option Scheme:

Option Tranche	Exercise Price	Number of Shares under the Options Granted	Date of Grant	Approximate Percentage of Issued Shares Immediately after Completion of the Global Offering[(1)]
Tranache A Option	0.5911	1,861,051	March 18, 2018	0.03%
Tranache B Option	0.9311	169,153,425	March 18, 2018	2.54%
Tranache C Option	1.1311	112,816,622	March 18, 2018	1.69%

Note: The above table assumes that that the Pre-IPO Share Options granted under the 2018 Pre-IPO Share Option Scheme have not been exercised.

4. Waiver and Exemption

Our Company has applied for and has been granted (i) a waiver from the Hong Kong Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) an exemption from the SFC from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies (WUMP) Ordinance. See "Waivers from Strict Compliance with the Listing Rules and Exemption from Compliance with the Companies (WUMP) Ordinance" for details.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries.

2. Litigation

As of the Latest Practicable Date, our Company was not involved in any litigation, arbitration, administrative proceedings or claims of material importance which could have a material adverse effect on our financial condition or results of operations, and, so far as we are aware, no litigation, arbitration, administrative proceedings or claims of material importance is pending or threatened against us.

3. **Joint Sponsors**

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, the Pre-IPO Share Options) upon completion of the Global Offering. All necessary arrangements have been made to enable the securities to be admitted to CCASS.

The Joint Sponsors satisfy the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

Each of the Joint Sponsors will be paid by our Company a fee of US$500,000 to act as the sponsors to our Company in connection with the Global Offering.

4. **Preliminary Expenses**

We have not incurred any material preliminary expenses.

5. **Taxation of holders of Shares**

i. ***Cayman Islands***

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of the Shares.

ii. ***Hong Kong***

The sale, purchase and transfer of Shares registered with our Hong Kong register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller of Shares is 0.1% of the consideration or, if higher, of the value of the Shares being sold or transferred.

Profits in respect of the Shares that arise in or are derived from Hong Kong may also be subject to Hong Kong profits tax. Trading gains from the sale of the Shares by persons carrying on a trade profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of the Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

iii. ***PRC***

We may be treated as a PRC resident enterprise for PRC enterprise income tax purposes. In that case, distributions to our Shareholders may be subject to PRC withholding tax and gains from dispositions of our Shares may be subject to PRC tax. See "Risk Factors — Risks Relating to Doing Business in China — If we are classified as a PRC "resident enterprise," holders of our Shares may be subject to a PRC withholding tax on the dividends paid by us and PRC tax on gain from the sale of our Shares".

iv. ***Consultation with professional advisors***

Potential investors in the Global Offering are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of our Company, our Directors or the other parties involved in the Global Offering are responsible for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our Shares.

6. **Qualifications of Experts**

The qualifications of the experts who have given opinions or advice in this prospectus are as follows:

Name	Qualifications
Citigroup Global Markets Asia Limited.............	A licensed corporation holding a licence under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities.
China Merchants Securities (HK) Co., Limited ..	A licensed corporation holding a licence under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (advising on asset management) regulated activities.
Ernst & Young..	Certified Public Accountants
Tian Yuan Law Firm...	Company's PRC Legal Advisor

Name	Qualifications
Maples and Calder (Hong Kong) LLP	Company's Cayman Islands legal advisors
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited...	Property valuer
Zhonghui (Sichuan) Certified Tax Agents Co., Ltd.	Qualified PRC tax consultant

7. **Consents of Experts**

Each of the experts referred to in the paragraph headed "Qualifications of Experts" in this Appendix has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of certificates, letters, opinions or reports and the reference to its names included herein in the form and context in which it is respectively included. As of the Latest Practicable Date, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. **Compliance Advisor**

We have appointed Guotai Junan Capital Limited as our compliance advisor upon the Listing in compliance with Rule 3A.19 of the Listing Rules.

9. **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 March 31, 2018 (being the date on which our latest audited consolidated financial statements were made up).

10. **Binding Effect**

This prospectus shall have the effect, if any application is made pursuant hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

11. **Miscellaneous**

Save as disclosed in this prospectus:

i. within the two years immediately preceding the date of this prospectus:

   (i) no share or loan capital of our Company or any of our 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 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 our Company or any of our subsidiaries; and

   (iii) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring or agreeing to procure subscription, of any shares in our Company or any of our subsidiaries;

ii. no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

iii. our Company or any of our subsidiaries has not issued or agreed to issue founders, management or deferred shares;

iv. there are no arrangements under which future dividends are waived or agreed to be waived;

v. there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

vi. there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;

vii. there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;

viii. there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

ix. no part of the equity of our Company or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought;

x. our Company has no outstanding convertible debt securities or debentures; and

xi. the Hong Kong register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited.

12. **Bilingual Prospectus**

The English language 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).

13. **Promoters**

We do not have any promoter. 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 within the two years immediately preceding the date of this prospectus.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in "Appendix V — Statutory and General Information — E. Other Information — 7. Consents of Experts"; and

(c) a copy of each of the material contracts referred to in "Appendix V — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts".

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Davis Polk & Wardwell at 18th Floor, The Hong Kong Club Building, 3A Chater Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and Articles of Association of our Company;

(b) the accountants' report from Ernst & Young, the text of which is set forth in "Appendix I — Accountants' Report" to this prospectus;

(c) the audited financial statements of the companies comprising the Group for the three years ended December 31, 2017 and the three months ended March 31, 2018;

(d) the report from Ernst & Young in relation to unaudited pro forma financial information, the text of which is set forth in "Appendix II — Unaudited Pro Forma Financial Information" to this prospectus;

(e) the material contracts referred to in "Appendix V — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts";

(f) the service contracts referred to in "Appendix V — Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 3. Service Contracts";

(g) the written consents referred to in "Appendix V — Statutory and General Information — E. Other Information — 7. Consents of Experts";

(h) the legal opinions issued by Tian Yuan Law Firm, our PRC Legal Advisor, in respect of certain aspects of our Group and the property interests of our Group in the PRC;

(i) the tax opinion prepared by Zhonghui (Sichuan) Certified Tax Agents Co., Ltd., our PRC Tax Consultant, in respect of certain PRC tax implications on our Group in the PRC;

(j) the letter, summary of valuations and valuation certificates relating to our property interests prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the texts of which are set out in "Appendix III — Property Valuation Report" to this prospectus;

(k) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisor as to the laws of the Cayman Islands, summarizing certain aspects of the Cayman Companies Law referred to in "Appendix IV — Summary of the Constitution of our Company and Cayman Companies Law" to this prospectus;

(l) the report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed "Industry Overview" in this prospectus;

(m) the terms of the 2018 Pre-IPO Share Option Scheme and a list of grantees under the 2018 Pre-IPO Share Option Scheme referred to in "Appendix V — Statutory and General Information — D. 2018 Pre-IPO Share Option Scheme"; and

(n) the Cayman Companies Law.