China Kepei Education Group Limited
中國科培教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1890

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

citi

建银国际 CCB International

Joint Bookrunners and Joint Lead Managers

交銀國際 BOCOM International

第一上海 FIRST SHANGHAI GROUP

海通國際 HAITONG

農銀國際 ABC INTERNATIONAL

Joint Lead Manager

匯能證券 HUINENG SECURITIES

IMPORTANT

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

China Kepei Education Group Limited

中國科培教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Total Number of Offer Shares under the Global Offering	:	**353,334,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**35,336,000 Shares (subject to adjustment)**
Number of International Offer Shares	:	**317,998,000 Shares (subject to the Over-allotment Option and adjustment)**
Offer Price (subject to a Downward Offer Price Adjustment)	:	**HK$2.08 to HK$2.70 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund) (If the Offer Price is set at 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the Offer Price will be HK$1.88 per Hong Kong Offer Share)**
Nominal value	:	**US$0.00001 per Share**
Stock code	:	**1890**

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

citi　　建银国际 CCB International

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Joint Lead Manager

匯能證券 HUINENG SECURITIES

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

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators, on behalf of the Underwriters, and our Company on or before Friday, January 18, 2019 or such later time as may be agreed between the parties, but in any event, no later than Thursday, January 24, 2019. If, for any reason, the Joint Global Coordinators, on behalf of the Underwriters, and our Company are unable to reach an agreement on the Offer Price by Thursday, January 24, 2019, the Global Offering will not proceed and will lapse immediately. The Offer Price will be not more than HK$2.70 per Offer Share and is expected to be not less than HK$2.08 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum offer price of HK$2.70 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027 % and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price is lower than HK$2.70. The Joint Global Coordinators, on behalf of the Underwriters, may, with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of such reduction will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.chinakepeiedu.com** as soon as practicable but in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. For further information, see the sections headed "Structure of the Global Offering" and "How to apply for the Hong Kong Offer Shares"

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, in particular, the risk factors set out in "Risk Factors."

Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Offer Shares, the Joint Global Coordinators, on behalf of the Hong Kong Underwriters, have the right in certain circumstances, in their absolute discretion, to terminate the obligations of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Hong Kong Underwriting Agreement—Grounds for Termination." It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered, sold, pledged, transferred, or delivered within the United States except that Offer Shares may be offered, sold or delivered outside the United States in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.

January 15, 2019

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

Latest time to complete electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2]	11:30 a.m. on Friday, January 18, 2019
Application lists open[3]	11:45 a.m. on Friday, January 18, 2019
Latest time for (a) lodging **WHITE** and **YELLOW** Application Forms, (b) giving **electronic application instructions** to HKSCC and (c) completing payment of **White Form eIPO** applications by effecting Internet banking transfer(s) or PPS payment transfer(s)[4]	12:00 noon on Friday, January 18, 2019
Application lists close[3]	12:00 noon on Friday, January 18, 2019
Expected Price Determination Date[5]	Friday, January 18, 2019
Where applicable, announcement of the Offer Price being set below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment (see the section headed "Structure of the Global Offering—Determining the Offer Price" on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at **www.chinakepeiedu.com** on or before	Thursday, January 24, 2019

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 allocation in the Hong Kong Public Offering

to be published on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.chinakepeiedu.com** on or before[6]	Thursday, January 24, 2019
Announcement of results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels. (Please see "How to Apply for the Hong Kong Offer Shares—11. Publication of Results" in this prospectus) from	Thursday, January 24, 2019
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, January 24, 2019
Dispatch of Share certificates and refund checks[7]/White Form e-Refund payment instructions (if applicable) on or before[8]	Thursday, January 24, 2019
Dealings in the Shares on the Stock Exchange expected to commence at	9:00 a.m. on Friday, January 25, 2019

Notes:

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.

(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 an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, January 18, 2019, the application lists will not open and will close on that day. Further information is set out in the section headed "How to Apply for the Hong Kong Offer Shares—10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

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

(5) The Price Determination Date is expected to be on or about Friday, January 18, 2019, and in any event, not later than Thursday, January 24, 2019. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on or before Thursday, January 24, 2019 the Global Offering will not proceed and will lapse.

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

(7) Share certificates for the Hong Kong Offer Shares are expected to be issued on Thursday, January 24, 2019, but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects prior to 8:00 a.m. on Friday, January 25, 2019. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

(8) e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and in respect of successful applicants in the event that the final Offer Price is less than the price payable per Offer Share on application.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, please see "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus, respectively.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by China Kepei Education Group Limited solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, representatives or advisors or any other person involved in the Global Offering.

	Page
Expected Timetable	i
Contents	iii
Summary	1
Definitions	16
Glossary of Technical Terms	30
Forward-looking Statements	33
Risk Factors	34
Waivers from Strict Compliance with the Listing Rules and Exemption from Compliance with the Companies (WUMP) Ordinance	74
Information about the Prospectus and the Global Offering	80
Directors and Parties Involved in the Global Offering	84
Corporate Information	90
Industry Overview	92
Regulatory Overview	102
History, Reorganization and Corporate Structure	122
Structured Contracts	139
Business	170
Relationship with our Controlling Shareholders	227
Connected Transactions	235
Directors and Senior Management	240
Substantial Shareholders	251
Share Capital	252
Financial Information	255

CONTENTS

Page

Future Plans and Use of Proceeds . . . 295

Our Cornerstone Investors . . . 297

Underwriting . . . 302

Structure of the Global Offering . . . 312

How to Apply for the Hong Kong Offer Shares . . . 322

Appendix I—Accountants' Report . . . I-1

Appendix II—Unaudited Pro Forma Financial Information . . . II-1

Appendix III—Profit Estimate . . . III-1

Appendix IV—Property Valuation Report . . . IV-1

Appendix V—Summary of the Constitution of the Company and Cayman Islands Company Law . . . V-1

Appendix VI—Statutory and General Information . . . VI-1

Appendix VII—Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection . . . VII-1

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

OVERVIEW

We are a leading provider of private higher education in South China focusing on profession-oriented education, according to the Frost & Sullivan Report. As of September 30, 2018, we had an aggregate of 45,118 students enrolled at the schools we operated, namely, Guangdong Polytechnic College and Zhaoqing School.

We are committed to providing students with high-quality profession-oriented education and help them meet the growing and changing market demand. We focus on engineering majors in order to better capture local employment demands, balanced with economics, management, education and art majors to offer well-rounded education services. We endeavor to provide students with various profession-oriented training and internship opportunities in collaboration with research institutions and enterprises, through which we foster practical skills and market competitiveness of our students. We have also built our reputation on the high initial employment rate of our graduates. For the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school years, Guangdong Polytechnic College had 3,587, 3,012, 4,753 and 3,850 graduates from our junior college programs, achieving initial employment rates of 96.3%, 97.4%, 96.8% and 91.7%, respectively. Guangdong Polytechnic College started to offer undergraduate programs since the 2014/2015 school year. As all of its undergraduate programs take four years to complete, there were no graduates from our undergraduate program from 2014/2015 school year to 2016/2017 school year. For the 2017/2018 school year, Guangdong Polytechnic College had 1,023 graduates from its undergraduate programs, achieving an initial employment rate of 96.8%. In contrast, China's overall initial employment rates of higher education graduates were 77.7%, 77.9%, 78.4% for 2015, 2016 and 2017, respectively, according to the Frost & Sullivan Report.

We experienced a rapid growth since the beginning of our Track Record Period. The total number of our students enrolled increased from 18,869 in the 2014/2015 school year to 45,118 in the 2018/2019 school year. According to the Frost & Sullivan Report, for the 2016/2017 and 2017/2018 school years, Guangdong Polytechnic College ranked first among 61 private higher education institutions (excluding independent colleges) in South China in terms of the number of newly admitted students and student enrollment, and Zhaoqing School ranked first among approximately 70 private specialized secondary schools in Guangdong Province in terms of student enrollment. Our revenue increased from RMB256.1 million in 2015 to RMB455.4 million in 2017. For the eight months ended August 31, 2017 and 2018, our revenue increased from RMB227.9 million to RMB284.1 million.

According to the Frost & Sullivan Report, the total revenue of private higher education industry in China reached RMB103.7 billion in 2017 while total revenue of private higher education industry in South China reached RMB14.2 billion in the same year, accounting for approximately 13.7% of the total market in China. As of August 31, 2017, the total student enrollment of the private higher education industry in South China was approximately 944.5 thousand, representing approximately 13.9% of the overall market in the PRC (total student enrollment approximately 6.8 million). As of September 30, 2017, our market share was approximately 2.6% in the private higher education industry in South China in terms of student enrollment.

OUR SCHOOLS

During the Track Record Period, we operated two schools in Zhaoqing, Guangdong Province:

Guangdong Polytechnic College: A degree-granting undergraduate-level education institution established in 2005 which offers undergraduate, junior college and adult education programs. For the 2018/2019 school year, it has a total of 36,860 students enrolled, consisting of 19,977 undergraduate students, 7,610 junior college students and 9,273 adult college students. It offers 41 majors, consisting of 22 undergraduate majors and 19 junior college majors, in a wide range of subject areas. Its core majors include standardization management, electrical engineering and automation, electronic information engineering and mechanical design; and

Zhaoqing School: A secondary vocational school established in 2000 which provides secondary vocational education in 11 majors, including automobile servicing, electronic commerce, and electromechanical technology application. For the 2018/2019 school year, it has a total of 8,258 students enrolled.

For details of each of our schools, see "Business—Our Schools."

Summary Financial Data

The following table sets out certain general financial information on our schools during the Track Record Period:

	Year ended December 31,			Eight months ended August 31,	
School	**2015**	**2016**	**2017**	**2017**	**2018**
	(RMB'000, except for percentage)			(Unaudited)	
Guangdong Polytechnic College					
Tuition fees	201,483	280,826	378,742	187,183	239,287
Boarding fees	22,879	25,587	30,154	14,407	18,854
Total revenue	224,362	306,413	408,896	201,590	258,141
Cost of sales	79,850	97,530	131,025	69,095	88,312
Gross profit	144,512	208,883	277,871	132,495	169,829
Gross profit margin	64.4%	68.2%	68.0%	65.7%	65.8%
Zhaoqing School					
Tuition fees	26,373	36,872	40,161	22,269	22,376
Boarding fees	5,362	6,602	6,325	4,062	3,606
Total revenue	31,735	43,474	46,486	26,331	25,982
Cost of sales	12,383	17,085	18,128	11,905	13,296
Gross profit	19,352	26,389	28,358	14,426	12,686
Gross profit margin	61.0%	60.7%	61.0%	54.8%	48.8%

During the Track Record Period, we experienced revenue growth at both of our schools, which was in line with the expansion of our business. The gross profit margin of Guangdong Polytechnic College increased from 64.4% in 2015 to 68.2% in 2016 primarily due to Guangdong Polytechnic College's optimization of student structure by expanding undergraduate program since its successful upgrade to an undergraduate institution in 2014, as the gross profit margin of the undergraduate program is generally higher than other programs. The gross profit margin of Guangdong Polytechnic

College remained stable in 2017 at 68.0%, as the impact of the increase in revenue due to further optimization of student structure and expansion of student enrollment was partially offset by the increase in cost of sales related to the increase staff and newly established Guangdong Polytechnic College Dinghu campus which was in line with the expansion of its operation. The gross profit margin of Guangdong Polytechnic College remained stable from 65.7% for the eight months ended August 31, 2017 to 65.8% for the eight months ended August 31, 2018.

Summary Operating Data

The following table sets out information relating to the student enrollment for both of our schools as of the school years indicated:

School	Number of Students Enrolled[1]/ School Year				
	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Guangdong Polytechnic College					
Undergraduate program[2]	1,057	4,318	9,448	14,900	19,977
Junior college program[3]	12,492	12,487	11,768	9,309	7,610
On-campus adult college program	1,023	1,248	1,389	2,157	1,951
Off-campus adult college program[4]	n/a	n/a	880	2,209	7,322
Subtotal	14,572	18,053	23,485	28,575	36,860
Zhaoqing School					
Secondary vocational program[5]	4,297	5,980	7,641	7,352	8,258
Total	18,869	24,033	31,126	35,927	45,118

Notes:

(1) The student enrollment information during the Track Record Period was based on the official records of the relevant PRC education authority and the internal records of our schools. Our school year generally starts in September. For consistency purposes, we use September 30 to present our business operating data in this prospectus.

(2) We started to offer the undergraduate program since the 2014/2015 school year. The number of student enrollment of our undergraduate program includes students in the "2+2" program during all four years of such program. See "Business—Our Schools—Guangdong Polytechnic College—Featured Programs—"2+2" Program."

(3) The number of students registered with the program for the upgrade of junior college students to undergraduate students are included in the total number of junior college students of Guangdong Polytechnic College. We started to offer such program since the 2014/2015 school year. For the 2014/2015, 2015/2016, 2016/2017, 2017/2018 and 2018/2019 school years, the number of students enrolled were 1,106, 2,374, 2,305, 2,044 and 1,875, respectively. See "Business—Our Schools—Guangdong Polytechnic College—Featured Programs—Adult Education—Upgrade of Junior College Students to Undergraduate Students."

(4) We started to offer off-campus adult college program since the 2016/2017 school year.

(5) The number of students enrolled in the secondary vocational program includes the number of students enrolled in the "3+2" Program. Students enrolled in the "3+2" Program continue their study at Guangdong Polytechnic College after graduating from Zhaoqing School. See "Business—Our Schools—Zhaoqing School—Featured Programs—"3+2" Program."

The following table sets out information relating to the capacity and utilization rate (calculated by the number of boarding students divided by school capacity) for both of our schools for the school years indicated:

School	School Capacity[1][2]/ School Year					School Utilization Rate[1][4]/ (%) School Year				
	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2014/2015	2015/2016	2016/2017[3]	2017/2018[3]	2018/2019
Guangdong Polytechnic College	14,844	19,152	19,152	25,148	29,148	98.2	94.3	90.1	86.3	90.8
Zhaoqing School	6,829	6,829	6,829	6,829	6,829	62.9	87.6	91.6	81.3	86.0
Total	21,673	25,981	25,981	31,977	35,977	87.1	92.5	90.5	85.2	89.9

Notes:

(1) The school capacity information during the Track Record Period was based on the internal records of our schools. Our school year generally starts in September. For consistency purposes, we use September 30 to present our business operating data in this prospectus.
(2) Both of our schools are boarding schools. The capacity for student enrollment of our on-campus boarding students at both of our schools is restricted by the number of beds available in student dormitories.
(3) The off-campus adult college program is non-boarding. Starting from the 2016/2017 school year, all graduating class students have not been boarding at school as they were on internships at enterprises where accommodation was provided. For the 2016/2017, 2017/2018 and 2018/2019 school years, the number of graduating class students of Guangdong Polytechnic College on internships were 5,354, 4,672 and 3,072, respectively, while the number of graduating class students of Zhaoqing School on internships were 1,386, 1,798 and 2,385, respectively. Therefore there was a decrease in the school utilization rate for the 2016/2017 school year and the 2017/2018 school year.
(4) School utilization rate is calculated by boarding student enrollment for a particular year divided by school capacity for such year.

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

School	Tuition Fees(1)(2)/ School Year				
	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
Guangdong Polytechnic College					
—Undergraduate program	17,500-18,000	17,500-18,000	18,000-19,500	18,800-30,000(3)	21,800-30,000
—Junior college program(4)	11,600-12,800	11,600-28,000(3)	12,100-28,500	14,100-28,500	15,800-28,500
—On-campus adult college program	6,400-9,200	6,400-9,200	6,400-9,200	5,900-10,700	5,900-10,700
—Off-campus adult college program(5)	n/a	n/a	2,400	2,400	2,400
Zhaoqing School					
—Secondary vocational education	5,300-6,800	5,300-6,800	5,300-7,300	6,100-9,300	6,100-9,300

Notes:

(1) Tuition fees shown above for both of our schools only apply to newly enrolled students in the relevant school years.
(2) Tuition fee range for each school represents the tuition fees of the majors it offers.
(3) The high end of the tuition fees range for the undergraduate program and the junior college program offered by Guangdong Polytechnic College rose as the tuition fees charged by the "2+2" Program are generally higher. See "Business—Our Schools—Guangdong Polytechnic College — Featured Programs — "2+2" Program." We started to offer "2+2" program for junior college students and undergraduate students since the 2015/2016 school year and 2017/2018 school year, respectively.
(4) On top of the tuition fees for the junior college program, junior college students enrolled in the upgrade of junior college students to undergraduate students program pay additional tuition fees for it.
(5) We started to offer off-campus adult college program since the 2016/2017 school year.

The following table sets out the average tuition fees by program, which equals relevant tuition fee revenue divided by the weighted average number of students enrolled during a specific period, of our schools from 2015 to 2017:

School	Year ended December 31,		
	2015	2016	2017
Guangdong Polytechnic College			
Undergraduate program	17,765	17,799	18,329
Junior college program	11,163	11,860	12,551
Adult college program(1)	9,373	7,337	6,869
Zhaoqing School			
Secondary vocational education	5,228	5,488	5,346

Note:

(1) We saw a decrease in the average tuition fee of our adult college program from 2015 to 2017. Such decrease was due to the establishment and expansion of off-campus adult college program for which we charge less tuition fee.

OUR STUDENTS

We believe the reputation of our schools, the high initial employment rate of our graduates, the quality of our curricula, and the qualification of our faculty are key elements that attract prospective students.

According to the Frost & Sullivan Report, for the 2016/2017 and 2017/2018 school years, Guangdong Polytechnic College ranked first among 61 private higher education institutions (excluding independent colleges) in South China in terms of the number of newly admitted students and student enrollment. In order to be enrolled at Guangdong Polytechnic College, undergraduate and junior college students are required to take the National Higher Education Entrance Exam, achieve the required total score and follow national and local admission standards and procedures. Majority of our students come from Guangdong Province, where people are able to afford relatively high tuition fees and boarding fees.

Zhaoqing School generally recruits students through two channels, the usual Secondary Education Entrance Examination and its self-designed admission process which provides a more flexible admission method: qualified middle school students who commit to attend Zhaoqing School prior to graduation can be admitted without taking the Secondary Education Entrance Examination, conditional upon their completion of the junior high school diploma.

OUR FACULTY

We believe the quality of our faculty is one of the essential factors in our success. Our dedicated teachers with sufficient industry expertise and practical knowledge are crucial to the implementation of our educational philosophies.

We require our teachers to practice their expertise at enterprises in relevant industries during school breaks to keep abreast of industry dynamics. As of September 30, 2018, 59.7% of teachers of Guangdong Polytechnic College held a master's or higher degree. We also value the recognition bestowed upon our teachers who have achieved teaching excellence. For instance, during the Track Record Period, teachers at Guangdong Polytechnic College contributed to the publication of over 1,227 research papers and over 85 books while teachers at Zhaoqing School contributed to the publication of over 30 research papers.

We also offer comprehensive training programs for our teachers and conduct regular teacher performance evaluations to improve the overall quality of the education we provide. To ensure continuous improvement of our education standard, we constantly refine teacher training programs and performance evaluation systems. We intend to establish a training center to conduct centralized management of mandatory and continuing training for teachers and staff.

THE 2016 AMENDMENTS AND THE MOJ DRAFT FOR COMMENTS

Under the 2016 Amendments, school sponsors of an existing private school engaged in higher education may elect to register a school as a non-profit or for-profit private school at their own discretion. As advised by our PRC Legal Advisors, there remain substantial uncertainties in the interpretation and implementation of the 2016 Amendments with respect to various aspects of the operations of a private school, in particular, (i) specific procedures required to be completed for a school to register as for-profit school or non-profit school; and (ii) respective preferential tax treatments that may be enjoyed by a for-profit school and a non-profit school. Furthermore, as advised by our PRC Legal Advisors, the detailed rules, regulations and policies regarding the conversion of an existing private school into a for-profit or non-profit private school have yet to be promulgated by the local government authorities in Guangdong Province. Accordingly, as of the Latest Practicable Date, we were not in a position to accurately assess the potential impact of such election on our PRC Operating Schools, and in turn our Group as a whole, and make any informed decision in relation to the 2016 Amendments. Therefore, as of the Latest Practicable Date, we had not elected nor decided as to whether our PRC Operation Schools will be registered as for-profit private schools or non-profit private schools under the 2016 Amendments. We will closely monitor the progress of the promulgation of the implementation regulations under the 2016 Amendments and seek legal advice from our legal advisors from time to time with a view to ensuring any decisions in relation to 2016 Amendments will be made on a fully informed basis and will update our Shareholders and investors in this regard by way of disclosure in announcements and/or annual/interim reports, as and when appropriate.

On August 10, 2018, the MOJ issued the MOJ Draft for Comments based on a revised version of the MOE Draft for Comments to seek public comments. The principal implications of the current form of the MOJ Draft for Comments on the operations of our Group based on our current understanding and interpretation are summarized below:

Our expansion strategy: The scope of our acquisition may be limited to for-profit private schools only. See "Business—Overview—Our Business Strategies—Expand our school network through strategic mergers and acquisitions."

Our structured contracts: Our structured contracts may be subject to certain risks. See "Risk Factors—Risk Relating to Our Business and Industry—We are subject to uncertainties brought by the MOJ Draft for Comments."

If the MOJ Draft for Comments is implemented in its current form, and our school management model is considered as centralized school management model or if our Structure Contracts are considered as "contractual arrangements" under Clause 12 of the MOJ Draft for Comments, we may need to register our schools as for-profit private schools.

The MOJ has not provided the timeframe for the promulgation of the revised implementation rules on the Law for Promoting Private Education of the PRC, even though the public consultation on the MOJ Draft for Comments has ended on September 10, 2018. As of the date of this prospectus, no revised implementation rules on the Law for Promoting Private Education of the PRC have been promulgated. See "Risk Factors—Risks Relating to Our Business and Industry—If the MOJ Draft for Comments is implemented in its current form, it may have an adverse impact on the development, operation and management of our schools and our expansion strategy."

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and differentiated us from our competitors: (i) we are a fast growing leader of the private higher education industry in South China; (ii) deeply rooted in the Pearl River Delta and focusing on applied sciences, we have seized the significant geographical advantage of China's manufacturing center and met strong local demand for professional talents, further solidifying our leading position in the private higher education sector in South China; (iii) we are dedicated to cultivating professional talents with practical skills, and offering featured engineering majors and curricula to students; (iv) our continuous efforts to improve the market competitiveness of students and expand their employment opportunities through various channels have enabled us to achieve an industry-leading initial employment rate; and (v) we have an experienced and reputable management team with a proven track record and highly qualified faculty.

OUR BUSINESS STRATEGIES

In strengthening our position as a leading provider of private higher education in South China focusing on profession-oriented education, we plan to pursue the following business strategies: (i) increase the capacity and utilization rate of our schools and optimize our business structure and pricing to maximize endogenous growth; (ii) further expand service offerings and diversify revenue sources; (iii) expand our school network through strategic mergers and acquisitions with the focus on South China; (iv) further advance our profession-oriented education by strengthening school-enterprise collaboration and improving practical training facilities; and (v) continue to attract and retain high-quality faculty and strengthen our support for teachers' career development.

The MOJ Draft for Comments may have certain implications on our expansion strategy through acquisition. See "Business—Potential Implications of the MOJ Draft for Comments."

OUR CUSTOMERS AND SUPPLIERS

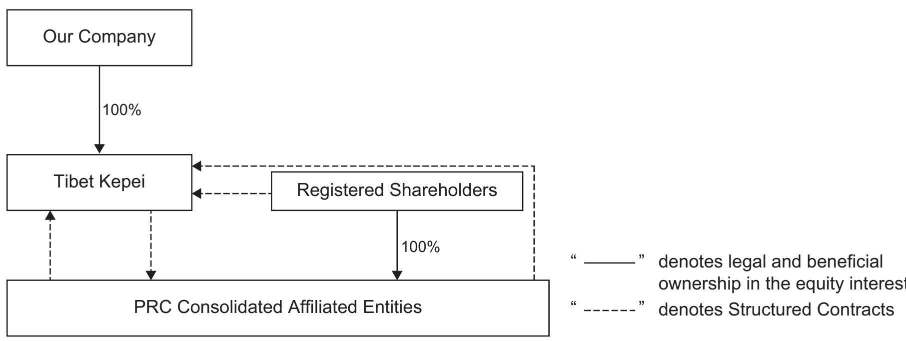
Our customers primarily consist of our students. We had no single customer who accounted for more than 10% of our revenue for each of 2015, 2016, 2017 and the eight months ended August 31, 2018. See "Business—Our Schools—Tuition Fees and Boarding Fees" for our terms and conditions regarding the tuition fees and boarding fees with students.

Our suppliers primarily comprise construction and decoration service providers, furniture vendors and teaching equipment vendors. For 2015, 2016, 2017 and the eight months ended August 31, 2018, purchases from our five largest suppliers were RMB39.6 million, RMB73.6 million, RMB281.8 million and RMB211.2 million, respectively, accounting for 50.9%, 56.2%, 62.4% and 75.7% of our total purchase amount. While purchases from our largest supplier were RMB18.7 million, RMB50.2 million, RMB239.5 million and RMB184.2 million, accounting for 24.1%, 38.3%, 53.0% and 66.0% of our total purchase amount respectively. For routine purchases of teaching equipment, we maintain a stable relationship with relevant suppliers. Typically, we sign separate agreements for each purchase.

None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in any of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date.

STRUCTURED CONTRACTS

The following simplified diagram illustrates the flow of economic benefits from our PRC Operating Schools and/or our School Sponsor to our Group stipulated under the Structured Contracts. See "Structured Contracts—Operation of the Structured Contracts."



Following the implementation of the VIE structure with the execution of the Structured Contracts on July 10, 2018, we are subject to additional amounts of PRC income tax and value-added tax. If such structure had been in effect during the Track Record Period, 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 13.0%, 13.0%, 12.8%, 12.8% and 13.5% in 2015, 2016, 2017 and for the eight months ended August 31, 2017 and 2018, respectively, after taking into consideration the following major factors: (i) at least 25% of our schools' net profit should be retained for the schools' working capital; (ii) Tibet Kepei is subject to a 12% enterprise income tax and 6% value-added tax and surcharges; and (iii) the financial results of various entities within our Group. However, such impact is estimated without taking into consideration potential tax reductions with respect to factors such as the costs and expenses that would be incurred by Tibet Kepei as such mitigating factors cannot be estimated accurately at present. The actual impact on our financial results during the Track Record Period, therefore, may not have been as significant as set out above.

DRAFT FOREIGN INVESTMENT LAW

On January 19, 2015, MOFCOM published the Draft Foreign Investment Law. At the same time, MOFCOM published an accompanying explanatory note of the Draft Foreign Investment Law, or the Explanatory Note, which contains important information about the Draft Foreign Investment Law, including its drafting philosophy and principles, main content, plans to transition to the new legal regime and treatment of businesses in the PRC controlled by FIEs, primarily through contractual arrangements. See "Structured Contracts—Development in the PRC Legislation on Foreign Investment."

The aforesaid draft provides that foreign investment means the investment activities conducted by foreign investors directly or indirectly, and the nation implements favorable policy for high-level investment and establishes and improves foreign investment promotion mechanism, in order to create a stable, transparent and expectable environment for investment. It introduces pre-establishment national treatment with a negative list for foreign investment, encourages conducting technological cooperation on a voluntary basis according to business rules. It also provides that regulatory documents relating to foreign investment formulated by the government and its relevant departments shall comply with laws and regulations, shall not reduce and prejudice legal rights and interests of foreign investment companies or increase their obligation and set market entry and exit conditions unlawfully.

If the Draft Foreign Investment Law is promulgated in the current draft form, on the basis that (i) Mr. Ye and Ms. Shu, who are of Chinese nationality, will indirectly hold approximately 52.5% (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option) of the issued share capital of our Company upon the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering and will indirectly hold approximately 50.25% of the issued share capital of our Company assuming that the Over-allotment Option is exercised in full and no Share is issued under the Share Option Scheme; (ii) our Company through Tibet Kepei exercises effective control over our PRC Operating Schools and/or our School Sponsor pursuant to the Structured Contracts; and (iii) Mr. Ye and Ms. Shu are of Chinese nationality, our PRC Legal Advisors are of the view that we can apply for the recognition of the Structured Contracts as domestic investments and it is likely that the Structured Contracts will be considered as legal. However, there are uncertainties as to what the definition of control may be under the actual enacted version of the Foreign Investment Law in the future, and the relevant government authorities will have a broad discretion in interpreting the law and may ultimately take a view that is inconsistent with our PRC Legal Advisors' understanding. See "Risk Factors—Risks relating to our ownership structure."

To mitigate the risks associated with the Draft Foreign Investment Law, we have required Mr. Ye and Ms. Shu to provide an undertaking, pursuant to which Mr. Ye and Ms. Shu agreed to, among others, maintain their respective Chinese nationality and citizenship. See "Structured Contracts—Development in the PRC Legislation on Foreign Investment—Potential Measures to Maintain Control Over and Receive Economic Benefits from our PRC Operating Schools and our School Sponsor."

On December 26, 2018, National People's Congress Standing Committee published the Draft Foreign Investment Law (the "**2018 Draft Foreign Investment Law**") deliberated by the 7th Meeting of the Standing Committee of the Thirteenth National People's Congress, to seek public comments, which will be closed on February 24, 2019. The 2018 Draft Foreign Investment Law does not mention concepts including "de facto control" and "controlling through contractual arrangements", nor did it specify the regulation on controlling through contractual arrangements. Furthermore, the 2018 Draft Foreign Investment Law does not specifically stipulate rules on the education industry. Therefore, as advised by our PRC Legal Advisors, we believe that the 2018 Draft Foreign Investment Law, if promulgated in its current form and contents, will not, by itself, have any material adverse effect on our structure and, in turn, on our business operation.

THE CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Ye and Ms. Shu, as a group of Controlling Shareholders, were interested in and controlled indirectly in aggregate 70% of our issued share capital. Immediately following the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering, the Controlling Shareholders will together hold approximately 52.5% of the Shares (assuming the Over-allotment Option is not exercised) and will remain as our Controlling Shareholders. The Directors are satisfied that our Group is capable of carrying out its business independently from the Controlling Shareholders and their associates. See "Relationship with our Controlling Shareholders."

PRE-IPO INVESTMENT

On April 30, 2018, our Company and Skyline Miracle Limited entered into a convertible bond subscription agreement, pursuant to which our Company issued to Skyline Miracle Limited a convertible bond with a principal amount of RMB330,000,000 convertible into our Shares. Upon the automatic conversion in full of the convertible bond and completion of the Capitalization Issue and the Global Offering, Skyline Miracle Limited will hold 7.33% of the shareholding in our Company (assuming the Over-allotment Option is not exercised). As of the Latest Practicable Date, the proceeds had not been utilized. See "History, Reorganization and Corporate Structure—Pre-IPO Investment."

THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on January 10, 2019 in order to incentivize our Directors, senior management and our other employees for their contribution to our Group and in an effort to retain and attract qualified personnel. The principal terms of the Share Option Scheme are summarized in "F. Share Option Scheme" in Appendix VI to this prospectus.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following table sets out our selected consolidated statements of profit or loss and other comprehensive income of 2015, 2016 and 2017 and the eight months ended August 31, 2017 and 2018:

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	256,097	349,887	455,382	227,921	284,123
Cost of sales	(92,233)	(114,615)	(149,153)	(81,000)	(101,608)
Gross profit	163,864	235,272	306,229	146,921	182,515
Other income and gains	7,741	7,279	8,682	4,749	41,450
Selling and distribution expenses	(11,210)	(13,072)	(8,524)	(6,352)	(10,056)
Administrative expenses	(25,154)	(32,743)	(45,999)	(24,534)	(40,031)
Non-monetary employee benefits provided by the controlling shareholder	—	—	(12,129)	(12,129)	—
Other expenses	(400)	(862)	(988)	(850)	(2,856)
Finance costs	(7,904)	(7,346)	(9,604)	(5,985)	(4,913)
Share of losses of joint ventures	(7,434)	(9,254)	(6,791)	(4,363)	(85)
Profit before tax	119,503	179,274	230,876	97,457	166,024
Income tax expense	—	—	—	—	—
Profit and total comprehensive income for the year/period	119,503	179,274	230,876	97,457	166,024

FINANCIAL RATIOS

The following table sets out certain of our key financial ratios as of and for the year/period ended the dates indicated:

	As of/for the year ended December 31,			As of/for the period ended August 31,
	2015	2016	2017	2018
Net profit margin(1)	46.7%	51.2%	50.7%	58.4%
Return on assets(2)	10.8%	12.4%	12.6%	11.6%
Return on equity(3)	15.8%	19.7%	21.3%	20.5%
Current ratio(4)	150.1%	155.2%	165.7%	94.2%

Notes:

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

(2) Return on assets equals profit and total comprehensive income for the year/period divided by average total assets as of the end of the year/period. Return on assets for the eight months ended August 31, 2018 was calculated using the profit for the eight months ended August 31, 2018 adjusted on an annualized basis.

(3) Return on equity equals profit and total comprehensive income for the year/period divided by average total equity amounts as of the end of the year/period. Return on equity for the eight months ended August 31, 2018 was calculated using the profit for the eight months ended August 31, 2018 adjusted on an annualized basis.

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

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund our working capital requirements and our purchase of property, plant and equipment. We have funded our operations principally with cash generated from our operations, bank loans and other borrowings. As of August 31, 2018 and November 30, 2018, we had net current liabilities of RMB43.3 million and RMB88.1 million, respectively, primarily due to utilization of cash and cash equivalents for: (i) the repayment for our bank loans and (ii) the payment and prepayment for construction services for the Guangdong Polytechnic College Dinghu campus which were classified as non-current assets. See "Financial Information—Current Assets and Current Liabilities."

In view of the net current liabilities position as of November 30, 2018, we have given careful consideration to our future liquidity and performance and our available sources of finance in assessing whether we will have sufficient financial resources going forward. 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, our tuition fees and boarding fees, or the availability of bank loans or other financing may adversely impact our liquidity. To mitigate any potential liquidity issues, we have obtained adequate banking facilities from reputable financial institutions. As of November 30, 2018, we had unutilized banking facilities of RMB128.9 million. As of December 31, 2015, 2016 and 2017 and August 31, 2018, we had cash and bank balances of RMB83.0 million, RMB86.3 million, RMB369.1 million and RMB631.9 million, respectively.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our business continued to grow since August 31, 2018. For the period from September 1, 2018 to December 31, 2018, our revenue increased significantly compared with the same period in 2017, primarily because: (i) we further optimized our program mix and size in the 2018/2019 school year;

and (ii) we raised the tuition fees at Guangdong Polytechnic College for the 2018/2019 school year. Our gross profit and our gross margin increased in such period of 2018 compared to the same period in 2017, as we continued to benefit from the economy of scale. Our total assets remained relatively stable in such period.

On August 10, 2018, the MOJ issued the MOJ Draft for Comments based on a revised version of the MOE Draft for Comments to seek public comments. For a summary of the principal implications of the MOJ Draft for Comments on the operations of our Group based on our current understanding and interpretation, see "—The 2016 Amendments and the MOJ Draft for Comments."

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial, operational or trading position since August 31, 2018, being the end date of our audited consolidated financial statements included in the Accountants' Report in Appendix I to this prospectus.

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2018

Our Directors have prepared the consolidated profit estimate of the Group for the year ended December 31, 2018 based on the audited consolidated results of the Group for the eight months ended August 31, 2018, the unaudited consolidated results based on the management accounts of the Group for the three months ended November 30, 2018 and an estimate of the consolidated results of the Group for the remaining one month ended December 31, 2018. The estimate has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by the Group as summarized in the Accountants' report, the text of which is set out in Appendix I to this prospectus.

Estimated consolidated profit attributable to owners of the Company for the year ended December 31, 2018	Not less than RMB316.0 million
Unaudited pro forma estimated earnings per Share	Not less than RMB0.16

Notes:

(1) The bases on which the above estimate for the year ended December 31, 2018 have been prepared are summarized in Appendix III to this prospectus. The estimated consolidated profit attributable to owners of the Company for the year ended December 31, 2018 is based on the audited consolidated results of the Group for the eight months ended August 31, 2018, the unaudited consolidated results based on the management accounts of the Group for the three months ended November 30, 2018 and an estimate of the consolidated results of the Group for the remaining one month ended December 31, 2018.

(2) The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated profit attributable to owners of the Company for the year ended December 31, 2018 and the weighted average number of shares that are outstanding during the year ended December 31, 2018 and on the assumption that the Global Offering had been completed on January 1, 2018 and the convertible redeemable bond had been converted into ordinary shares on January 1, 2018, resulted in a weighted average of 2,000,000,667 Shares for the year ended December 31, 2018. The calculation or the estimated earnings per Share does not take account of any Shares which may be issued upon the exercise of the Over-allotment Option.

LISTING EXPENSES INCURRED AND TO BE INCURRED

We expect to incur a total of RMB76.4 million of listing expenses (assuming an Offer Price of HK$2.39, being the mid-point of the indicative Offer Price range between HK$2.08 and HK$2.70, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, of which RMB9.6 million was charged to our consolidated statements of profit or loss and other comprehensive income in 2017, RMB31.4 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income in 2018, and RMB35.4 million is directly attributable to the issue of the Shares to the public and to be capitalized. Listing expenses represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK$1.88 per Offer Share, after Downward Offer Price Adjustment of 10%	Based on an Offer Price of HK$2.08 per Share	Based on an Offer Price of HK$2.70 per Share
Market capitalization of our Shares(1)	HK$3,760.00 million	HK$4,160.00 million	HK$5,400.00 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share(2)	HK$1.10	HK$1.14	HK$1.25

Notes:

(1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised. The calculation of market capitalization is based on 2,000,000,667 Shares expected to be issued and outstanding following the conversion of Convertible Bond and completion of the Capitalization Issue and the Global Offering.

(2) The unaudited pro forma adjusted consolidated net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$757.3 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the initial Offer Price of HK$2.39 per Share, being the mid-point of the indicative Offer Price range between HK$2.08 and HK$2.70. We intend to use the proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 44.9%, or HK$340.2 million (equivalent to approximately RMB298.1 million), is expected to be used to acquire additional schools. See "Business—Overview—Our Business Strategies—Expand our school network coverage by strategic mergers and acquisitions" and "Business—Expansion plans." As of the date of this prospectus, we have not identified any acquisition target;
- approximately 37.6%, or HK$284.4 million (equivalent to approximately RMB249.3 million), is expected to be used to expand the existing schools we own or operate. See "Business—Expansion Plans;"
- approximately 7.5%, or HK$57.0 million (equivalent to approximately RMB50.0 million), is expected to be used to repay loans from third-party financial institutions. See "Financial Information—Indebtedness;" and
- approximately 10%, or HK$75.7 million (equivalent to approximately RMB66.4 million), is expected to be used to fund our working capital and general corporate purposes.

See "Future Plans and Use of Proceeds."

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. Major risks we face include, but not limited to, the following: (i) we are subject to uncertainties brought by the MOJ Draft for Comments; (ii) if the MOJ Draft for Comments is implemented in its current form, it may have an adverse impact on the development, operation and management of our schools and expansion strategy; (iii) our business is heavily dependent on the market recognition of the reputation of our schools and our Group; (iv) we may not be able to successfully increase student enrollment at our schools, which may hinder our ability to expand our business; and (v) our business depends on our ability to promptly and adequately respond to the changes in market demand. See "Risk Factors" for a detailed discussion of these and other risks we face.

DIVIDENDS

Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. As a holding company, our ability to pay dividends and other cash distributions to our Shareholders mainly depends on our ability to receive dividends and other distributions from Tibet Kepei. The amount of dividends and other distributions paid to us by Tibet Kepei depends on the service fees received by Tibet Kepei from our PRC Operating Schools and our School Sponsor. Our schools in the PRC must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and distributing returns to their respective School Sponsor.

The School Sponsor of Zhaoqing School has elected to 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 may approve any declaration of dividends general meeting resolution, 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, 2017 and the eight months ended August 31, 2018, we did not declare or pay any dividends to our shareholders. See "Financial Information—Dividends" in this prospectus for further details.

PROPERTY VALUATION

According to the property valuation report prepared by Asia-Pacific Consulting and Appraisal Limited, an independent valuer we engaged, as set forth in Appendix IV to this prospectus, the market value of the properties we owned and occupied as of October 31, 2018 was RMB856.9 million. See "Business—Properties", and Appendix IV to this prospectus. For risks associated with the assumptions made in the valuation of our properties, see "Risk Factors—Risks Relating to Our Business and Industry—The appraisal value of our properties may be different from their actual realizable value and is subject to uncertainty or change."

LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we may be subject to various claims and legal actions arising in the ordinary course of our business. Our Directors and PRC Legal Advisors have confirmed that, as of the Latest Practicable Date, there is no legal proceeding pending or threatened against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

During the Track Record Period and up to the Latest Practicable Date, except for those disclosed in "Business—Properties—Owned Properties—Buildings—Non-compliance of certain buildings owned by us" and "Business—Employees", we did not experience any material non-compliance or systemic non-compliance incidents, which, taken as a whole, in the opinion of our Directors, are likely to have a material and adverse effect on our business, financial condition or results of operations. During the same period, we also did not experience any non-compliance with the laws or regulations, which, taken as a whole, in the opinion of our Directors, reflects negatively on the ability or tendency of our Company, our Directors or our senior management to operate our business in a compliant manner. Our PRC Legal Advisors are of the opinion that, except for those disclosed in "Business—Properties—Owned Properties—Buildings—Non-compliance of certain buildings owned by us" and "Business—Employees", 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.

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

"affiliate(s)"	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any one of them, in relation to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Company conditionally adopted on January 10, 2019 and effective on the Listing Date and as amended from time to time, a summary of which is set out in Appendix V to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the board of Directors of our Company
"BPPE"	California Bureau for Private Postsecondary Education, a unit of the California Department of Consumer Affairs charged with regulation of private postsecondary educational institutions operating in the State of California
"Business Cooperation Agreement"	the business cooperation agreement entered into by and among Tibet Kepei, our PRC Consolidated Affiliated Entities and the Registered Shareholders dated July 10, 2018
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking 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 1,499,000,000 Shares upon capitalization of certain sums standing to the credit of the share premium account of our Company referred to in the section headed "A. Further Information about Our Company, Subsidiaries and Consolidated Affiliated Entities—4. Written resolutions of the shareholders of our Company passed on January 10, 2019" in Appendix VI to this prospectus

"Cayman Companies Law"	the Companies Law (2018 Revision) of the Cayman Islands, as amended, consolidated or supplemented from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct 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
"Chenye Company"	Chenye Company Limited, a limited liability company incorporated in the BVI on August 21, 2017 and is wholly-owned by Mr. Ye Xun (葉潯), one of our substantial Shareholders
"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
"China Kepei (Hong Kong)"	China Kepei Education (Hong Kong) Limited (中國科培教育(香港)有限公司), a limited liability company incorporated in Hong Kong on October 12, 2017 and an indirect wholly-owned subsidiary of our Company
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Co-lead Managers"	Head & Shoulders Securities Limited and Sinomax Securities Limited
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	China Kepei Education Group Limited (中國科培教育集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on August 24, 2017
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, namely Mr. Ye, Ms. Shu, Qiaoge Company and Shuye Company
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Reorganization"	the corporate reorganization of our Group conducted in preparation for the Listing, details of which are set out in "History, Reorganization and Corporate Structure—Corporate Reorganization" in this prospectus
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Indemnity"	a deed of indemnity dated January 11, 2019 entered into by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for our Subsidiaries) in respect of, among other things, certain indemnities, further information of which is set out in the section headed "G. Other Information—12. Deed of Indemnity" in Appendix VI to this prospectus
"Deed of Non-competition" or "Non-competition Deed"	a deed of non-competition dated January 11, 2019 entered into by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding the non-competition undertaking
"Director(s)"	the directors of our Company
"Directors' Powers of Attorney"	the school directors' power of attorney executed by each of the directors of each PRC Operating School as appointed by Zhaoqing Kepei dated July 10, 2018
"Downward Offer Price Adjustment"	an adjustment that has the effect of setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range
"Draft Foreign Investment Law"	the draft version of the Foreign Investment Law* (中華人民共和國外國投資法(草案徵求意見稿)) issued by the MOFCOM on January 19, 2015 for public consultation
"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law* (中華人民共和國企業所得稅法) adopted by the National People's Congress of the PRC on March 16, 2007 and which became effective on January 1, 2008

"Equity Pledge Agreement"	the equity pledge agreement entered into by and among the Registered Shareholders, Zhaoqing Kepei and Tibet Kepei dated July 10, 2018
"Exclusive Call Option Agreement"	the exclusive call option agreement entered into by and among Tibet Kepei, our PRC Consolidated Affiliated Entities and the Registered Shareholders dated July 10, 2018
"Exclusive Technical Service and Management Consultancy Agreement"	the exclusive technical service and management consultancy agreement entered into by and among Tibet Kepei and our PRC Consolidated Affiliated Entities dated July 10, 2018
"FIE"	foreign invested enterprise
"Foreign Investment Catalog"	the Foreign Investment Industries Guidance Catalog (Amended in 2017) (《外商投資產業指導目錄》)(2017年修訂), the "Foreign Investment Catalog") which was amended and promulgated by the NDRC and the MOFCOM on June 28, 2017 and became effective on July 28, 2017
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"Frost & Sullivan Report"	an independent market research report dated April 30, 2018, commissioned by our Company on the PRC private education market and prepared by Frost & Sullivan
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by **WHITE** Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited, designated by our Company
"Group", "our Group", "we" or "us"	our Company, our PRC Consolidated Affiliated Entities, our subsidiaries and our 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
"Guangdong Polytechnic College"	Guangdong Polytechnic College (廣東理工學院) (formerly known as Zhaoqing Technology Vocational Technical College* (肇慶科技職業技術學院)), a private institution of

	higher education established in the PRC on December 8, 2005, of which the school sponsor's interest is wholly owned by Zhaoqing Kepei and is a consolidated affiliated entity of our Company
"HK$", "Hong Kong dollar(s)", "HKD" or "cents"	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
"HKFRSs"	the Hong Kong Financial Reporting Standard(s)
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Share(s)"	the 35,336,000 Shares being made available by our Company for subscription pursuant to the Hong Kong Public Offering, subject to adjustment as described in "Structure of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares in Hong Kong at the Offer Price and on, and subject to, the terms and conditions of this prospectus and the Application Forms, as further described in "Structure of the Global Offering" in this prospectus
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering
"Hong Kong Underwriting Agreement"	the Hong Kong underwriting agreement dated January 14, 2019, relating to the Hong Kong Public Offering, entered into by, among others, our Company, our Controlling Shareholders, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in "Underwriting" in this prospectus
"Huanan Education"	Huanan Education Group Limited, a limited liability company incorporated in the BVI on September 5, 2017 and a direct wholly-owned subsidiary of our Company
"Independent Third Party(ies)"	individual(s) or company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates

"International Academy"	International Academy of Southern California, a company incorporated in the State of California of the United States, with limited liability on October 10, 2017 and a wholly-owned subsidiary of our Company
"International Offer Share(s)"	the 317,998,000 new Shares initially offered by our Company for subscription at the Offer Price under the International Offering (subject to adjustment as described in "Structure of the Global Offering" in this prospectus) together with (unless the context otherwise requires) any Shares issued pursuant to any exercise of the Over-allotment Option
"International Offering"	the offer of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S
"International Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the conditional underwriting agreement relating to the International Offering and to be entered into by, among others, our Company, the Controlling Shareholders, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters, on or about the Price Determination Date
"Jiangxi Kepei"	Jiangxi Kepei Investment Company Limited* (江西科培投資有限公司), a limited liability company incorporated in the PRC on November 17, 2010, which is directly held by Zhaoqing Kepei and Jinxiu Holding Group Company Limited* (錦繡控股集團有限公司), an Independent Third Party, as to 49% and 51% respectively
"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), CCB International Capital Limited, BOCOM International Securities Limited, First Shanghai Securities Limited, Haitong International Securities Company Limited and ABCI Capital Limited
"Joint Lead Managers"	Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), CCB International Capital Limited, BOCOM International Securities Limited, First Shanghai Securities Limited, Haitong International Securities Company Limited, ABCI Securities Company Limited and Huineng Securities Limited
"Joint Global Coordinators"	Citigroup Global Markets Asia Limited and CCB International Capital Limited

"Joint Sponsors"	Citigroup Global Markets Asia Limited and CCB International Capital Limited
"Latest Practicable Date"	January 7, 2018, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about January 25, 2019, on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Loan Agreement"	the loan agreement entered into by and among Tibet Kepei and our PRC Consolidated Affiliated Entities dated July 10, 2018
"Made in China 2025"	A ten-year national plan issued by the State Council of the PRC in 2015 to advocate the development of China's manufacturing industry
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company adopted on January 10, 2019 and effective on the Listing Date and as amended from time to time
"MOE"	Ministry of Education of the PRC (中華人民共和國教育部)
"MOE Draft for Comments"	the Draft Revision of the Regulations on the Implementation of 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)》) issued by the MOE on April 20, 2018 to seek public comments
"MOE Notice"	the Notice of the General Office of the MOE on Further Strengthening and Improving the Calculation and Reporting of Graduate Employment Rate of Higher Education Institutions (《教育部辦公廳關於進一步加強和完善高校畢業生就業狀況統計報告工作的通知》) issued by the MOE in 2004

"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOJ"	the Ministry of Justice of the PRC (中華人民共和國司法部)
"MOJ Draft for Comments"	the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) issued by the MOJ on August 10, 2018 to seek public comments
"Mr. Ye"	Mr. Ye Nianqiao (葉念喬), our founder, one of our Controlling Shareholders, chairman of the Board and an executive Director
"Mr. Ye Nianjiu"	Mr. Ye Nianjiu (葉念廄) (who was formerly also known as Wang Ganwei (王贛偉) for a period of time before May 2014), one of our Shareholders and brother of Mr. Ye
"Mr. Ye Xun"	Mr. Ye Xun (葉潯), one of our substantial Shareholders, an executive Director and the son of Mr. Ye and Ms. Shu
"Ms. Shu"	Ms. Shu Liping (舒麗萍), the spouse of Mr. Ye and one of our Controlling Shareholders
"National People's Congress" or "NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NDRC"	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 Stock Exchange trading fee), expressed in Hong Kong dollars, at which Offer Shares are to be subscribed for and offered pursuant to the Global Offering, to be determined as described in "Structure of the Global Offering—Pricing and Allocation" in this document, subject to any Downward Offer Price Adjustment
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, to require our

	Company to allot and issue up to an aggregate of 53,000,000 additional Shares at the Offer Price, representing approximately 15% of the initial size of the Global Offering, to cover, among other things, over allocations in the International Offering as described in "Structure of the Global Offering" in this prospectus
"Pearl River Delta"	the low-lying area located in Guangdong Province surrounding the Pearl River estuary, including major cities of Guangzhou, Shenzhen, Zhuhai, Zhaoqing, Zhongshan, Dongguan, Foshan, Jiangmen, Huizhou, etc.
"PRC Company Law"	the Company Law of the PRC* (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013, as amended, supplemented or otherwise modified from time to time
"PRC Consolidated Affiliated Entities"	namely, our School Sponsor and our PRC Operating Schools, each a consolidated affiliated entity of our Company
"PRC government" or "State"	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
"PRC Legal Advisors"	Jingtian & Gongcheng, our legal advisors as to PRC laws
"PRC Operating Schools"	our consolidated affiliated entities, namely, Guangdong Polytechnic College and Zhaoqing School
"Price Determination Agreement"	an agreement between our Company and the Joint Global Coordinators (on behalf of the Underwriters) to fix the Offer Price
"Price Determination Date"	the date, expected to be on or around Friday, January 18, 2019 and, in any event, not later than Thursday, January 24, 2019 on which the Offer Price is to be fixed by agreement between our Company and the Joint Global Coordinators (on behalf of the Underwriter) to determine the Offer Price
"Qiaoge Company"	Qiaoge Company Limited, a limited liability company incorporated in the BVI on August 21, 2017 and is wholly-owned by Mr. Ye, one of our Controlling Shareholders upon the Listing

"Registered Shareholders"	the shareholders of Zhaoqing Kepei, namely Mr. Ye, Ms. Shu, Mr. Ye Xun and Mr. Ye Nianjiu
"Registered Shareholders' Powers of Attorney"	the shareholders' power of attorney executed by each of the Registered Shareholders in favor of Tibet Kepei dated July 10, 2018
"Registered Shareholders' Rights Entrustment Agreement"	the shareholders' rights entrustment agreement entered into by and among the Registered Shareholders, the School Sponsor and Tibet Kepei dated July 10, 2018
"Regulation S"	Regulation S under the U.S. Securities Act
"Research Institute"	Research Institute of Intelligent Manufacturing (Zhaoqing Gaoyao) Co., Ltd* (智能製造研究院(肇慶高要)有限公司) was established in the PRC on May 11, 2016, which is directly held by Guangdong Polytechnic College and Guangzhou Wanzhi Information Technology Co., Ltd.* (廣州萬智信息科技有限公司), an Independent Third Party, as to 49% and 51%, respectively
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"SAIC" or "State Administration for Industry and Commerce"	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"	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"School Sponsor"	Zhaoqing Kepei, the current school sponsor of Guangdong Polytechnic College and Zhaoqing School
"School Sponsor's and Directors' Rights Entrustment Agreement"	the school sponsor's and directors' rights entrustment agreement entered into by and among Zhaoqing Kepei, the PRC Operating Schools, the directors of each PRC Operating School and Tibet Kepei dated July 10, 2018
"School Sponsor's Powers of Attorney"	the school sponsor's power of attorney executed by the School Sponsor in favor of Tibet Kepei dated July 10, 2018
"SFC" or "Securities and Futures Commission"	the Securities and Futures Commission of Hong Kong

"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Share(s)"	ordinary share(s) of US$0.01 each in the share capital of our Company
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on January 10, 2019, the principal terms of which are summarized in "F. Share Option Scheme" in Appendix VI to this prospectus
"Shareholder(s)"	holder(s) of the Share(s)
"Shuye Company"	Shuye Company Limited, a limited liability company incorporated in the BVI on August 21, 2017 and is wholly-owned by Ms. Shu, one of our Controlling Shareholders
"Sino-Foreign Regulation"	the Regulation on Sino-Foreign Cooperation in Operating Schools* (中華人民共和國中外合作辦學條例), promulgated by the State Council in 2003 and amended on July 18, 2013
"South China"	the geographical region covering the southern area of China, including provinces of Guangdong, Guangxi and Hainan
"Spouse Undertakings"	the spouse undertakings dated July 10, 2018, executed by each of (i) Mr. Ye, the spouse of Ms. Shu; (ii) Ms. Shu, the spouse of Mr. Ye, (iii) Ms. Chen Chen (陳晨), the spouse of Mr. Ye Xun; and (iv) Ms. Chen Xinni (陳欣妮), the spouse of Mr. Ye Nianjiu
"Stabilizing Manager"	Citigroup Global Markets Asia Limited
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Qiaoge Company and the Stabilizing Manager (or its agents) on or around the Price Determination Date
"Stock Exchange" or "Hong Kong Stock Exchange "	The Stock Exchange of Hong Kong Limited
"Structured Contracts"	collectively, the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreement, the Registered Shareholders' Rights Entrustment Agreement, the School Sponsor's and

	Directors' Rights Entrustment Agreement, the School Sponsor's Powers of Attorney, the Directors' Powers of Attorney, the Registered Shareholders' Powers of Attorney, the Loan Agreement and the Spouse Undertakings, further details of which are set out in "Structured Contracts" in this prospectus
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules. For the avoidance of doubt, the subsidiaries include the PRC Operating Schools and the School Sponsor in this prospectus
"substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers, as amended and supplemented from time to time
"Tibet Kepei"	Tibet Kepei Information Technology Co., Ltd.* (西藏科培信息科技有限公司), a limited liability company established in the PRC on June 4, 2018, and an indirect wholly-owned subsidiary of our Company
"Track Record Period"	the three years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollar(s)" or "US$" or "USD"	United States dollars, the lawful currency for the time being of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
"Weixin Company"	Weixin Company Limited, a limited liability company incorporated in the BVI on August 21, 2017 and is wholly-owned by Mr. Ye Nianjiu
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's own name

"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO—**www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Withdrawal Mechanism"	a mechanism which requires the Company, among other things, to (a) issue a supplemental prospectus as a result of material changes in the information (e.g. the offer price) in the prospectus; (b) extend the offer period and to allow potential investors, if they so desire, to confirm their applications using an opt-in approach i.e. requiring investors to positively confirm their applications for shares despite the change
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"Zhaoqing Information Technology"	Zhaoqing Kepei Information Technology Co., Ltd.* (肇慶科培信息科技有限公司), a limited liability company established in the PRC on January 17, 2018, and an indirect wholly-owned subsidiary of the Company
"Zhaoqing Kepei"	Zhaoqing Kepei Education Investment Development Co., Ltd.* (肇慶市科培教育投資開發有限公司), a limited liability company established in the PRC on March 8, 2000, which is directly held by Mr. Ye, Ms. Shu, Mr. Ye Xun and Mr. Ye Nianjiu as to 65.7%, 9.3%, 15.0% and 10.0%, respectively
"Zhaoqing Qiaoli"	Zhaoqing Qiaoli Investment Company Limited* (肇慶市喬麗投資有限公司), a limited liability company established in the PRC on November 14, 2017, which is directly held by Mr. Ye, Ms. Shu, Mr. Ye Xun and Mr. Ye Nianjiu as to 45.0%, 25.0%, 20.0% and 10.0%, respectively
"Zhaoqing School"	Zhaoqing Science and Technology Secondary Vocational School* (肇慶市科技中等職業學校) (formerly known as Zhaoqing Technology School* (肇慶科技學校)), a private secondary vocational education institution established in the PRC on May 19, 2000, of which the school sponsor's interest is wholly owned by Zhaoqing Kepei and is one of our PRC Consolidated Affiliated Entities of our Company
"2016 Amendments"	*the Decision on Amending the Law for Promoting Private Education of the PRC** (《關於修改<中華人民共和國民辦教育促進法>的決定》) approved by the Standing Committee

	of the National People's Congress on November 2016, which took effect on September 1, 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.

In this prospectus, unless otherwise stated, certain amounts denominated in Hong Kong dollars and Renminbi have been translated into U.S. dollars at an exchange rate of HK$7.8339 = US$1.00 and RMB6.8663 = US$1.00, respectively, for illustration purpose only. Such conversions shall not be construed as representations that amounts in Hong Kong dollars and Renminbi were or could have been or could be converted into U.S. dollars at such rates or any other exchange rates on such date or any other date.

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

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

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

"2+2 program"	a four-year undergraduate or junior college program we established in 2015/2016 school year, under which students attend the first two years of study at Guangdong Polytechnic College, and may choose to complete the remaining two years at reputable overseas education institutions we cooperate with
"3+2 program"	a five-year vocational education program designed for qualified middle school graduates who usually take the nationally-administered examination to advance to a junior college education program for two years after completing three years of secondary vocational education
"CNC"	computer numerical control, an automation of machine tools by means of computers executing pre-programmed sequences of machine control commands
"compulsory education"	grade one to grade nine education, which all citizens in China must receive, according to the Compulsory Education Law of the PRC
"dual-qualified teachers"	teachers who possess both adequate academic background and teaching skills along with relevant industry experience and practicable knowledge
"formal education"	a format of education in the PRC for which the curriculum is designed and delivered based on the predetermined teaching program of the administrative authorities for education. After graduation, students will be granted with official certificates or diplomas
"fundamental education"	a sub-sector of formal education which includes four stages, namely, pre-school education, primary education, middle school education and high school education
"gross enrollment rate"	the proportion of total student enrollment among school-age population.
"high schools"	schools that provide education for students from grade ten through grade twelve
"higher education"	a sub-sector of formal education that is also known as post-secondary education. It refers to an optional final stage of formal learning that occurs after secondary education, which is often delivered at college-level institutions that are able to award official academic degrees or certifications

"independent college"	a PRC higher education institution that is operated by a non-government institution(s) or individual(s) based on cooperation with a public university or college, which is only permitted to offer undergraduate courses
"initial employment rate"	the total number of graduates obtaining employment in business entities and governmental or non-governmental institutions, pursuing further studies or becoming self-employed, divided by the total number of graduates as of September 1 during the year in which they graduated
"junior college"	also known as higher vocational college in some cases, a formal higher education institution, offering vocational programs granting junior college diplomas accredited by the MOE
"legal surplus"	equal to the balance of the gross profit of the school after subtracting operating expenses, social donations, government subsidies and a general reserve and development fund in accordance with applicable PRC laws and regulations, as well as other expenses required to be deducted by applicable PRC laws and regulations
"middle schools"	schools that provide education for students from grade seven through grade nine
"National Higher Education Entrance Examination"	an academic examination held annually in the PRC. It is a prerequisite for entrance into almost all higher education institutions at the undergraduate level in the PRC
"penetration rate"	the proportion of the student enrollment in private education of a certain educational phase among the total student enrollment in the same phase
"private schools"	schools which are not administered by local, provincial or national governments
"public schools"	schools administered by local, provincial or national governments
"school year"	the school year for all of our schools, which generally starts on September 1 of each calendar year and ends on June 30 of the next calendar year
"school sponsor" or "sponsor of the school"	the individual(s) or group(s) that funds or holds interests in an education institution
"Secondary Education Entrance Examination"	an academic examination held annually in the PRC for entrance into almost all secondary education institutions in the PRC

"secondary vocational education"	a sub-sector of formal education, which mainly provides three-years of vocational education. Schools offering secondary vocational education primarily recruit students with a graduation certificate from middle schools or equivalent educational records

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe", "expect", "estimate", "predict", "aim", "intend", "will", "may", "plan", "consider", "anticipate", "seek", "should", "could", "would", "continue" or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our business operations and prospects;
- changes to the legal regulatory and operating conditions in the industry and markets in which we operate;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to implement such strategies, plans, objectives and goals;
- our ability to maintain or increase student enrollment;
- our ability to maintain or raise tuition fees;
- general economic conditions;
- our capital expenditure programs and future capital requirements;
- our ability to control costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and Hong Kong and the industry and markets in which we operate.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are subject to uncertainties brought by the MOJ Draft for Comments.

On April 20, 2018, the MOE issued the MOE Draft for Comments to seek public comments, and on August 10, 2018, the MOJ issued the MOJ Draft for Comments based on a revised version of the MOE Draft for Comments, namely, the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》), to seek public comments.

Among others, the major difference between the MOJ Draft for Comments and the MOE Draft for Comments includes Clause 5, Clause 12 and Clause 45 of the MOJ Draft for Comments, details of which are set out in the section headed "Regulatory Overview—Notice on the Registration and Administration of the Name of For-Profit Private Schools."

The MOJ Draft for Comments further promotes the development of private education by providing that a private school shall enjoy rights or preferential policies stipulated by laws similar to those applicable to a public school, which shall primarily include: (i) for-profit private schools shall enjoy different tax preferential policies from non-profit private schools. See "—If the MOJ Draft for Comments is implemented in its current form, it may have an adverse impact on the development, operation and management of our schools and our expansion strategy"; and (ii) the local people's governments shall grant preferential treatments in the form of land-use right by means of allocation, in accordance with the principle of treating non-profit private schools and public schools equally. For private schools that provide preschool education and education for academic credentials, the local people's governments may provide lands by means of auction, assignment, and long-term lease or a combination of sale and lease, and may give appropriate preferential treatment on the considerations for the assignment or lease of land, and permit payment in installments within a prescribed terms in accordance with the contract. It remains uncertain as to whether the MOJ Draft for Comments would have any material adverse impact on our business. In particular, there is significant uncertainty as to tax or other preferential treatments that our PRC Operating Schools may enjoy if we elect to register them as non-profit private schools or for-profit schools.

The MOJ Draft for Comments stipulates further provisions for the operation and management of private schools, such as our PRC Operating Schools. Among other things, (i) a non-profit private school shall use the accounts filed with the competent authorities for transactions of fees collection and other activities; and a for-profit private school shall deposit all of the school's income into a designated settlement account of its own; (ii) a private school shall conduct any connected transactions in a transparent, fair and reasonable manner. The school shall establish relevant disclosure mechanisms for its connected transactions. Any material, long-term or recurring agreement entered into between a non-profit private school and its connected parties shall be reviewed and audited by the education administrative authorities as well as the human resources and social security authorities in terms of the necessity and legality of such agreement and its compliance with the applicable laws and regulations; (iii) the registered capital of a for-profit private school providing higher diploma education shall be no less than RMB200 million; (iv) social organizations that operate or control multiple private schools simultaneously or adopt centralized school management models shall have sufficient resources and capacities and undertake the management and supervisory responsibilities of those private schools that they operate. Social organizations which adopt centralized school management models are not allowed to acquire non-profit private schools or control them through ways such as franchising or "contractual arrangements"; and (v) private schools are required to establish information disclosure mechanisms on related party transactions; and (vi) for any change of school sponsor of a non-profit private school, an alteration agreement shall be entered into. Although no gain shall be obtained from the school sponsorship alteration, the existing school sponsor may, in accordance with its lawful rights and interests, enter into agreements with its successor to stipulate the income from the alteration but not for profit making purpose and shall not involve the legal property of the school in such agreements.

The MOJ Draft for Comments does not stipulate that such regulation will have retrospective effect after its implementation. As advised by our PRC Legal Advisors, if the MOJ Draft for Comments becomes formally promulgated regulations, pursuant to the Legislation law of the People's Republic of China (《中華人民共和國立法法》), the MOJ Draft for Comments, in principle, shall not have retrospective effect. After the MOJ Draft for Comments becomes duly implemented regulation and in the case where there is no other law and regulation providing other rules at the moment, except for the situations disclosed in this prospectus, existing structured contracts entered into by the issuer are not considered as violation of the mandatory provisions under the then effective PRC laws, while there is no other circumstance leading to avoidance of contracts under Clause 52 of the Contract Law. The series of structured agreements are legally effective.

If, however, the MOJ Draft for Comments becomes formally promulgated regulations in the current draft form in the future: (i) we will only be allowed to (a) acquire for-profit private schools or control them through ways such as franchising or "contractual arrangements", or (b) expand business by self-establishing new private schools. However, we will not be allowed to expand our business by acquiring non-profit private schools or by controlling non-profit private schools under franchise or "contractual arrangements", which may limit our ability to further expand our business in the future; and (ii) the existing Structured Contracts may be subject to the review and audit by the relevant education authorities, and if the education authorities are of the view that Structured Contracts would be amended, terminated or canceled, the Structured Contracts may not be executed in whole or in part. If the MOJ Draft for Comments is implemented in its current form, and our school management model is considered as centralized school management model or if our Structure Contracts are considered as "contractual arrangements" under Clause 12 of the MOJ Draft for Comments, we may need to register our schools as for-profit private schools.

The MOJ invited comments from the general public on the MOJ Draft for Comments, if any, to be submitted prior to September 10, 2018, but has not yet provided 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 have been promulgated. Uncertainties exist with respect to the interpretation of the MOJ Draft for Comments and we cannot assure you that the implementation of the MOJ Draft for Comments by the competent authorities will not deviate from our current understanding or interpretation of it.

If the MOJ Draft for Comments is implemented in its current form, it may have an adverse impact on the development, operation and management of our schools and our expansion strategy.

The implementation of the MOJ Draft for Comments may have an impact on the tax preferential treatment of our PRC Operating Schools. According to the MOJ Draft for Comments, a non-profit private school shall enjoy the same tax policies and the relevant tax concession as that enjoyed by a public school, and a for-profit private school shall enjoy other preferential policies applied to industries encouraged by the state for development and corresponding tax preferential treatments, of which the specific provisions shall be formulated jointly by the administrative department for finance, taxation and other relevant administrative departments of the State Council. There may be a significant impact as to tax or other preferential treatments that our PRC Operating Schools may enjoy if we elect to register them as non-profit private schools or for-profit schools.

The implementation of the MOJ Draft for Comments may have an impact on the operation and management of our PRC Operating Schools. For example, according to the MOJ Draft for Comments, the registered capital of a for-profit private school providing higher diploma education shall be no less than RMB200 million. Specifically, we may be required to increase the registered capital of the Guangdong Polytechnic College and Zhaoqing School to no less than RMB200 million and RMB10 million, respectively, should we register them as for-profit private schools.

The implementation of the MOJ Draft for Comments may also have an impact on our Structure Contract and our expansion strategy. According to Clause 12 of the MOJ Draft for Comments, social organizations which adopt centralized school management models are not allowed to acquire non-profit private schools or control them through ways such as franchising or "contractual arrangements." If the MOJ Draft for Comments is implemented in its current form, and our school management model is considered as centralized school management model or if our Structure Contracts are considered as "contractual arrangements" under Clause 12 of the MOJ Draft for Comments, we may need to register our schools as for-profit private schools. Such stipulation may have a negative impact on both the type and number of the target of our expansion strategy, as we may no longer be able to acquire non-profit private schools or control them through ways such as franchising or "contractual arrangements", our acquisition scope may also be limited. See "Business—Overview—Our Business Strategies—Expand our school network coverage by strategic mergers and acquisitions."

In any of the above case, the operation of our PRC Operating Schools and our business may be adversely affected.

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

For the 2016/2017 and 2017/2018 school years, Guangdong Polytechnic College ranked first among 61 private higher education institutions (excluding independent colleges) in South China in terms of the number of newly admitted students and student enrollment, according to the Frost & Sullivan Report. To strengthen our position as a leading provider of high-quality education in South China, we aim to attract talented students and qualified teaching staff. We believe that our success is heavily dependent on the market recognition of the reputation of our schools and the Group. Our ability to maintain such reputation depends on a number of factors, some of which are beyond our control. As we continue to grow in size and broaden the range of our programs and services, it may become difficult to maintain the quality and consistency of the services we offer, which may lead to loss of confidence in our schools and us.

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

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

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

One of the most significant factors affecting our profitability is the number of students enrolled at our schools, especially on-campus students. For the 2014/2015, 2015/2016, 2016/2017, 2017/2018 and 2018/2019 school years, the total number of students enrolled at our schools was 18,869, 24,033, 31,126, 35,927 and 36,860, respectively. Since both of our schools are primarily boarding schools, the capacity for student enrollment at each of our schools is restricted by the capacity of school dormitories. For the 2014/2015, 2015/2016, 2016/2017, 2017/2018 and 2018/2019 school years, our average school utilization rate, calculated by boarding student enrollment divided by available beds, was 87.1%, 92.5%, 90.5%, 85.2% and 89.9%, respectively. We cannot assure you that we will be able to maintain a stable school utilization rate and sufficient number of beds for students enrolled in our schools in the future in the event enrollment applications exceed our expectation.

Furthermore, the number of students our schools are able to admit for each school year is set and approved by the relevant PRC education authorities. According to the Opinions of the Ministry of Education on Further Regulating Higher Education Enrollment Program (《教育部關於進一步規範高等教育招生計劃管理工作的意見》), student enrollment for graduate and undergraduate programs is subject to the approval of the MOE, while student enrollment for junior college programs is subject to the approval of the relevant provincial education authorities and the education authorities should take into account factors including the school capacity and social needs when determining the admission quota to be granted to our schools. We cannot assure you that we will be able to successfully increase student enrollment capacity at our schools, which is subject to the approvals of the relevant government authorities, and beyond our control.

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

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

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

Furthermore, there has been a downward trend in the school-age population in the past five years according to the Frost & Sullivan Report. The decrease in the school-age population will negatively affect the market demand for education. If we fail to maintain and improve our attractiveness to potential students and our market competitiveness, the declining demand for our programs could materially and adversely affect our business, financial condition, results of operations and prospect.

Changes in the PRC regulatory requirements regarding private higher education may affect our business operations and prospects.

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

Uncertainties exist with respect to the interpretation and enforcement of new and existing laws and regulations, including the interpretation and application of the 2016 Amendments and the way in which the implementation regulations to be promulgated by the central and local government authorities may impact any of our schools. We cannot assure you that we will be in compliance with the new rules and regulations, interpretation of which may be uncertain, or that we will be able to timely and efficiently change our business practice in line with the new regulatory environment. Any such failure could materially and adversely affect our business, financial condition, results of operations and prospects.

In addition, if any of our schools choose to be registered as for-profit private schools, there are uncertainties about the timing of the registration and our schools will be subject to the requirements of applying for such re-registration. There are also uncertainties relating to the types and extent of government support measures we may be able to enjoy. For instance, with respect to the preferential tax treatment contemplated by the 2016 Amendments, the 2016 Amendments specifies that a non-profit private school may enjoy the same preferential tax treatments as a public school while a for-profit private school may enjoy preferential tax treatments in accordance with relevant PRC laws and regulations. However, the existing PRC laws and regulations and the 2016 Amendments have not set forth any details regarding the preferential tax treatment that may be enjoyed by a for-profit private school, including any restriction on tax exemption amount or preferential tax rate. There is no assurance that the relevant government authorities will not promulgate rules and regulations that will reduce or eliminate the preferential tax treatment currently enjoyed by our schools, or the local tax bureaus will not change their policy in the future. According to the 2016 Amendments, non-profit private schools shall enjoy the same supply of land treatment as public schools while for-profit private schools shall enjoy the supply of land treatment as stipulated by the government. Since the regulations on the supply of land treatment of for-profit private schools have not been promulgated by the government authorities as of the Latest Practicable Date, there is uncertainty as to whether and how our schools will be able to benefit from any such additional supporting measures as contemplated or at all. We cannot assure you that favorable tax and other supportive treatment contemplated under the 2016 Amendments will not change or that they will continue to apply to our schools after the implementation regulations are promulgated by control and local government authorities. Accordingly, as of the Latest Practicable Date, we were not able to quantify the impact that the 2016 Amendments and its implementation regulations may have on our business, results of operations, financial condition and prospects.

The Several Opinions of the Central Committee of the Communist Party of China and the State Council on Deepening the Reform of Preschool Education and Regulating its Development (《中共中央國務院關於學前教育深化改革規範發展的若干意見》) was promulgated in November 2018 to promote and further regulate both public and private preschool industry. Although this regulatory development specifically focuses on the preschool education and does not have a direct impact on the sector which we operate in, it indicates the possibility of further strengthening regulations on the PRC education industry as a whole.

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

The education sector in China is fast evolving, highly fragmented and competitive, and we expect competition in this sector to persist and intensify. In Guangdong Province, where our existing schools are located, we compete with public and other private schools that offer similar secondary and higher education programs. We compete with these schools based on a range of factors, including, but not limited to, strong recruitment capability, expertise and reputation of teachers, high initial graduate employment rates, school location and facilities. Public schools may enjoy favorable treatment from government authorities in respect of, among other things, tax exemptions and government subsidies. We also face competition with independent colleges even though they are different from other private higher education institutions in various aspects. See "Industry Overview—Overview of South China's Private Higher Education Industry—Competitive Landscape of Private Higher Education in South China (Excluding Independent Colleges)." These independent colleges may have unique competitive strengths, including, among others, strong recruitment capability due to their cooperation with renowned public universities. Our competitors may be able to offer similar or better majors and curricula, school support and marketing strategies, with more appealing pricing and service packages than we are able to offer. In addition, some of our competitors may have more resources than we do and may be able to dedicate greater resources than we can to the development and promotion of the schools and respond more quickly than we can to changes in student demand, market needs and/or new technologies. As such, we may need to lower tuition fees and boarding fees or increase spending in order to be competitive by retaining or attracting students and qualified teachers or identifying and pursuing new market opportunities. If we are unable to successfully compete for new students, maintain or increase tuition levels, attract and retain qualified teachers or other key personnel, enhance the quality of educational services or control the costs of operations, our business, results of operations and financial condition may be materially and adversely affected.

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

The tuition fees we are able to charge at our schools is one of the most significant factors affecting our profitability. For 2015, 2016, 2017 and for the eight months ended August 31, 2017 and 2018, tuition fees constituted 89.0%, 90.8%, 92.0%, 91.9% and 92.1% of our total revenue, and boarding fees constituted 11.0%, 9.2%, 8.0%, 8.1% and 7.9% of our total revenue, respectively. Our tuition rates are mainly determined based on, among other things, the demand for our educational programs, the cost of operations, the tuition charged by our competitors, pricing strategy to gain market share, and general economic conditions in China and in the areas in which our schools are located. We were historically required to make a filing with the relevant governmental authorities regarding our proposed tuition fee rate adjustments. Starting from October 11, 2016, such filing requirements have been revoked and we are only required to publish our proposed tuition fee rate adjustments to the public. See "Regulatory Overview—Regulations on Private Education in the PRC." Although regulatory approval for the tuition fee rates is no longer required, we cannot assure you that other types of regulatory pricing controls will not be promulgated in the future. If any other types of regulatory control on the tuition fee rates private schools may charge are promulgated in the future, it will directly impact our growth potential. Even if we are able to maintain or raise tuition fees or boarding fees, we cannot assure you how such increases in fee rates will impact the number of student applications and enrollment at our schools. Our business, financial position and results of operations may be materially and adversely affected if we fail to maintain or raise the tuition fees or attract sufficient prospective students.

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

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

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

The new Dinghu campus of Guangdong Polytechnic College was established in 2017, and its construction is still in progress. See "Business—Expansion Plans." The construction of new campus will include, among other things, construction of school buildings, purchase of education equipment as well as staff recruitment and training costs. Accordingly, our depreciation charge, staff costs, utilities and other costs will increase, which may adversely affect our financial conditions and results of operations.

We plan to leverage our existing operations and resources to further expand our school network in the PRC, with focus in South China, by primarily focusing on acquiring junior college-level education institutions with potential to upgrade to an undergraduate institution. We selected these targets for expansion mainly because we believe that we have profound experience in the operation of education institutions at these levels, and they will enhance our reputation. However, we may not be able to identify suitable targets, and even if we are able to identify suitable targets, we may not be able to carry out the acquisition successfully. See "Business—Overview—Our Business Strategies." We consider the benefits of our prospective acquisitions will mainly hinge on our ability to effectively and timely integrate the management, operations and personnel of these schools. The integration of the schools we acquire is a complex, time-consuming and costly process which, without proper arrangement and implementation, could seriously interfere with our business operations and damage our reputation. Our Directors consider the main challenges involved in integrating acquired entities to include the following: retaining qualified teaching staff of any acquired school; consolidating educational services offered by the acquired school; integrating educational and administrative systems; ensuring and illustrating to our students and their parents that the new acquisitions will not result in any adverse changes to our established reputation, service quality or standards; and minimizing the diversion of our management's attention from ongoing business concerns.

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

According to our current understanding and interpretation of the MOJ Draft for Comments, if the MOJ Draft for Comments is adopted in its current form, we may not be able to acquire any new schools that have been registered as a non-profit private school under the 2016 Amendments and the local implementation rules. This may significantly limit the number of target schools in the market that we may acquire in the future, rendering us unable to identify suitable acquisition targets. Further amendments or revisions to the MOJ Draft for Comments and introduction of relevant laws and regulations in the future may also present additional limitations and restrictions on our acquisition and operation of target schools, which may in turn adversely affect our ability to execute our expansion strategy effectively. Furthermore, uncertainties exist with respect to the interpretation of the MOJ Draft for Comments, and we cannot assure you that the implementation of the MOJ Draft for Comments by the competent authorities will not deviate from our current understanding or interpretation of it. The actual implications may differ from the ones set out above and may be more restrictive and limiting to our ability to execute our expansion strategy through acquisition.

We may not be able to successfully establish and operate our school in the United States as we lack relevant experience.

The International Academy was established by us on October 10, 2017 in the State of California of the United States, to be the holding company of the school to be established in the United States. See "Structured Contracts—Background of the Structured Contracts—Plan to Comply with the Qualification Requirement." We might not be successful in establishing and operating our school in the United States as we lack relevant experience. Insufficient experience and knowledge of the local market as well as relevant laws and regulations may affect our ability to establish or operate the school as intended. Any failure to successfully operate our school in the United States, any adverse change on investment required or any loss incurred from such operation could materially and adversely affect our business, prospect, financial condition and results of operations.

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

We depend on our senior management, principal and school administrators for the smooth operation of our schools and execution of our business plans. In addition, we rely significantly on our teachers to deliver high quality educational services to students. Our teachers are critical to maintaining the quality of our programs and services and to upholding our reputation. As of September 30, 2018, we had an aggregate of 2,276 teachers and staff at our schools.

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

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

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

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

The success of our business relies on our ability to maintain the quality of education we provide, to equip our students with the necessary knowledge and skills to find suitable employment and to achieve high initial employment rates of the graduates of our schools. Our schools may not be able to meet students' and parents' expectations for academic performance, or help our graduates obtain satisfactory jobs upon graduation. A student may not find suitable employment after graduation, experience expected academic improvement or acquire desired skills, or his or her performance may otherwise decline significantly due to reasons beyond our control. There is no assurance that we can provide school learning experiences that are satisfactory to all of our students or maintain the initial graduate employment rates of our schools at current levels. Students' and parents' satisfaction with our educational programs may decline. We may also experience negative publicity or our marketing efforts may be ineffective. Any such negative developments could result in students' withdrawal or unwillingness to apply for admission to our schools, and therefore, could have a material and adverse impact on our reputation. If our student enrollment or retention rate decreases substantially or if we otherwise fail to continue to attract and admit students of a suitable standard or at all, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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

In order to conduct and operate our education business, we are required to obtain and maintain various approvals, licenses and permits and to fulfill registration and filing requirements pursuant to applicable laws and regulations. For instance, to establish and operate a school, we are required to obtain a private school operation permit from the local education bureau and to register with the local civil affairs bureau to obtain a certificate of registration for a privately run non-enterprise unit, or legal entity.

Given the significant discretion the local PRC authorities may have in interpreting, implementing and enforcing relevant rules and regulations, as well as other factors beyond our control, while we intend to obtain, using our best efforts, all requisite permits and complete the necessary filings, renewals and registrations on a timely basis for our schools, we cannot assure you that we will be able to obtain all required permits. If we fail to receive required permits in a timely manner or obtain or renew any permits and certificates, we may be subject to fines, confiscation of the gains derived from our non-compliant operations, suspension of our non-compliant operations or compensation of any economic loss suffered by our students or other relevant parties, which may materially and adversely affect our business, financial condition and results of operations.

In addition, PRC government approval or filing is required for our schools to offer new majors in connection with their curricula. We cannot assure you whether or when the PRC educational authorities will provide relevant approvals or accept the filings. Without obtaining regulatory approval or making the filing necessary to establish new majors, we could not offer the new majors to students as scheduled or as expected, which may directly impact the number of students enrolled for the relevant school year and therefore affect the anticipated revenue of the school for the relevant school year.

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

We may, from time to time, renovate existing premises or construct new buildings to ensure that our teaching facilities' convenience and comfort is improved for our students, teachers and staff. We may also develop new campuses and school premises as we grow in size and expand our business. Accordingly, we must obtain various permits, certificates and other approvals from the relevant administrative authorities at various stages of property development for campuses and school premises constructed and developed for our schools, including, among others, planning permits, construction permits, land use rights certificates, certificates for passing environmental assessments, certificates for passing fire control assessments and certificates for passing construction completion inspections. We may encounter problems in the future in fulfilling the conditions precedent to the receipt of those permits, certificates and approvals, and we may not always be able to obtain them in a timely manner, or at all.

If we encounter difficulties in obtaining any required permits, certificates and approvals for the construction and development of campuses, the timing of the campus buildings and facilities being put into use and student recruitment for the new campuses may be delayed, which may negatively affect our growth. In particular, some of the properties we use for our operations are not in compliance with applicable laws and regulations in the PRC. See "Business—Properties." As of the Latest Practicable Date, (i) we did not obtain the building ownership certificates for 12 buildings occupied by Guangdong Polytechnic College with a total gross floor area of 146,389.86 sq. m. These 12 buildings did not complete the environmental assessment, 8 of which did not complete the acceptance inspection. These buildings were mainly teaching buildings, dormitories, canteen, auditorium and administrative buildings; and (ii) we did not obtain the building ownership certificates for three buildings including a training building with a total gross floor area of 1,941.44 sq. m., a reception center with a total gross floor area of 1,827.78 sq. m. and a gym with a total gross floor area of 1,695.15 sq. m. occupied by Guangdong Polytechnic College as we did not obtain the construction commencement permit and did not complete the fire control design assessment and the environmental impact assessment when construction started, and did not complete the fire control completion inspection, acceptance check and the acceptance inspections upon completion of construction, and for four buildings including two teaching buildings with a total gross floor area of 25,063.53 square meters and two student dormitories with a total gross floor area of 38,558.43 square meters occupied by Guangdong Polytechnic College as we did not complete the fire control assessment, the environmental impact assessment when construction started, and did not complete the acceptance inspections upon completion of construction. As a result, our right to use these properties may be limited or challenged by the relevant government authorities or third parties. The risks in connection with the non-compliance issues concerning these properties generally include the following:

- for construction projects commenced without the construction commencement permit, we may be subject to a rectification order and/or a fine ranging from 1% to 2% of the contract price of constructing the buildings;
- for construction projects delivered for use without passing the relevant completion inspections, the construction entity may be ordered to rectify and may be obliged to pay compensation where any damage has been caused. A fine of not less than 2% but not more than 4% of the contract price of the construction may also be imposed;
- for construction projects commenced without completing the 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; and
- for construction projects commenced without completing the environmental impact assessment, we may be subject to a fine between 1% to 5% of the overall investment amount for such construction project and be ordered to adopt remedial measures, and for construction projects that we have put into use without passing environmental protection inspection assessment, we may be subject to no more than RMB2,000,000 in a fine, and/or be required to permanently discontinue our use of the relevant construction projects.

We cannot assure you that any remedial measures in connection with our properties will be implemented as intended, or at all. We cannot assure you that we will not encounter any impediment in re-applying for the relevant certificates, permits or licenses. Our remedial measures may also divert management attention and other resources.

In the event that we lose the rights to any of our land and buildings, our use of such land and buildings may become limited, or we may be forced to relocate our schools and incur additional costs, in which case there will be disruptions to our school operations and our business, financial condition and results of operations may be materially and adversely affected. If any of the above risks materializes, our business, financial condition and results of operations may be materially and adversely affected.

For further details, see "Business—Properties."

We generate all of our revenue from one city in China and from a limited number of schools during the Track Record Period.

During the Track Record Period, both of the two schools we operated are located in Zhaoqing, Guangdong Province. Our student base were mainly sourced from Guangdong Province. During the Track Record Period, more than 90% of our students are from the Guangdong Province. We expect that we will continue to source a majority of students, and generate a majority of revenues from these schools in Guangdong Province for the foreseeable future. Accordingly, we are susceptible to factors adversely affecting the PRC private higher education industry, or any other factors adversely affecting the geographic areas in which our schools are located.

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

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

We experienced steady revenue growth during the Track Record Period. Our historical growth was primarily driven by the increases in the tuition fees our schools charge their students and in the number of students enrolled at our schools. Our financial condition and results of operations may fluctuate due to a number of other factors, many of which are beyond our control, including: (i) shifts in public perception of the private higher education industry in China; (ii) our ability to maintain and increase student enrollment at our schools and maintain and raise tuition fees and boarding fees; (iii) general economic and social conditions and government regulations or actions pertaining to the provision of private education in China, in particular, in Guangdong Province; (iv) increased competition and market perception and acceptance of any newly introduced education programs in any given year; (v) expansion and related costs in a given period; and (vi) our ability to control our cost of sales and other operating costs, and enhance our operational efficiency. In addition, we may not be successful in continuing to increase the number of students admitted to our schools due to, among other things, student enrollment quotas assigned by the relevant local PRC educational authorities and our limited capacity, and we may not be successful in carrying out our growth strategies and expansion plans. In addition, according to the tax compliance confirmations we obtained from the relevant tax authorities, which are competent tax authorities as confirmed by our PRC Legal Advisors, we were not required to pay any PRC income tax in respect of income from rendering formal education services during the Track Record Period. If our schools are required by the PRC tax authorities to pay EIT in the future, our profitability may be adversely impacted. During the Track Record Period, none of our schools elected to make any distribution to their respective school sponsor, incurring no relevant income tax expense. In the event our schools elect to make such distributions to their school sponsor in the future, the respective school sponsor will be required to pay the relevant EIT in accordance with the applicable PRC laws and regulations for the year/period during which such distributions are made, which could adversely impact our profit for the year/period.

In addition, we have received certain amounts of government grants during the Track Record Period, which were mainly related to the subsidies received from the local governments for the purpose of compensating our operating expenses arising from the schools' teaching activities and expenditures on teaching facilities. As of December 31, 2015, 2016 and 2017 and August 31, 2017 and 2018, government grants we received were RMB2.6 million, RMB8.4 million, RMB2.3 million, RMB2.1 million and RMB6.7 million, respectively. While these government grants were recurring in nature during the Track Record Period, there is no assurance that the PRC government will continue to provide such grants to us in the future. In the event government subsidies are reduced substantially or entirely, our business, financial condition and results of operations could be materially affected.

We also plan to further expand our school campuses through continuous investments into capital expenditure. The construction of the Dinghu campus of Guangdong Polytechnic College with a total estimated investment of RMB743 million is in progress, and is expected to be completed by the end of 2019. We also plan to further upgrade the Gaoyao campus of Guangdong Polytechnic College with a total estimated investment of RMB200.0 million, which shall be completed in the second quarter of 2020. Relevant construction and renovation, once completed, is expected to increase our annual depreciation expenses by RMB13.5 million per annum (excluding the first phase of Dinghu campus since the construction has already been completed in September 2017 and relevant depreciation expenses have been reflected in the Track Record Period), based on our best estimation. Such increase in our annual depreciation expenses could adversely impact our profit for the year/period.

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

We had net current liabilities position as of August 31, 2018 and November 30, 2018

As of August 31, 2018 and November 30, 2018, we had net current liabilities of RMB43.3 million and RMB88.1 million, respectively. See "Financial Information—Current Assets and Current Liabilities." We may have net current liabilities in the future. Having significant net current liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on additional external borrowings for funding. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans. As a result, our business, financial condition and results of operations will be materially and adversely affected.

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

We generally require tuition fees and boarding fees for a full school year to be paid by students to our schools prior to the commencement of each school year. We usually recognize revenue proportionately over the relevant school year, which generally commences from September of the current year to June of the following year. Accordingly, we have experienced, and expect to continue to experience, seasonal fluctuations in our results of operations. 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.

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 higher education services in China. The private higher education services market began to develop in the early 1980s and experienced rapid growth in the 1990s, and has grown significantly due to favorable policies enacted by the PRC government. In 1997, the State Council of the PRC promulgated the first regulation to promote the private education industry in China. However, private higher education services for reasonable returns were not permitted in China until 2003 when the Law for Promoting Private Education of the PRC became effective.

The development of this industry has been accompanied by significant press coverage and public debate concerning the management and operation of private higher institutions. Despite the general public's pursuit of higher degree levels, there remains significant uncertainty as to public acceptance of this business model. In addition, there is substantial uncertainty relating to the application and interpretation of PRC law as it relates to the promotion of the private for-profit education industry. For example, certain favorable policies referenced in relevant PRC law are available to private schools, such as preferential tax treatment. To date, however, no separate policies, regulations or rules have been introduced by the authorities in this regard. See "Regulatory Overview—Regulations on Private Education in the PRC." If the private higher education business model fails to gain traction or wide acceptance among the general public in China, especially among students and their parents, or if the favorable regulatory environment otherwise changes in the future, we may be unable to grow our business and the market price of our Shares could be materially and adversely affected.

We currently outsource catering services at our schools to Independent Third Parties and, as a result, we cannot guarantee the quality and price of the food they serve to our students and therefore, we may be exposed to potential liabilities if we cannot maintain food quality standards.

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

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

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

We could be held liable for accidents or injuries or other harm to students or other people at our schools, including those caused by or otherwise arising in connection with our school facilities or employees. We could also face claims alleging that we were negligent, provided inadequate maintenance to our school facilities or supervision of our employees and therefore may be held liable for accidents or injuries suffered by our students or other people at our schools. In addition, if any of our students or teachers commits any acts of violence, we could face allegations that we failed to provide adequate security or were otherwise responsible for his or her actions. Furthermore, in such events, our schools may be perceived to be unsafe, which may discourage prospective students from applying for or attending our schools. 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. In addition, such claim may create unfavorable publicity, cause us to pay compensation, incur costs in defending such claim, and divert the time and attention of our management, all of which may have a material adverse effect on our business, prospects, financial condition and results of operations.

We maintain limited insurance coverage.

We maintain various insurance policies for both of our schools, such as school liability insurance to safeguard against risks and unexpected events. However, our insurance coverage is still limited in terms of amount, scope and benefit. Consequently, we are exposed to various risks associated with our business and operations. See "Business—Insurance." We are exposed to risks, including, but not limited to, accidents or injuries in our schools that are beyond the scope of our insurance coverage, fires, explosions or other accidents for which we do not currently maintain insurance, loss of key management and personnel, business interruption, natural disasters, terrorist attacks and social instability or any other events beyond our control. The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business-related insurance products. We do not have any business disruption insurance, product liability insurance or key-man life insurance. Any business disruption, litigation or legal proceedings or natural disaster, such as epidemics, pandemics or earthquakes, or other events beyond our control could result in substantial costs and the diversion of our resources. Our business, financial condition and results of operations may be materially and adversely affected as a result.

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

The property valuation report set out in Appendix IV to this prospectus with respect to the appraised value of our properties is based on various assumptions which are subjective and uncertain in nature. The valuation made by Asia-Pacific Consulting and Appraisal Limited is based on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests. No allowance has been made in the 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.

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

Our Convertible Bond is subject to fair value changes, and there are inherent uncertainties associated with its fair value measurement.

We issued Convertible Bond with a principal amount of RMB330.0 million on April 30, 2018 which were measured at fair value through profit or loss. See "History, Reorganization and Corporate Structure—Pre-IPO Investment."

As the Convertible Bond was issued on April 30, 2018, the fair value at the period end was approximately the same as the carrying value. The fair value of the Convertible Bond will be subsequently determined by an independent valuer with valuation model based on assumptions that are not supported by observable market prices or rates. See Note 35 to the Accountants' Report in Appendix I to this prospectus.

Valuation of the Convertible Bond is based on assumptions with respect to such economic, market, financial and other conditions and other matters, many of which are beyond our control or the control of any party involved in the valuation exercise. It further requires consideration of relevant factors affecting the operation of our business and its ability to generate future investment returns. The factors considered in the valuation include the nature of our business and our assets, the financial condition of our business and the economic outlook in general, the projected operating results, the operational contracts and agreements in relation to our business, and the financial and business risk including the continuity of income and the projected future results.

Given the inherent uncertainties associated with the measurement, the fair value of our Convertible Bond is subject to various variations, adjustment and alterations, as well as market conditions and other factors. Any material and adverse changes in the value of the Convertible Bond may have a material and adverse effect on our business, financial condition and results of operations.

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

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

During the Track Record Period, we pledged leasehold land with net carrying amounts of RMB64.5 million, RMB63.1 million, RMB78.7 million and nil as of December 31, 2015, 2016 and 2017 and August 31, 2018, respectively. According to the PRC Security Law and the PRC Property Law, mortgages, pledges or other encumbrances should not be created on properties which are used for public welfare facilities. The buildings that our schools own and occupy may be considered "public welfare facilities" according to the Law for Promoting Private Education, which provides that private education is considered in the nature of "public welfare" in the PRC. Accordingly, these properties may not be pledged as collateral when our schools seek loans from lenders. In such case, the schools' ability to obtain financing may be limited. Even if collateral is meant to be created based on such properties under any loan agreement to be entered into between any of our schools and the potential lender, such pledge may not be valid or enforceable under the laws and regulations of the PRC, and we cannot preclude the possibility that a government authority, including a PRC court or administrative authority, may consider the pledge created on such facilities to be in violation of PRC laws if we and the lenders have any dispute with regards to the relevant loans under applicable loan agreements or if the validity of the pledges is otherwise challenged notwithstanding the foregoing, no administrative penalties are stipulated in current PRC laws on schools for their pledge of school facilities, according to our PRC Legal Advisors. In such a case it is likely that such pledges would not be enforceable and we may be requested by our lenders to provide other forms of guarantee or prepay the outstanding balance of the loans immediately, which may cause the business operations of the relevant schools and our financial condition to be materially and adversely affected.

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 reputation and operations may be materially and adversely affected.

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

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

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

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

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

We have conditionally adopted the Share Option Scheme on January 10, 2019, under which we may issue options to purchase up to a total of 200,000,066 Shares to our Directors, senior management and employees for their contribution to our Group and to attract and retain key personnel. The fair value of the services received in exchange for the grant of these share options will be recognized as share-based compensation expenses, which will have an adverse effect on our profits. Moreover, exercise of the share options we have granted or plan to grant will increase the number of our Shares in circulation. Any actual or perceived sales of additional Shares acquired upon the exercise of the share options we have granted or plan to grant may adversely affect the market price of our Shares.

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

Pursuant to PRC laws and regulations, we are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and the housing provident fund, and contribute to these plans and funds at the levels specified by the relevant local government authorities from time to time at locations where we operate our business. During the Track Record Period, we did not make full contributions to the social insurance plans and the housing provident funds as required under the relevant laws and regulations. As of the Latest Practicable Date, we had not received any notice from the local authorities or any claim from our current and former employees regarding our non-compliance in this regard. As of December 31, 2015, 2016 and 2017 and August 31, 2018, the aggregate amount of provision for such unpaid amount were RMB12.4 million, RMB15.4 million, RMB18.5 million and RMB20.2 million, respectively. See "Business—Legal Proceedings and Compliance" and "Business—Employees." However, we cannot assure you that the relevant local government authorities will not require us to pay the outstanding amount within a prescribed time or impose late fees or fines on us, which may materially and adversely affect our business, financial condition and results of operations.

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

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

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

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

RISKS RELATING TO OUR OWNERSHIP STRUCTURE

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 an exempted company incorporated in the Cayman Islands 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 Catalog, higher education are restricted industries for foreign investors. As advised by the relevant officer of policies and regulation division at the Guangdong Provincial Department of Education, being the competent authority as advised by our PRC Legal Advisors, the Foreign Ownership Restriction applies to Sino-Foreign Joint Venture Private Schools engaging in higher education and secondary vocational education in the region. Foreign investors shall invest in the higher education and secondary vocational education only in the form of cooperative joint venture in which the PRC party must play a dominant role. 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 educational institution shall be lower than 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. See "Regulatory Overview—Foreign Investment in Education in the PRC." In light of these restrictions, we are ineligible to operate higher education and secondary vocational education institutions or control them through the direct holding of the equity interest of our PRC Consolidated Affiliated Entities. Therefore, we entered into the Structured Contracts with our PRC Consolidated Affiliated Entities, pursuant to which Tibet Kepei is entitled to receive substantially all of the economic benefits from our PRC Consolidated Affiliated Entities. See "Structured Contracts."

We have been and are expected to continue to be dependent on our Structured Contracts to operate our education business. If the Structured Contracts that establish the structure for operating our China business are found to be in violation of any 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.

We do not maintain any insurance policy to cover the risks relating to the Structured Contracts. 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 their economic benefits, we would no longer be able to consolidate such entities, which currently contribute all of our consolidated revenues.

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

On January 19, 2015, MOFCOM published the Draft Foreign Investment Law. At the same time, MOFCOM published an accompanying explanatory note of the Draft Foreign Investment Law, or the Explanatory Note, which contains important information about the Draft Foreign Investment Law, including its drafting philosophy and principles, main content, plans to transition to the new legal regime and treatment of businesses in the PRC controlled by FIEs, primarily through contractual arrangements. The Draft Foreign Investment Law is intended to replace the current foreign investment legal regime consisting of three laws: the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Invested Enterprise Law, as well as detailed implementing rules. The Draft Foreign Investment Law proposes significant changes to the PRC foreign investment legal regime and introduces the concept of "actual control" determined by the identity of the ultimate natural person or enterprise that controls the domestic enterprise. If an enterprise is actually controlled by a foreign investor through structured contracts or contractual arrangements, such enterprise may be regarded as an FIE. Such FIE is restricted or prohibited from investing in certain industries listed on the Negative List for Access of Foreign Investments ("Negative List") under the Special Administrative Measures for Access of Foreign Investment, unless permission from the competent authority in the PRC is obtained. Nevertheless, as the Negative List has yet to be published, it is unclear whether it will differ from the current list of industries subject to restrictions or prohibitions on foreign investment (including our industry). The Draft Foreign Investment Law also provides that any FIEs operating in industries on the Negative List will require entry clearance and other approvals that are not required of PRC domestic entities. As a result of the entry clearance and approvals, certain FIEs operating in industries on the Negative List may not be able to continue to conduct their operations through contractual arrangements.

While the Draft Foreign Investment Law has been released for consultation purposes, the Draft Foreign Investment Law is currently in draft form only. There is substantial uncertainty regarding the Draft Foreign Investment Law, including, among others, what the actual content of the law will be as well as the adoption timeline or effective date of the final form of the law. Furthermore, the issues as to the level of "actual control" for being qualified as a domestic enterprise, how existing domestic enterprises which are operated by foreign investors under contractual arrangements are to be handled and what business will be respectively classified as "restricted business" or "prohibited business" in the Negative List, are yet to be clarified at this stage. While such uncertainty exists, we cannot determine whether the new foreign investment law, when it is adopted and takes effect, will have a material impact on our corporate structure and business.

In the event that the contractual agreements under which we operate such education business are not treated as a domestic investment and/or our education business is classified as "prohibited business" in the Prohibited List under the Draft Foreign Investment Law, such contractual agreements may be deemed as invalid and illegal and we may be required to unwind the contractual agreements and/or dispose of the relevant schools or businesses thereunder. The occurrence of such event could have a material and adverse effect on our business, financial condition, results of operations and growth prospects, as the financial results of the relevant entities would no longer be consolidated into our Group's financial results and we would have to de-recognize their assets and liabilities according to the relevant accounting standards. An investment loss would be recognized as a result of such de-recognition. If we no longer have a sustainable business after such disposal, the Stock Exchange may delist us.

We have required Mr. Ye and Ms. Shu to provide an undertaking to mitigate the risks associated with the Draft Foreign Investment Law. Nevertheless, we cannot assure you that the measures taken by our Group will be effective to address the risks associated with the Draft Foreign Investment Law. See "Structured Contract—Development in the PRC Legislation on Foreign Investment—Potential Measures to Maintain Control Over and Receive Economic Benefits from our PRC Operating Schools and our School Sponsor."

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

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

If the parties under such contractual agreements refuse to carry out our directions in relation to everyday business operations, we will be unable to maintain effective control over the operations of the relevant schools and legal entities. If we were to lose effective control over such schools and entities, it may negatively influence our ability to consolidate the financial results of such entities with our financial results. In such event, our financial position and cash flow from operating activities may be materially and adversely affected and our operational efficiency, reputation may also be negatively impacted.

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

Our control over any VIE Controlled Entity will be based upon the contractual agreements we may enter with such VIE Controlled Entity, the registered shareholders of the VIE Controlled Entity and other parties to the relevant contractual agreements. Registered shareholders of any VIE Controlled Entities may potentially have conflicts of interest with us and breach their contracts or undertakings with us if it would further their own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts of interest arise between us on the one hand, and the other parties to the contractual agreements in respect of a VIE Controlled Entity on the other hand, registered shareholders of such VIE Controlled Entity will act completely in our interest or that the conflicts of interest will be resolved in our favor. In the event that such conflict of interest cannot be resolved in our favor, we would have to rely on legal proceedings which could result in disruption to our business and we are subject to uncertainty as to the outcome of any such legal proceedings. If we are unable to resolve such conflicts, our business, financial condition and results of operations could be materially and adversely affected. Following the implementation of the VIE structure with the execution of the Structured Contracts on July 10, 2018, we are subject to additional amounts of PRC income tax and value-added tax. If such structure had been in effect during the Track Record Period, 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 13.0%, 13.0%, 12.8%, 12.8% and 13.5% in 2015, 2016, 2017 and for the eight months ended August 31, 2017 and 2018, respectively, after taking into consideration the following major factors: (i) at least 25% of our schools' net profit should be retained for the schools' working capital; (ii) Tibet Kepei is subject to a 12% enterprise income tax and 6% value added tax and surcharges; and (iii) the financial results of various entities within our Group.

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

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

We may not be able to meet the Qualification Requirement.

Pursuant to the Foreign Investment Catalog and the Sino-Foreign Regulation, the foreign investor in a Sino-foreign joint venture private school offering high school and higher education institution must be a foreign educational institution with relevant qualification that provides high quality education (the "Qualification Requirement"), holds less than 50% of the capital investment in the Sino-foreign joint venture private school ("Foreign Ownership Restriction") and the domestic party shall play a dominant role ("Foreign Control Restriction"). As of the Latest Practicable Date, while we do not meet the Qualification Requirement as we have no experience in operating schools outside of the PRC, we have taken concrete steps to comply with the Qualification Requirement. See "Structured Contracts—Background of the Structured Contracts—Plan to Comply with the Qualification Requirement."

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

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

We may incur substantial cost on our part to exercise the option to acquire the school sponsor's interest in our PRC Operating Schools. Pursuant to the Exclusive Call Option Agreement, Tibet Kepei or its designated purchaser has the exclusive right to purchase all or part of the school sponsor's interest of in our PRC Operating Schools at the lowest price permitted under the PRC laws and regulations. In the event that Tibet Kepei or its designated purchaser acquires the sponsor's interest in our PRC Operating Schools and the relevant PRC authorities determine that the purchase price for acquiring the school sponsor's interest of our PRC Operating Schools is below market value, Tibet Kepei or its designated purchaser may be required to pay EIT with reference to the market value such that the amount of tax may be substantial, which could materially and adversely affect our business, financial condition and results of operations. The Structured Contracts may be subject to scrutiny by the PRC tax authorities and additional tax may be imposed, which may materially and adversely affect our results of operation and value of your investment. Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the Exclusive Technical Service and Management Consultancy Agreement we have with our PRC Operating Schools does not represent an arm's length price and adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could increase our tax liabilities. In addition, PRC tax authorities may have reason to believe that our subsidiaries or PRC Operating Schools are dodging their tax obligations, and we may not be able to rectify such incident within the limited timeline required by PRC tax authorities. As a result, the PRC tax authorities may impose late payment fees and other penalties on us for under-paid taxes, which could materially and adversely affect our business, financial condition and results of operations.

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

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

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

We are a holding company and rely principally on dividends paid by our subsidiaries in China for our cash needs, including paying dividends and other cash distributions to our Shareholders, servicing any debt we may incur and paying our operating expenses. The income of Tibet Kepei in turn depends on the service fees paid by our PRC Operating Schools. Current PRC laws and regulations permit our subsidiaries in China to pay dividends to us only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. Under the applicable requirements of PRC laws and regulations, Tibet Kepei may only distribute after-tax dividends after deduction of costs for school operations, donations received, government subsidies (if any), the reserved development fund and other expenses as required by the regulations. These reserves are not distributable as cash dividends. In addition, at the end of each fiscal year, each of our schools that are private schools in China is required to allocate a certain amount to its development fund for the construction or maintenance of the school properties or purchase or upgrade of school facilities. In particular, for private schools that do not require reasonable returns, they are required to appropriate to the development fund not less than 25% of the annual increase of net assets of the relevant school as determined in accordance with generally accepted accounting principles in the PRC, and for private schools that require reasonable returns, they are required to appropriate to the development fund not less than 25% of the annual net income.

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

The principal regulations governing private education in China are the Law for Promoting Private Education, which became effective as of 2003 and was revised in 2013, and the Implementation Rules for the Law for Promoting Private Education (《中華人民共和國民辦教育促

進法實施條例》) (the "Implementation Rules"). Under these regulations, a private school may elect to be a school that does not require reasonable returns or a school that requires reasonable returns. A private school that does not require reasonable returns cannot distribute profit to its school sponsor. At the end of each year, every private school is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. For a private school that requires reasonable returns, this amount is at least 25% of the annual net income of the school, while in the case of a private school that does not require reasonable returns, this amount is at least 25% of the annual increase in the net assets of the school, if any. The school sponsor of Zhaoqing School has elected to require reasonable returns, while the school sponsor of the Guangdong Polytechnic College has elected not to require reasonable returns. A private school shall consider factors such as the school's tuition, ratio of the funds used for education-related activities to the course fees collected, admission standards and educational quality when determining the percentage of the school's net income that would be distributed to the investors as reasonable returns. However, the current PRC laws and regulations do not provide a formula or guidelines for determining what constitutes a "reasonable return." In addition, the current PRC laws and regulations do not set out different requirements or restrictions on a private school's ability to operate its education business based on such school's status as a school that requires reasonable returns or a school that does not require reasonable returns. Pursuant to the 2016 Amendments, school sponsor of a private school which provides education services other than nine-year compulsory education may choose for the school to be a for-profit private school or a non-profit private school. School sponsors of a for-profit private school are allowed to receive operating profits while school sponsors of a non-profit private school are not allowed to do so. According to the 2016 Amendments, private schools will no longer be categorized as schools the school sponsors of which require reasonable returns and schools the school sponsors of which do not require reasonable returns. As the detailed rules and regulations regarding the conversion of existing private schools into for-profit or non-profit Schools have not been promulgated by local governmental authorities, there are uncertainties involved in interpreting and implementing the 2016 Amendments with respect to various aspects of the operations of a private school. Therefore, we cannot assure you that the detailed rules and regulations to be promulgated by local governmental authorities would not impose restrictions on our ability to operate private schools or to make payments to Tibet Kepei under the Structured Contracts, which may have a material adverse impact on our Group's business operations and prospects.

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

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

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

We currently conduct our operations in China through Structured Contracts with our PRC Operating Schools and the Registered Shareholders. As part of these arrangements, substantially all of our education-related assets that are important to the operation of our business are held by our PRC Operating Schools. If any of these PRC Operating Schools is wound up, and all or part of their assets become subject to liens or rights of third party creditors or are distributed to other persons of higher priority than the school sponsor of the schools in accordance with the applicable PRC laws and regulations and articles of association of our PRC Operating Schools, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of our PRC Operating Schools undergoes a voluntary or involuntary liquidation proceeding, our PRC Operating Schools may be required to distribute their assets to other persons of higher priority than the school sponsor, or its equity owner or unrelated third party creditors may claim rights relating to some or all of these assets, which would hinder our ability to operate our business and could materially and adversely affect our business, our ability to generate revenue and the market price of our Shares. While the Registered Shareholders undertake pursuant to the Structured Contracts that in the event of the dissolution or liquidation of our PRC Operating Schools and/or our School Sponsor, (i) Tibet Kepei shall have the right to exercise all of the school sponsor's rights on behalf of the School Sponsor/shareholders' rights on our PRC Operating Schools and/or School Sponsor; (ii) PRC Operating Schools and/or School Sponsor and/or the shareholders of our PRC Operating Schools and/or School Sponsor shall transfer all assets received or receivable in its capacity as school sponsor of each of our PRC Operating Schools/as shareholders of each of our School Sponsor as a result of the dissolution or liquidation of our PRC Operating Schools and/or our School Sponsor to Tibet Kepei or other persons designated by us at nil consideration, and instruct all of our PRC Operating Schools and/or our School Sponsor to transfer such assets directly to Tibet Kepei before such dissolution or liquidation; and (iii) if consideration is required for such transfer under the then applicable PRC laws, PRC Operating Schools and/or School Sponsor and/or the shareholders of PRC Operating Schools and/or School Sponsor shall compensate Tibet Kepei or the person as designated by us the amount and guarantee that Tibet Kepei or other persons as designated by us does not suffer any loss, and we may not be able to exercise our rights in a timely manner and our business, financial condition and operations may be materially and adversely affected.

RISKS RELATING TO DOING BUSINESS IN CHINA

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

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

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

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

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

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

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

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

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

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

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

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.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing formal education services are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not 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, no separate regulations or policies have been promulgated in this regard.

The school sponsor of Zhaoqing School has elected to require reasonable returns, while the school sponsor of the Guangdong Polytechnic College has elected not to require reasonable returns. In accordance with the historical tax returns we filed with the relevant tax authorities and the tax compliance confirmations we obtained from such authorities, which are competent tax authorities in respect of such confirmations as confirmed by our PRC Legal Advisors, both of our schools did not pay and were not required to pay EIT in respect of income from rendering formal education services during the Track Record Period, and they were not found to be in default in tax payments or in violation of the PRC tax laws. See "Financial Information—Key Components of our Results of Operations—Income Tax Expenses" and note 10 of the Accountants' Report in Appendix I to this prospectus for details of historical preferential tax treatment.

If both of our schools had not enjoyed preferential tax treatment during the Track Record Period, our net profit would have been decreased by approximately RMB33.7 million, RMB49.3 million, RMB65.1 million and RMB38.7 million in 2015, 2016, 2017 and for the eight months ended August 31, 2018, respectively. In addition, there is no guarantee that the preferential tax treatment that currently applies to our schools will not be affected by the taxation policies applicable to for-profit private schools after the 2016 Amendments once such policies are introduced. See "—Risks Relating to Our Ownership Structure—Changes in the PRC regulatory requirements regarding private higher education may affect our business operations and prospects." There is a possibility that the PRC government may promulgate relevant tax regulations that will eliminate such preferential tax treatment, or the local tax bureaus may change their policy, and in each such case, we will be subject to PRC income tax going forward.

The discontinuation of any preferential tax treatment currently available to us or the determination of any of the relevant tax authorities that any of the preferential tax treatment we have enjoyed or currently enjoy is not in compliance with the PRC laws would cause our effective tax rate to increase, which would increase our tax expenses and reduce our net profit.

We face foreign exchange risk and fluctuations in exchange rates could result in foreign currency exchange losses.

The value of Renminbi against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, and is subject to changes resulting from the PRC government's policies, and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve policy goals.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the Hong Kong dollar may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Furthermore, we are also currently required to obtain the approval of the SAFE, before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

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

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

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

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

The economy of China has been experiencing significant growth, leading to inflation and increased labor costs. According to the National Bureau of Statistics of China, the year-over-year percentage change in the consumer price index in China was 1.8% as of December 2017. China's overall economy and the average wage in the PRC are expected to continue to grow. Future increases in China's inflation and material increases in the cost of labor may materially and adversely affect our profitability and results of operations unless we are able to pass on these costs to our students by increasing tuition.

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

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

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

The heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.

On February 3, 2015, the SAT issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or Public Notice 7. Public Notice 7 extends its tax jurisdiction to not only indirect transfers but also transactions involving transfer of other taxable assets, through the offshore transfer of a foreign intermediate holding company. In addition, Public Notice 7 provides how to assess reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. Public Notice 7 also brings challenges for both the foreign transferor and transferee (or other person who is obligated to pay for the transfer) of the taxable assets. Where a non-resident enterprise conducts an “indirect transfer” by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the relevant tax authority such indirect transfer. Using a “substance over form” principle, the PRC tax authority may re-characterize such indirect transfer as a direct transfer of the equity interests in the PRC tax resident enterprise and other properties in China. As a result, gains derived from such indirect transfer may be subject to PRC EIT, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of up to 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes. Pursuant to the Announcement of the State Administration of Taxation on Matters Concerning Withholding of Income Tax of Non-resident Enterprises at Source, or Announcement 37, non-resident enterprises that have obtained income from the property transfer within the PRC should pay income tax and implement the source withholding.

We face uncertainties with respect to the reporting and consequences of private equity financing transactions, share exchange or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. Our company and other non-resident enterprises of ours may be subject to filing or tax obligations if our company and other non-resident enterprises of ours are transferors in such transactions, and may be subject to withholding obligations if our company and other non-resident enterprises of ours are transferees in such transactions, under Announcement 37 and Public Notice 7. For the transfer of shares in our company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under Announcement 37 and Public Notice 7. As a result, we may be required to expend valuable resources to comply with Announcement 37 and Public Notice 7 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company and other non-resident enterprises of ours should not be taxed under these circulars. The PRC tax authorities have the discretion under Announcement 37 and Public Notice 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under Announcement 37 and Public Notice 7, our income tax costs associated with such transactions will be increased, which may have an adverse effect on our financial condition and results of operations. We may conduct acquisitions in the future. Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

Failure to obtain any preferential tax treatment or the discontinuation, reduction or delay of any of the preferential tax treatment that may be available to us in the future could materially and adversely affect our business, financial condition and results of operations.

We have been granted certain governmental subsidies and tax preferences. See “Financial Information—Key Components of Our Results of Operations—Other Income and Gains.” Nevertheless, the government agencies may decide to reduce, eliminate or cancel such subsidies and tax preferences at any time. We cannot assure you of the continued availability of the government subsidies and tax preferences currently enjoyed by us. The discontinuation, reduction or delay of these governmental subsidies and preferential tax treatment could adversely affect our financial condition and results of operations.

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

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

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies, which was promulgated on February 13, 2015 and implemented on June 1, 2015, the initial foreign exchange registration for establishing or taking control of an SPV by domestic residents can be conducted with a qualified bank, instead of the local foreign exchange bureau.

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

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

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

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

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

RISKS RELATING TO THE GLOBAL OFFERING

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

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

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

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

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

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

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

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Offer Share. It is therefore possible that the final Offer Price will be set at HK$1.88 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$1.88, the estimated net proceeds we will receive from the Global Offering will be reduced to HK$583.5 million and such reduced proceeds will be used as described in the section headed "Future Plans and Use of Proceeds—Use of Proceeds" section.

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

The Offer Price of our Offer Shares is higher than the net tangible book value per Share immediately prior to the Global Offering. Therefore, purchasers of our Offer Shares in the Global

Offering will experience an immediate dilution in pro forma adjusted consolidated net tangible asset value of HK$1.19 per Share (assuming an Offer Price of HK$2.39 per Offer Share, being the mid-point of our Offer Price range of HK$2.08 to HK$2.70 per Offer Share) and existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. If we issue additional Shares in the future, purchasers of our Offer Shares may experience further dilution.

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

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

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

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

Immediately after the conversion of the Convertible Bond and completion of the Global Offering and the Capitalization Issue (without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option or the Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), our Controlling Shareholders will own approximately 52.5% of our Shares. As such, our Controlling Shareholders will have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. These actions may be taken even if they are opposed by our other Shareholders, including those who purchased Shares in the Global Offering. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders.

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

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

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

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net proceeds from the Global Offering for purposes including the expansion of our school network, the improvement of our school facilities and our faculty and staff training. 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.

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

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

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various independent third party sources, including the industry expert reports, contained in this prospectus.

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

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

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

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

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

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since our principal business operations are primarily located and conducted in the PRC and will continue to be based in the PRC, our executive Directors and senior management members are and will continue to be based in the PRC. At present, none of our executive Directors is ordinarily resident in Hong Kong. We have applied to the Stock Exchange for, and have obtained, a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules subject to the following conditions:

(a) We have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Mr. Ye Nianqiao (葉念喬), an executive Director and the chairman of the Board, and Ms. Leung Suet Wing (梁雪穎), one of our joint company secretaries, respectively. Please see "Directors and Senior Management" in this prospectus for more information about our authorized representatives. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Stock Exchange by telephone, facsimile and/or email. The Company will provide contact details of the two authorized representatives to the Stock Exchange and will inform the Stock Exchange as soon as practicable in respect of any change in the Company's authorized representatives. All of them have confirmed that they possess valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required;

(b) Our authorized representatives have means of contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication between the Stock Exchange, the authorized representatives and our Directors, our Company will implement a policy to provide the up-to-date contact details of each Director (such as office phone numbers, mobile phone numbers, email addresses and fax numbers) to the authorized representatives and to the Stock Exchange;

(c) The Company will ensure that each Director who is not ordinarily resident in Hong Kong has valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period;

(d) Our Company has, in accordance with Rule 3A.19 of the Listing Rules, also appointed First Shanghai Capital Limited as our compliance adviser, who will act as an additional channel of communication with the Stock Exchange in addition to the authorized representatives of the Company. The compliance adviser will advise us on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the Listing Date at least until the date on which our Company complies with Rule 13.46 of the Listing

Rules in respect of our Company's financial results for the first full financial year after the Listing Date; and

(e) Meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or our Company's compliance adviser, or directly with our Directors within a reasonable period. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives, our Directors and/or the compliance adviser of our Company in accordance with the Listing Rules.

JOINT COMPANY SECRETARIES

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

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

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

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

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

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

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

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

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

(d) professional qualifications in other jurisdictions.

We have appointed Ms. Li Yan (李艷) and Ms. Leung Suet Wing (梁雪穎) as the joint company secretaries of our Company. Ms. Li Yan is currently an executive Director and the chief financial officer of our Company. She has extensive experience in business management and corporate governance matters, as well as a thorough understanding of the daily operations, internal administration and finance of our Group. Ms. Li Yan, by virtue of her knowledge and operational, financing and management experience, should be capable of discharging her functions as a company secretary of the Company. However, Ms. Li Yan does not possess the qualifications under Rule 3.28 of the Listing Rules, and may not be able to fulfill the requirements of the Listing Rules on her own. Therefore, our Company has appointed Ms. Leung Suet Wing, a fellow member of the Hong Kong Institute of Chartered Secretaries, who is qualified under Rule 3.28 of the Listing Rules to act as the other joint company secretary and to work closely with and provide assistance to Ms. Li Yan. The term of the appointment of Ms. Li Yan and Ms. Leung Suet Wing as the joint company secretaries is three years commencing from the Listing Date.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules on the basis of the proposed arrangements below:

(a) The waiver is valid for an initial period of three years from the Listing Date. The waiver is granted on condition that we engage Ms. Leung Suet Wing, who possesses all the requisite qualifications required under Rule 3.28 of the Listing Rules, as a joint company secretary, to assist Ms. Li Yan in the discharge of her duties as a company secretary and in gaining the "relevant experience" as required under Rule 3.28 of the Listing Rules;

(b) The Company undertakes to re-apply to the Stock Exchange for a waiver from strict compliance with the company secretary qualification requirements under Rules 3.28 and 8.17 of the Listing Rules if Ms. Leung Suet Wing ceases to meet the requirements under Rule 3.28 of the Listing Rules or otherwise ceases to serve as the joint company secretary of the Company;

(c) Ms. Li Yan will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules which will be organized by the Company's Hong Kong legal advisors on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time; and

(d) Upon expiry of the initial period of three years, Ms. Li Yan's qualifications and experience will be re-evaluated to determine whether the requirements as stipulated in Rule 3.28 of the Listing Rules can be satisfied.

For further details about Ms. Li Yan and Ms. Leung Suet Wing's qualifications and experience, please see "Directors and Senior Management" in this prospectus.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

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

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

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

According to Rule 4.04(1) of the Listing Rules, we are required to include in this prospectus an accountants' report covering the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of this prospectus.

In addition, section 342(1) of the Companies (WUMP) Ordinance requires us to include an accountants' report which contains the matters specified in the Third Schedule to the Companies (WUMP) Ordinance in this prospectus.

Paragraph 27 of Part I of the Third Schedule to the Companies (WUMP) Ordinance prescribes that a statement as to the gross trading income or sales turnover of us for each of the three financial years immediately preceding the issue of the prospectus including an explanation of the method used for the computation of such income or turnover, and a reasonable breakdown between the more important trading activities, be included in the prospectus. Paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance further prescribes that a report by the auditors of our Company with respect to (i) the profits and losses of our Group for each of the three financial years immediately preceding the issue of the prospectus; and (ii) the assets and liabilities of our Group at the last date to which the accounts of our Group were made up, be included in the prospectus.

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

The financial year of our Company ends on December 31. The Accountants' Report set forth in Appendix I to this prospectus contains the audited consolidated results of our Group for each of the three financial years ended December 31, 2017 and the eight months ended August 31, 2018. Pursuant to Rule 4.04(1) of the Listing Rules and paragraphs 27 and 31 of the Third Schedule to the Companies (WUMP) Ordinance, our Company is required to produce full-year audited accounts for the year ended December 31, 2018. However, strict compliance with such requirements would be unduly burdensome for us as there would not have been sufficient time for our Company to prepare its full year financial statements for the year ended December 31, 2018, for the reporting accountants of our Company to complete and finalize the audit thereon, and for our Directors to complete the related financial analysis and comparisons, prior to the issue of this prospectus. There will also be a significant delay in the listing timetable if the full year audited financial statements for the year ended December 31, 2018 is required to be included in this prospectus.

Accordingly, an application has been made to the SFC for an exemption, and the SFC has granted a certificate of exemption under section 342A of the Companies (WUMP) Ordinance from strict compliance with the requirements of paragraphs 27 and 31 of the Third Schedule to the Companies (WUMP) Ordinance subject to the following conditions:

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

(b) this prospectus shall be issued on or before January 15, 2019; and

(c) our Shares shall be listed on the Main Board of the Stock Exchange on or before March 31, 2019.

An application has also been made to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 4.04(1) of the Listing Rules subject to the following conditions:

(a) our Shares will be listed on the Main Board of the Stock Exchange on or before March 31, 2019, being a date no later than three months after the latest financial year end of us;

(b) we will obtain a certificate of exemption from the SFC on compliance with the relevant requirements under the Companies (WUMP) Ordinance;

(c) we will include in this prospectus a profit estimate for the financial year ended December 31, 2018 in compliance with Rules 11.17 to 11.19 of the Listing Rules;

(d) a Directors' statement that there is no material adverse change to the financial and trading positions or prospect of our Group with specific reference to the trading results from August 31, 2018 to December 31, 2018 will be included in this prospectus; and

(e) we will publish the preliminary results announcement for the financial year ended December 31, 2018 by not later than March 31, 2019 and the annual report for the financial year ended December 31, 2018 by not later than April 30, 2019, respectively, in compliance with Rules 13.49 and 13.46 of the Listing Rules.

Our Directors have confirmed that the exemption and the waiver as mentioned above would not prejudice the interests of the investing public based on the following circumstances: (i) the Accountants' Report set out in Appendix I to this prospectus contains the audited consolidated results of the Group for each of the three financial years ended December 31, 2017 and the eight months ended August 31, 2018, which is in compliance with the requirements under Rule 8.06 of the Listing Rules; (ii) in accordance with Guidance Letter HKEx-GL-25-11 issued by the Stock Exchange, a profit estimate for the latest financial year ended December 31, 2018 in compliance with Rules 11.17 to 11.19 of the Listing Rules is set out as Appendix III to this prospectus. Our Directors confirmed that all information necessary for the public to make an informed assessment of the activities, assets and liabilities, financial position, management and prospect of our Group has been included in this prospectus.

It is currently expected that this prospectus shall be issued on or around January 15, 2019. It would be impracticable for the audited results of our Group for the financial year ended December 31, 2018 to be finalized within such a short period of time after the year end. Strict compliance with the relevant requirements under the Listing Rules and the Companies (WUMP) Ordinance would be unduly burdensome for our Company as there would not be sufficient time for our Company to prepare our full year financial statements for the year ended December 31, 2018, for the reporting accountants of our Company to complete and finalize the audit thereon, and for our Directors to complete the related financial analysis and comparisons, prior to the issue of this prospectus. There will also be a significant delay in the listing timetable if the full year audited financial statements for the year ended December 31, 2018 is required to be included in the Prospectus and our Directors consider that the benefits of such work to the investing public may not justify the additional work and expenses involved and the delay in the listing timetable, given that it was expected that there would be no significant change in the financial position of our Group since August 31, 2018.

After performing all due diligence work which our Directors and the Joint Sponsors considered to be necessary, our Directors and the Joint Sponsors confirmed that there has been no material adverse change in the financial and trading position or prospect of our Group since August 31, 2018 and up to December 31, 2018. There has been no event since August 31, 2018 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus, the profit estimate as set out in Appendix III to this prospectus, and the section headed "Financial Information" in this prospectus and other parts of this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set 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 any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering. The Global Offering comprises Hong Kong Public Offering of 35,336,000 Shares initially offered and the International Offering of 317,998,000 Shares initially offered (subject, in each case, to re-allocation under the section headed "Structure of the Global Offering" in this prospectus). The indicative Offer Price range is HK$2.08 to HK$2.70. We have reserved the right to make a Downward Offer Price Adjustment to provide flexibility in pricing the Offer Shares. The ability to make a Downward Offer Price Adjustment does not affect our obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in the prospectus.

If it is intended to set the final Offer Price at more than 10% below the bottom end of the indicative Offer Price range, the Withdrawal Mechanism will be applied if the Global Offering is to proceed. Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering," and the procedures for applying for Hong Kong Offer Shares are set out in "How to Apply for the Hong Kong Offer Shares" and in the relevant Application Forms. Neither the delivery of this prospectus nor any subscription or purchase made under it shall, under any circumstances, constitute a representation that there has been no change or development in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

UNDERWRITING

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 Listing is sponsored by the Joint Sponsors. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date.

The Offer Price is expected to be fixed by the Joint Global Coordinators (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, January 18, 2019 and, in any event, not later than Thursday, January 24, 2019 (unless otherwise determined by the Joint Global Coordinators (on behalf of the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators and our Company on or before Thursday, January 24, 2019, the Global Offering will not become unconditional and will lapse immediately.

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

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/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 authorized 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 authorization 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 of the Hong Kong Stock Exchange for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including the Shares that may be issued pursuant to the Over-allotment Option) and the exercise of any options that have been or may be granted under our Share Option Scheme.

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on January 25, 2019, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on January 25, 2019. The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares will be 1890.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and Stabilization are set out in "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 advisers 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 will be maintained by our Company's principal Share registrar, Maples Fund Services (Cayman) Limited in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited.

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. Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our register of members in Hong Kong, by ordinary post, at the Shareholders' risk in Hong Kong dollars.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasized that 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 advisers or any other party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares.

EXCHANGE RATES

Unless otherwise specified, this prospectus contains certain translations for the convenience purposes at the following rates: Renminbi into U.S. dollars at the rate of US$1.00 to RMB6.8663 and Hong Kong dollars into U.S. dollars at the rate of US$1.00 to HK$7.8339. The U.S. dollars to Renminbi and U.S. dollars to Hong Kong dollars exchange rates are set forth in the H.10 weekly statistical release of the Federal Reserve Board of the United States on January 4, 2019.

No representation is made that any amounts in Hong Kong dollars, Renminbi, and U.S. dollars can be or could have been converted at the relevant dates at the above rates or any other rates at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated. However, the translated English names of the PRC and foreign nationals, entities, departments, facilities, certificates, titles, laws, regulations (including certain of our subsidiaries) and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the names in their original languages shall prevail.

ROUNDING

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

OTHER

Unless otherwise specified, all references to any shareholdings in our Company following the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering assumes that the Over-allotment Option is not exercised and no Share is issued under the Share Option Scheme.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Ye Nianqiao (葉念喬)	Room 304, Building 10 Juhua Garden Baihuayuan Community Xijiang North Road Duanzhou District Zhaoqing City Guangdong Province PRC	Chinese
Dr. Zhang Xiangwei (張湘偉)	Room 2901, Courtyard 2 No. 72 Nonglin Down Road Dongshan District Guangzhou City Guangdong Province PRC	Chinese
Mr. Zha Donghui (查東輝)	Room 204, Building 10 Juhua Garden Baihuayuan Community Xijiang North Road Duanzhou District Zhaoqing City Guangdong Province PRC	Chinese
Ms. Li Yan (李艷)	Room 701 No. 8 Kangle North First Street Duanzhou District Zhaoqing City Guangdong Province PRC	Chinese
Mr. Ye Xun (葉潯)	Room 304, Building 10 Juhua Garden Baihuayuan Community Xijiang North Road Duanzhou District Zhaoqing City Guangdong Province PRC	Chinese
Non-executive Director		
Mr. Wang Chuanwu (王傳武)	Room 905, Building C3 Banyue New World Garden No.2 Lvhe Road Duanzhou District Zhaoqing City Guangdong Province PRC	Chinese

Name	Residential Address	Nationality
Independent non-executive Directors		
Dr. Xu Ming (徐明)	Room 8, Unit 1 Building 5, No. 2 Caotang East Road Qingyang District Chengdu City Sichuan Province PRC	Chinese
Dr. Deng Feiqi (鄧飛其)	Room 603, Building 46 Nanxiucun South China University of Technology No. 381 Wushan Road Tianhe District Guangzhou City Guangdong Province PRC	Chinese
Dr. Li Xiaolu (李小魯)	Room 1507, Courtyard 4 No. 461 Huanshi East Road Yuexiu District Guangzhou City Guangdong Province PRC	Chinese

For further information on our Directors, please see "Directors and Senior Management" of this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Citigroup Global Markets Asia Limited** 50/F, Champion Tower 3 Garden Road Central Hong Kong
	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central Hong Kong
Joint Global Coordinators	**Citigroup Global Markets Asia Limited** 50/F, Champion Tower 3 Garden Road Central Hong Kong
	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central Hong Kong

Joint Bookrunners	**Citigroup Global Markets Asia Limited** (in relation to the Hong Kong Public Offering) 50/F, Champion Tower 3 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
	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central Hong Kong
	BOCOM International Securities Limited 9/F Man Yee Building 68 Des Voeux Road Central Hong Kong
	First Shanghai Securities Limited 19/F., Wing On House 71 Des Voeux Road Central Hong Kong
	Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	ABCI Capital Limited 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
Joint Lead Managers	**Citigroup Global Markets Asia Limited** (in relation to the Hong Kong Public Offering) 50/F, Champion Tower 3 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

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

BOCOM International Securities Limited
15/F Man Yee Building
68 Des Voeux Road Central
Hong Kong

First Shanghai Securities Limited
19/F., Wing On House
71 Des Voeux Road Central
Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower,
50 Connaught Road Central,
Hong Kong

Huineng Securities Limited
Room 6111-6112
61/F, The Center
99 Queen's Road
Central, Hong Kong

Co-lead Managers

Head & Shoulders Securities Limited
Room 2511
25/F, Cosco Tower
183 Queen's Road Central
Hong Kong

	Sinomax Securities Limited Room 2705-6 27/F, Tower One, Lippo Centre 89 Queensway, Hong Kong
Stabilizing Manager	Citigroup Global Markets Asia Limited
Legal Advisors to our Company	*As to Hong Kong and United States laws:* Clifford Chance 27/F, Jardine House One Connaught Place Central Hong Kong *As to PRC laws:* Jingtian & Gongcheng 34/F, Tower 3, China Central Place 77 Jianguo Road, Chaoyang District Beijing China *As to Cayman Islands laws:* Maples and Calder (Hong Kong) LLP 53rd Floor, The Center 99 Queen's Road Central Central Hong Kong
Legal Advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong and United States laws:* Shearman & Sterling 12/F, Gloucester Tower, The Landmark 15 Queen's Road Central Central Hong Kong *As to PRC laws:* Commerce & Finance Law Offices 6/F NCI Tower A12 Jianguomenwai Avenue Chaoyang District Beijing PRC
Reporting Accountants	Ernst & Young *Certified Public Accountants* 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong

Industry Consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Suite 1014-1018 Tower B 500 Yunjin Road Shanghai PRC
Property Valuer	Asia-Pacific Consulting and Appraisal Limited Room 1907, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Receiving Bank	Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Central Hong Kong
Compliance Advisor	First Shanghai Capital Limited 19/F Wing On House 71 Des Voeux Road Central Hong Kong

Registered Office	Maples Corporate Services Limited P.O. Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands
Headquarters and Principal Place of Business in the PRC	Qifu Road Gaoyao District Zhaoqing City Guangdong Province PRC
Principal Place of Business in Hong Kong	36/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Company's Website	**www.chinakepeiedu.com** *(information contained in this website does not form part of this prospectus)*
Joint Company Secretaries	Ms. Li Yan (李艷) No. 8 Kangle North First Street Duanzhou District Zhaoqing City Guangdong Province PRC Ms. Leung Suet Wing (梁雪穎) (*HKICS, ICSA*) 36/F, Tower Two, Times Square 1 Matheson Street Causeway Bay, Hong Kong
Authorized Representatives	Mr. Ye Nianqiao (葉念喬) Room 304, Building 10 Juhua Garden Baihuayuan Community Xijiang North Road Duanzhou District, Zhaoqing City Guangdong Province PRC Ms. Leung Suet Wing (梁雪穎) 36/F, Tower Two, Times Square 1 Matheson Street Causeway Bay, Hong Kong
Audit Committee	Dr. Xu Ming (徐明) *(Chairman)* Mr. Wang Chuanwu(王傳武) Dr. Deng Feiqi (鄧飛其)

Remuneration Committee	Dr. Deng Feiqi (鄧飛其) *(Chairman)* Mr. Zha Donghui (查東輝) Dr. Li Xiaolu (李小魯)
Nomination Committee	Mr. Ye Nianqiao (葉念喬) *(Chairman)* Dr. Deng Feiqi (鄧飛其) Dr. Li Xiaolu (李小魯)
Principal Bankers	**China Construction Bank Zhaoqing Xijiang Sub-branch** No. 26 Banyue West Road Duanzhou District Zhaoqing City Guangdong
	Guangdong Gaoyao Rural Commercial Bank Co., Ltd. Fuqian Sub-branch Fuqian Road Gaoyao District Zhaoqing City Guangdong
	Zhaoqing Duanzhou Rural Commercial Bank Co., Ltd. No. 83 Jianshe Second Road Duanzhou District Zhaoqing City Guangdong
	Shanghai Pudong Development Bank Co., Ltd. Zhaoqing Branch No. 36 Xinghu Road Duanzhou District Zhaoqing City Guangdong
Cayman Islands Share Registrar and Transfer Office	**Maples Fund Services (Cayman) Limited** PO Box 1093, Boundary Hall Cricket Square Grand Cayman, KY1-1102 Cayman Islands
Hong Kong Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

This section contains certain information, statistics and data which are derived from official government publications and industry sources as well as a commissioned report from Frost & Sullivan, an Independent Third Party (the "Frost & Sullivan Report"). The information from official government publications and the Frost & Sullivan Report may not be consistent with information available from other sources within or outside the PRC and Hong Kong. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

SOURCES OF INFORMATION

We commissioned Frost & Sullivan, an independent market research consulting firm which is engaged in the provision of market research consultancy services, to conduct a detailed analysis of the PRC higher education market, the PRC private higher education market, China's employment market and other related economic data. Frost & Sullivan is a global consulting company and an Independent Third Party. Founded in 1961, it has 40 offices worldwide with over 2,000 industry consultants, market research analysts and economists. We have agreed to pay a total of RMB1,300,000 in fees for the preparation of the Frost & Sullivan Report. Figures and statistics provided in this prospectus and attributed to Frost & Sullivan or the Frost & Sullivan Report have been extracted from the Frost & Sullivan Report and published with the consent of Frost & Sullivan.

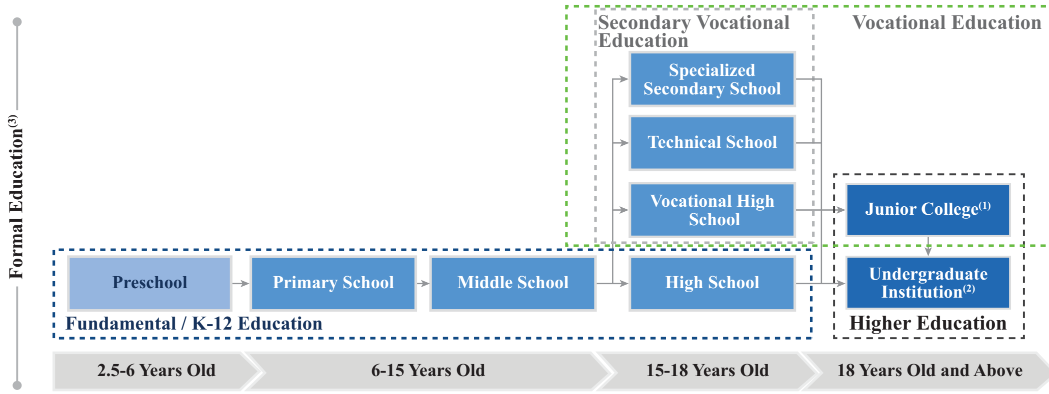
During the preparation of the market research report, Frost & Sullivan performed both primary research, which involves discussions of industry status with leading industry participants and industry experts, and secondary research, which involves review of company reports, independent research reports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

OVERVIEW OF THE EDUCATION INDUSTRY IN CHINA

Overview of the Education System in China

China's regular education system includes formal and informal education. The formal education system provides students with the opportunity to obtain official certificates from the PRC government, whereas the informal education system merely enables students to obtain completion certificates for the training and learning courses they take, which may not be officially recognized in China. Formal education is comprised of fundamental education, secondary education and higher education. Meanwhile, formal vocational education includes both secondary and higher vocational education. The following diagram illustrates the composition of China's formal education system.

Illustration of China's Formal Education System



Notes:

(1) schools with a school education level of higher vocational college would be considered as junior colleges.

(2) undergraduate Institution includes both regular university / college and independent college

(3) within formal education system, the illustration only covers regular formal education, while adult education, which belongs to formal education according to MOE's classification, is not specifically covered.

Market Size and Trends of the Education Industry in China

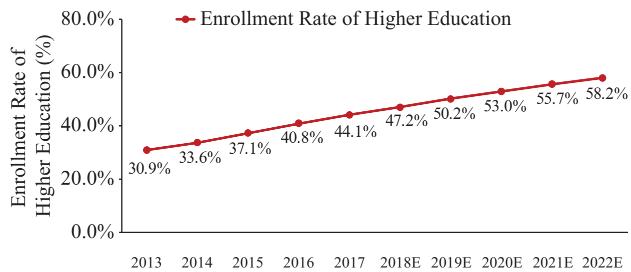
The PRC education industry has experienced strong growth over the past five years. According to the National Bureau of Statistics of China and the MOE, total revenue of the formal education industry in China increased from RMB3,036.5 billion in 2013 to RMB4,194.2 billion in 2017, representing a CAGR of 8.4%. Total revenue of the formal education industry is expected to further increase from RMB4,194.2 billion in 2017 to RMB6,254.6 billion in 2022, representing a CAGR of 8.3%, according to the Frost & Sullivan Report.

In addition, associated with the increasing annual disposable income of urban households, Chinese per capita annual expenditure on education has maintained a steady growth, increasing from RMB578 in 2013 to RMB826 in 2017 with a CAGR of 9.3%. According to the Frost & Sullivan Report, with the increase in the wealth of Chinese households and Chinese parents' increasing awareness of the importance of education, Chinese per capita annual expenditure on education is expected to continue to increase to RMB1,259 in 2022, representing a CAGR of 8.8% from 2017 to 2022.

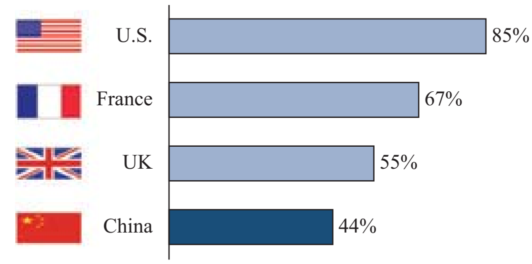
Student Enrollment in the Higher Education Industry in China

According to the Frost & Sullivan Report, the enrollment rate of school-age population of higher education (aged 18 to 21) in China increased from 30.9% in 2013 to 44.1% in 2017, and is expected to reach 58.2% in 2022. However, compared to the student enrollment rate of higher education in developed countries in Europe and North America, China's enrollment rate is still at a low level, indicating large growth potential of China's higher education market. Along with the continual economic development, demand for higher education is expected to continue increasing, supported by the Chinese people's pursuit of a higher level degree, increasing income and wealth and their increasing spending on education. It is estimated that the enrollment rate for higher education in China will continue to grow and catch up with developed countries in the future. The following diagrams illustrate the enrollment rate for higher education in China from 2013 to 2017, and a forecast from 2018 to 2022, along with the country-wise comparison of 2017 higher education enrollment rates among China, the United States, France and the United Kingdom.

Enrollment Rate of Higher Education (China), 2013 – 2022



Enrollment Rate of Higher Education: Country-wise Comparison, 2017



Source: Frost & Sullivan

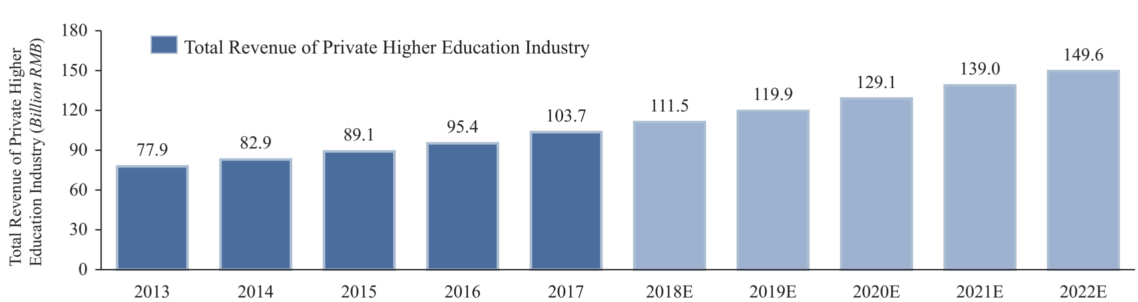
OVERVIEW OF CHINA'S PRIVATE HIGHER EDUCATION MARKET

According to the Frost & Sullivan Report, the private higher education market experienced rapid growth, and entered the phase of regulated development when relevant authorities made great efforts in completing the regulatory framework for private higher education. Private higher education institutions in China can be divided into three categories: (i) private regular undergraduate institutions (民辦普通本科院校); (ii) independent colleges (獨立學院); and (iii) private junior colleges (民辦普通專科院校). Private higher education institutions are distinct from public institutions of higher education mainly in that public institutions of higher education are generally operated by the PRC national or local governments and their major source of funding is PRC public expenditure on education.

Market Size and Trends of China's Private Higher Education Market

According to the Frost & Sullivan Report, from 2013 to 2017, total revenue of private higher education industry increased from RMB77.9 billion to RMB103.7 billion, representing a CAGR of 7.4%. Going forward, total revenue of private higher education industry is expected to further increase to RMB149.6 billion in 2022, representing a CAGR of 7.6% from 2017 to 2022. The diagram below sets out the total revenue of the private higher education industry in China, from 2013 to 2017, as well as a forecast of total revenue of the private higher education industry expected from 2018 to 2022.

Total Revenue of Private Higher Education Industry (China), 2013 – 2022E

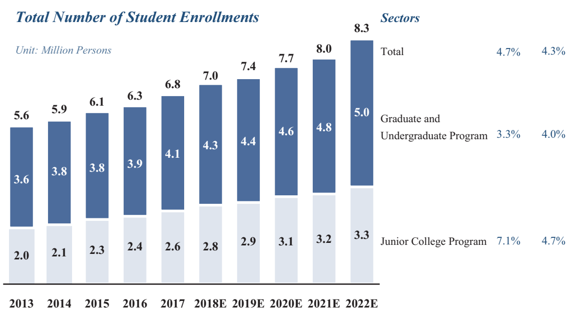


Source: Frost & Sullivan

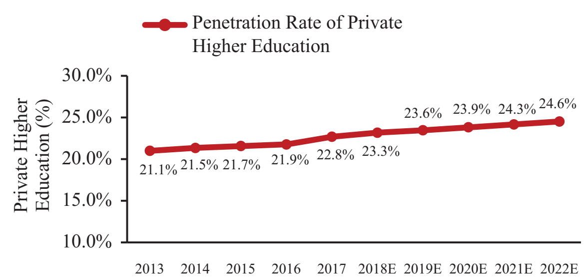
Student Enrollment in the Private Higher Education Industry in China

According to the Frost & Sullivan Report, from 2013 to 2017, the number of student enrollments in private higher education increased from 5.6 million to 6.8 million, representing a CAGR of 4.7%. In 2022, the number is expected to increase to 8.3 million with a CAGR of 4.3% from 2017. The penetration rate of private higher education in China has increased from 21.1% in 2013 to 22.8% in 2017, which has indicated that more students have chosen to go to private higher education institutions instead of public ones, and this trend is likely to continue as the penetration rate is expected to reach 24.6% in 2022, driven by increasing market demand and government support. The diagrams below set out the total number of student enrollments and the penetration rate in private higher education in China, from 2013 to 2017, as well as a forecast from 2018 to 2022.

Total Number of Student Enrollments in Private Higher Education (China), 2013 – 2022E



Penetration Rate of Private Higher Education by Number of Student Enrollments (China), 2013 – 2022E



Source: Frost & Sullivan

Tuition and Miscellaneous Fees of the Private Higher Education Industry in China

According to the Frost & Sullivan Report, tuition and miscellaneous fees in private higher education institutions are usually higher than that in public higher education institutions. One of the key reasons is that public higher education institutions usually have public funds to support their operations, while only a small percentage of total public educational expenditure in China was spent on the private sector, and therefore, private higher education institutions have to rely on tuition and miscellaneous fees to maintain operations. For example, 68.8% of public higher education institutions' revenue was sourced from government funding in 2017 while only 11.6% of private undergraduate institutions' revenue was sourced from government appropriation in the same year. Additionally, private higher education institutions that have better facilities and offer more diversified curricula usually charge much higher fees than public higher education institutions. The average annual tuition fee of private higher education institutions was RMB11,533 in 2017, which is much higher than that of public higher education institutions which was RMB6,996 in 2017. China's average tuition fees of higher education per student per school year increased from RMB7,554 in 2013 to RMB8,031 in 2017, which correlated to the increase in per capita GDP in China. As China's economy continues to develop and per capita GDP in China continues to increase, China's average tuition fees for higher education is expected to grow.

In addition, teacher's salary is one of the major costs of China's high education institutions. According to the Frost & Sullivan Report, in 2017, the average range of teachers' salary in South China's higher education market was approximately RMB4,500 per month to RMB8,500 per month.

Market Drivers of the Private Higher Education Industry in China

According to the Frost & Sullivan Report, the development of the private higher education industry in China is primarily driven by the following factors:

- **Government Support:** The Chinese government has released several policies such as the Law for Promoting Private Education of the PRC and the 2016 Amendments to promote the sound development of private higher education. These policies and regulations strongly support the growing of the market.

- **Increasing Wealth and Demand for Higher Education:** With people's increasing income and improved physical living conditions, they are more aware of the importance of education. Private education gained ground for development based on the gap between the rapidly increasing demand for higher education and the relatively limited public higher educational resources. Compared with major developed countries in Europe and North America, China's higher education enrollment rate is significantly lower. With continual economic development, Chinese households' increasing income and wealth, and strong government support for an overall increase in the educational level of Chinese society, this rate is expected to continue increasing at a rapid pace. Nevertheless, the development of public educational resources is likely to maintain a relatively stable pace. Thus, private education is expected to fill in the gap and show strong development.

- **Growing Market Demand for Technical Talent:** With continuous strong economic development, the market is demanding more technical talent skills in all areas. Especially with public higher education expanding its enrollment base, a significant lack of skilled and well-trained first-line operative workers has been identified, strongly supporting the growing demand for private higher education, which focuses more on professional education.

- **Increasing Diversification and Strengthened Education Quality:** With policy support and private education groups' ever-increasing capabilities in resource integration, the education quality of private higher education is continuously improving. The emergence and steady development of a batch of leading private undergraduate institutions with comparable resources and education quality as first-tier public universities signified the latest upgrade of China's private higher education market. Meanwhile, private higher education that focuses on professional education is expanding its course profiles and increasing the level of specialization for each specific field. Such developments are expected to attract more people to consider private higher education and drive the growth of the market on a long-term basis.

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:

- **Better Match of Talent Cultivation and Market Demand:** Universities focusing on applied technologies are able to provide training with practical techniques and are therefore better in cultivating technical talents, who are well sought after by employers in China. The PRC government is expected to further increase its support for the development of profession-oriented higher education and relevant institutes.

- **Increasing Number of Private Undergraduate Institutions:** A large number of independent colleges emerged during the exploratory phase for China's private higher education, when private education operators severely lacked resources and experience and private higher education suffered from a lack of awareness and approval from the general public. Nevertheless, supported by private education operators' increasing capability to integrate quality academic and capital resources, as well as their continuously improving education quality and recognition, the transformation from independent colleges to private undergraduate institutions is likely to be a key development trend. This trend is also supported by the Chinese people's pursuit of a higher degree level based on society's overall social, economic, and technological development along with the Chinese people's increasing income and wealth and their increasing spending on education.

- **Industry Consolidation:** China's higher education market is expected to observe increasing consolidation with more and more ownership transfers and mergers and acquisitions, based on the continual development of industry leading players. This is primarily because growth through M&A is a major strategy for business growth in this industry. With tight requirements under the relevant laws and regulations for the establishment of higher education institutions, the large amount of capital and resources required, and long period of preparation and establishment required, growth through M&A is widely adopted by industry players for its high efficiency and effectiveness.

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 out below:

- **Regulatory approval:** Private 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. The lengthy, complex and uncertain application process has become a natural barrier especially for new school operators.

- **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 costs for new school establishments and existing schools to establish branches in new locations.

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

- **Brand Awareness and Student Source:** Students and their parents tend to choose a reputable school with a long operating history and well-established reputation, which takes time and years of experiences to achieve, which poses obstacles for new entrants in attracting sufficient students.

- **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.

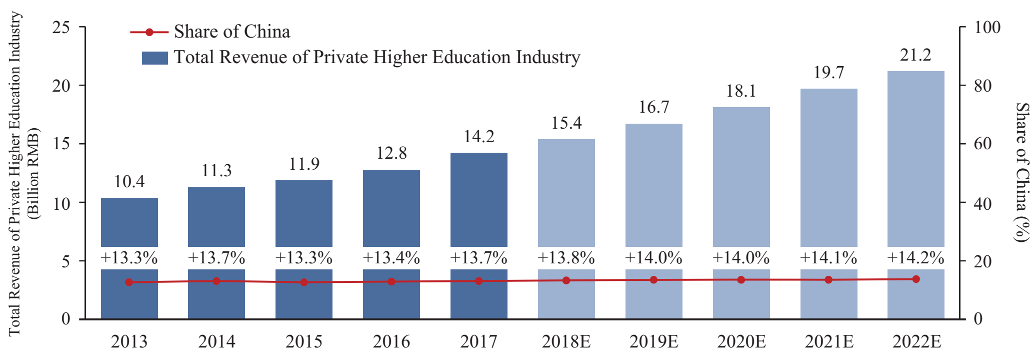
- **Operational Experience and Management Capability:** Operational and management experiences are vital for the operation of schools as well as in achieving economies of scale, which is a significant entry barrier for new entrants.

OVERVIEW OF SOUTH CHINA'S PRIVATE HIGHER EDUCATION INDUSTRY

Market Size and Trends of South China's Private Higher Education Market

South China includes Guangdong, Guangxi and Hainan. According to the Frost & Sullivan Report, South China's total revenue for private higher education had grown rapidly from 2013 to 2017, increasing from RMB10.4 billion in 2013 to RMB14.2 billion in 2017, representing a CAGR of 8.1%. In 2017, South China's total revenue of private higher education took a share of 13.7% in China. For future years from 2017 to 2022, South China's total revenue for private higher education is expected to increase from RMB14.2 billion in 2017 to RMB21.2 billion in 2022, representing a CAGR of 8.4%. The diagram below sets out the total revenue of the private higher education industry in South China, from 2013 to 2017 in both absolute terms and as a percentage of total private higher education industry revenues in China, as well as a forecast of total revenue of the private higher education industry in South China expected from 2018 to 2022.

Total Revenue of Private Higher Education Industry (South China), 2013 – 2022E

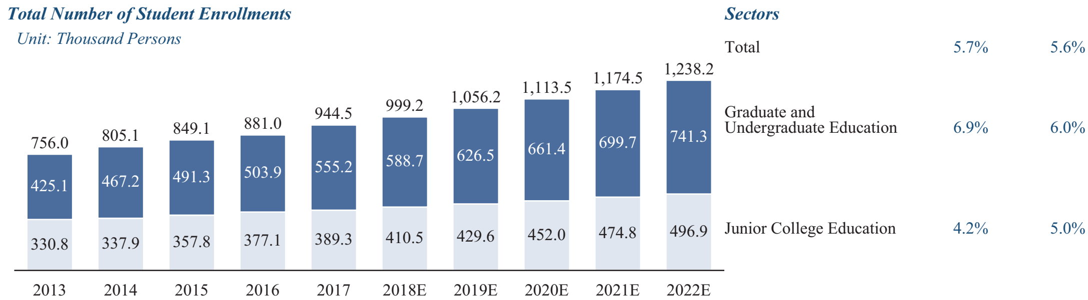


Source: Frost & Sullivan

Student Enrollment in the Private Higher Education Industry in South China

According to the Frost & Sullivan Report, from 2013 to 2017, the number of student enrollments in private higher education in South China increased from 756.0 thousand to 944.5 thousand, representing a CAGR of 5.7%. For the future years from 2017 to 2022, the number of student enrollments in private higher education in South China is expected to increase from 944.5 thousand to 1,238.2 thousand, representing a CAGR of 5.6%. The diagram below sets out the total number of student enrollments in private higher education in South China, from 2013 to 2017, as well as a forecast of total number of student enrollments in private higher education in South China expected from 2018 to 2022.

Total Number of Student Enrollments in Private Higher Education (South China), 2013 – 2022E



Source: Frost & Sullivan

Competitive Landscape of Private Higher Education in South China (Excluding Independent Colleges)

An independent college is a type of private higher education institution offering undergraduate programs that are run by non-governmental institutions or individuals through cooperation with public universities. They are different from other private higher education institutions in many material aspects: (i) the operation and student admission of independent colleges are under the name of the sponsoring public university; (ii) some independent colleges are located on the campus of their corresponding sponsoring public universities and use the teachers and other teaching resources of their corresponding sponsoring public universities; (iii) when students graduate, degrees awarded bear the name of their corresponding sponsoring public universities; and (iv) independent colleges normally pay a large portion of their tuition fee income to the sponsoring public university for the use of the brand and the resources. For the reasons above, our analysis of the competitive landscape of the private higher education industry in China has excluded independent colleges.

As of September 30, 2017, Guangdong Polytechnic College ranked first among a total of 61 private higher education institutions (excluding independent colleges) in South China in terms of the number of newly admitted students and student enrollment. The student enrollment of Guangdong Polytechnic College was approximately 24.2 thousand, with a market share of 2.6% in South China. The table below sets out the five leading players in South China in terms of student enrollments in 2017.

Leading Players in terms of Student Enrollments (South China), 2017

Rank	College	Student Enrollments	Share
		Unit: Thousand Students	Unit: %
1	Guangdong Polytechnic College	24.2	2.6
2	College A	23.6	2.5
3	College B	20.9	2.2
4	College C	20.7	2.2
5	College D	18.7	2.0

Source: Frost & Sullivan
Note: Student enrollments include undergraduate and junior college programs and do not include adult college programs.

As of September 30, 2017, Guangdong Polytechnic College ranked third among a total of 86 private higher education institutions (including independent colleges) in South China in terms of student enrollments.

OVERVIEW OF CHINA'S AND GUANGDONG'S PRIVATE SPECIALIZED SECONDARY SCHOOL

Market Size and Student Enrollment of Private Specialized Secondary School in China

According to the Frost & Sullivan Report, China's total revenue of private specialized secondary schools has decreased from RMB4.3 billion in 2013 to RMB3.9 billion in 2017, representing a negative CAGR of 2.7%. The total number of student enrollments in private specialized secondary vocational schools in China has also shown a decrease from 0.95 million in 2013 to 0.91 million in 2017, representing a negative CAGR of 1.1%. The downward trend is primarily attributable to the decrease in the school-age population in the past five years, according to the Frost & Sullivan Report. However, the school-age population in China is expected to witness a reverse in the next five years and the growth of teaching costs has also driven the growth of per student expenditure on education, which in turn will lead to the growth in revenue. From 2017 to 2022, the revenue is expected to grow at a CAGR of 1.3% and reach RMB4.1 billion in 2022. Total number of student enrollments is expected to witness a slight growth to 0.93 million in 2022, representing a CAGR of 0.6% from 2017.

Market Size and Student Enrollment of Private Specialized Secondary School in Guangdong

According to the Frost & Sullivan Report, Guangdong's total revenue of private specialized secondary schools increased from RMB845.9 million in 2013 to RMB1,000.4 million in 2017, representing a CAGR of 4.3%. The number is expected to increase to RMB1,298.8 million in 2022, representing a CAGR of 5.4% from 2017. Total number of student enrollments in private specialized secondary schools in Guangdong has shown a decrease from 95.8 thousand in 2013 to 86.5 thousand in 2017, representing a negative CAGR of 2.5%. The total number is expected to witness a slight growth to 93.8 thousand in 2022, representing a CAGR of 1.6% from 2017.

Competitive Landscape of Private Specialized Secondary School in Guangdong

According to the Frost & Sullivan Report, as of September 30, 2017, Zhaoqing School ranked first in terms of student enrollments among a total of approximately 70 private specialized secondary schools in Guangdong Province, with student enrollments of 7.4 thousand and market share of 8.5%. The following table sets out the five leading players in Guangdong Province in terms of student enrollments in 2017.

Leading Players in terms of Student Enrollments (Guangdong), 2017

Rank	School	Student Enrollments	Share
		Unit: Thousand Students	Unit: %
1	Zhaoqing School	7.4	8.5%
2	School E	4.9	5.7%
3	School F	4.2	4.9%
4	School G	4.0	4.6%
5	School H	3.9	4.5%

Source: Frost & Sullivan

Market Drivers of Private Specialized Secondary School in China

According to the Frost & Sullivan Report, the development of private specialized secondary school in China is primarily driven by the following factors, some of which are similar to that of the private higher education industry:

- **Growing Market Demand for Vocational Talent:** The "Made in China 2025" pointed out that talent-oriented strategy is one of the strategies of China's manufacturing industry in the future, and require cultivation professional and technical personnel that meet the imperative need for the country's development. It emphasizes that developing professional talents is crucial for improving the innovative development of the country's manufacturing industry. Accordingly, it is expected to lead to increasing demand for skilled vocational talents, which is the principal cultivation objective of private specialized secondary schools. As the most important channel of training applied talent in China, vocational schools will be promoted by demand growth and the MOE is expected to expand the enrollment quota of vocational education.
- **The Upgrading Degree Level of Vocational Education:** With changes in national policies, the level of vocational education has been promoted, which greatly encourages students to choose vocational schools. Meanwhile, employers are more willing to hire a candidate who is both professional and skilled.
- **The Advantages of School-Enterprise Cooperation:** In recent years, more and more private vocational schools have begun to cooperate with enterprises to train students, which provides job opportunities to students and also a stable talent resource for enterprises.

Development Trends of Private Specialized Secondary School in China

According to the Frost & Sullivan Report, the developmental trends of private specialized secondary school in China include the following:

- **Degree Level Upgrade:** In Shanghai, secondary vocational schools have cooperated with higher education institutions to launch new programs, which allow students to enroll in higher education institutions without National Higher Education Entrance Examination. Private specialized secondary schools will also try new ways to enhance the degree level and their graduates' competitiveness through cooperation.
- **Further Enhancement of School-Enterprise Collaboration:** The school-enterprise collaborations not only meet the demands of enterprises, but also reduce unemployment for graduates. For students in specialized secondary schools, the professional school-enterprise collaboration programs will improve their marketability for jobs following graduation. This win-win situation indicates that the school-enterprise collaboration is likely to be further enhanced in the future.
- **Adjust Teaching Mode and Curriculum to Match Evolving Market Demand:** With the continuous reform and development of the macroeconomy in China as well as restructuring and upgrading of various industries, there is a constant evolution in the market demand for vocational talent to keep changing and upgrading. The situation is expected to impel private specialized secondary schools to keep adjusting their curriculum offering to match evolving market demand and skillset requirements of industry development and upgrading.

PRC REGULATIONS

This section sets forth a summary of the most significant laws, rules and regulations that affect our business and operations in China.

FOREIGN INVESTMENT IN EDUCATION IN THE PRC

Regulations on Foreign Investment

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

The Wholly Foreign-owned Enterprise Law has been further revised by the NPC Standing Committee on September 3, 2016 and has become effective on October 1, 2016. Pursuant to the amendments, for a wholly foreign-owned enterprise which the special entry management measures does not apply to, its establishment, operation duration and extension, separation, merger or other major changes shall be reported for record. The special entry management measures stipulated by the State shall be promulgated or approved to be promulgated by the State Council. Pursuant to a notice issued by the NDRC and the MOFCOM on October 8, 2016, the special entry management measures shall be implemented with reference to the relevant regulations as stipulated in the Foreign Investment Catalog in relation to the restricted foreign-invested industries, prohibited foreign-invested industries and encouraged foreign-invested industries which have requirements as to shareholding and qualifications of senior management.

To further clarify the scope of special access administrative measures for foreign investment, the NDRC and the MOFCOM jointly issued an announcement (國家發展改革委商務部公告2016年第22號) on October 8, 2016, stating that upon approval of the State Council, such scope shall be subject to relevant provisions on equity and executives requirements in the categories of restricted, prohibited and encouraged industries as stipulated in the Foreign Investment Catalog.

Pursuant to the Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) promulgated by MOFCOM on October 8, 2016, amended on July 30, 2017 with effect from the same day, establishment and modifications of foreign-invested enterprises not subject to the approval under the special entry management measures shall be filed with the delegated commercial authorities.

Foreign Investment Industries Guidance Catalog (2017)

Under the Foreign Investment Industries Guidance Catalog (Amended in 2017) (《外商投資產業指導目錄(2017年修訂)》), the "Foreign Investment Catalog") which was amended and promulgated by the NDRC and the MOFCOM on June 28, 2017 and became effective on July 28, 2017. Under the Foreign Investment Catalog, foreign-invested industries are classified into two categories, namely (i) encouraged foreign-invested industries and (ii)foreign-invested industries which are subject to

Special Administrative Measures for Access of Foreign Investment (Negative List for Access of Foreign Investments) ("the **Negative List**"). The Negative List is further divided into restricted foreign-invested industries and prohibited foreign-invested industries. Unless otherwise provided in the PRC laws, the industries which are not set out in the Negative List are permitted foreign-invested industries.

Pursuant to the Foreign Investment Catalog, higher education is a restricted industry for foreign investors, and foreign investors are only allowed to invest in higher education in cooperation with a domestic party and the domestic party shall play a dominant role in the cooperation, which means the headmaster or other chief executive officer of the schools shall be a PRC national and the representative of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution.

Regulations on Sino-Foreign Cooperation in operating school

Sino-foreign cooperation in operating schools or training programs is specifically governed by the Regulations on Sino-Foreign Cooperative Education of the PRC (《中華人民共和國中外合作辦學條例》, the "Sino-Foreign Regulation") and the Implementing Rules for the Regulations on Operating Sino-foreign Schools (《中華人民共和國中外合作辦學條例實施辦法》, the "Implementing Rules").

The Sino-Foreign Regulation and its Implementing Rules apply to the activities of educational institutions established in the PRC cooperatively by foreign educational institutions and Chinese educational institutions, the students of which are to be recruited primarily among PRC citizens and encourage substantive cooperation between overseas educational organizations with relevant qualifications and experience in providing high-quality education and PRC educational organizations to jointly operate various types of schools in the PRC, with such cooperation in the areas of higher education and occupational education being encouraged. The overseas educational organization must be a foreign educational institution with relevant qualifications and experience at the same level and in the same category of education. Sino-foreign cooperative schools are not permitted, however, to engage in compulsory education and military, police, political and other kinds of education that are of a special nature in the PRC. Any Sino-foreign cooperation school and cooperation program shall be approved by relevant education authorities and obtain the Permit for Sino-foreign Cooperation in Operating School. A Sino-foreign cooperation school established without the above approval or permit may be banned by the relevant authorities, be ordered to refund the fees collected from its students and be subject to a fine of no more than RMB100,000, while a Sino-foreign cooperation program established without such approval or permit may also be banned and be ordered to refund the fees collected from its students.

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

REGULATIONS ON PRIVATE EDUCATION IN THE PRC

Education Law of the PRC

On March 18, 1995, the NPC enacted the Education Law of the PRC (《中華人民共和國教育法》, the "Education Law") which was effective on September 1, 1995. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school education system comprising pre-school education, primary education, secondary education and higher education, a system of nine-year compulsory education, a national education examination system, and a system of education certificates. The Education Law stipulates that the government should formulate plans for the development of education and establishes and operates schools and other institutions of education and in principle, enterprises, social organizations and individuals are encouraged to establish and operate schools and other types of education institution in accordance with PRC laws and regulations. On December 27, 2015, the Standing Committee of the NPC (全國人民代表大會常務委員會， the "NPC Standing Committee") published the Decision on Amendment of the Education Law, which became effective on June 1, 2016. The NPC Standing Committee narrowed the provision prohibiting the establishment or operation of schools or other educational institutions for profit to only including a school or other educational institution founded with governmental funds or donated assets in the amended Education Law.

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

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

The Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) became effective on September 1, 2003 and was subsequently amended on June 29, 2013 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. According to these regulations, "private schools" are defined as schools established by social organizations or individuals using non-government funds. The establishment of a private school shall meet the local need for educational development and the requirements provided for by the Education Law and relevant laws and regulations, and the standards for the establishment of private schools shall comply with those for the establishment of public schools of the same grade and category. In addition, private schools providing academic qualifications education, pre-school education, education for self-study examinations and other education shall be subject to approval by the education authorities at or above the county level, while private schools engaging in occupational qualification training and occupational skill training shall be subject to approvals from the authorities in charge of labor and social welfare at or above the county level, which shall send a copy of the approval document to the administrative department for education at the same level for the record. 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).

Under the above regulations, private schools have the same status as public schools, though private schools are prohibited from providing military, police, political and other kinds of education which are of a special nature. Public schools that provide compulsory education are not permitted to be converted into private schools. The operations of a private school are highly regulated. For example, a private school shall establish an executive council, a board of directors or any other form of the decision-making body and such decision-making body shall meet at least once a year. Furthermore, the text books selected by private elementary schools and middle schools for teaching state fundamental classes should be approved in accordance with related laws and regulations, and the curriculum arrangements of the teaching courses should conform to the provisions of the MOE. Teachers employed by a private school shall have the qualifications specified for teachers and meet the conditions for the post as provided for in the Teachers Law of the PRC (《中華人民共和國教師法》) and other relevant laws and regulations, and there shall be a definite number of full-time teachers in a private school, and in private schools offering academic qualifications education fulltime teachers shall account for not less than one-third of the total number of the teachers.

Reasonable return and development fund

Under the above regulations, a private school may elect to be a school that its school sponsors do not require reasonable returns or a school that its school sponsors require reasonable returns. The school sponsor of Zhaoqing School has elected to require reasonable returns, while the school sponsor of the Guangdong Polytechnic College has elected not to require reasonable returns.

A private school that its school sponsors do not require reasonable returns cannot distribute profit to its school sponsors. For a private school that its school sponsors require reasonable returns, it may distribute reasonable returns to its school sponsors after deducting school operation costs, reserves for the development fund (as further described in the paragraph below) and provision for certain costs in accordance with the PRC laws and regulations, and it shall consider factors such as the school's tuition, the ratio of the funds used for education-related activities to the course fees collected, admission standards and educational quality when determining the percentage of the school's net income that would be distributed to the school sponsors as reasonable returns. However, the current PRC laws and regulations do not provide a formula or guidelines for determining what constitutes a "reasonable return." In addition, the current PRC laws and regulations do not set forth different requirements or restrictions on a private school's ability to operate its education business based on such school's status as a school that its school sponsors require reasonable returns or a school that its school sponsors do not require reasonable returns.

At the end of each year, every private school is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. For a private school that its school sponsors require reasonable returns, this amount is at least 25% of the annual net income of the school, while in the case of a private school that its school sponsors do not require reasonable returns, this amount is at least 25% of the annual increase in the net assets of the school, if any.

Pursuant to the 2016 Amendments as further described in the paragraphs below, private schools will no longer be classified as schools that its school sponsors require reasonable returns and schools that its school sponsors do not require reasonable returns. Instead, school sponsors of a private school which provides education services other than nine-year compulsory education may choose for the school to be a for-profit private school or a non-profit private school.

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

On November 7, 2016, the Standing Committee of the NPC published the 2016 Amendments, which became effective on September 1, 2017. In accordance with 2016 Amendments, as long as the school does not involve in the provision of compulsory education, school sponsors of the private school are allowed to register and operate the school as for-profit or non-profit private schools. School sponsors of for-profit private schools are allowed to get income from the operation of the school and the balance of running such schools is permitted to be handled in accordance with the PRC Company Law and other relevant laws and administrative regulations. While school sponsors of non-profit private schools are prohibited from getting income from the operation of the school and the balance of running such schools shall be only used for the operation of the schools. Furthermore, the remaining assets upon liquidation of for-profit private schools are permitted to be handled in accordance with the relevant provisions of the PRC Company Law and that of non-profit private schools shall only be used for the operation of other non-profit private schools.

In addition, pursuant to 2016 Amendments, for-profit private schools are entitled to make their own decisions about the fees collection in accordance with the market situation while the fees collection of non-profit private schools shall be subject to concrete measures to be promulgated by the provincial, autonomous regional or municipal government. In addition, private schools are entitled to preferential tax policies and land policies in accordance with the PRC laws, with the emphasis that non-profit private schools shall enjoy the preferential tax policies and land policies equivalent to those applicable to public schools.

And furthermore, upon the termination of such non-profit private schools, the government authority may grant some compensation or reward to the school sponsor who has made capital contribution to such schools from the remaining assets of the schools upon their liquidation and then apply the rest of the assets to the operation of other non-profit private schools.

Several Opinions on Encouraging Private Entities and Individuals to Operate Schools and Promote the Healthy Development of Private Education

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

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

Implementing Measures on Classification Registration of Private Schools

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

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

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

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

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

According to the implementation regulations, a social organization or individual running a for-profit private school shall have the financial strength appropriate to the level, type and scale of the school, and their net assets or monetary funds shall be able to satisfy the costs of the school construction and development. Furthermore, the social organization running the for-profit private school shall be a legal person who is in good credit standing, and shall not be listed as an enterprise operating abnormally or be listed as an enterprise that is in material non-compliance with the laws or be dishonest. Individuals running for-profit private schools should be PRC citizens who reside in China, be in good credit standing without any criminal record and enjoy political rights and complete civil capacity.

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

For-profit private schools shall implement the financial and accounting policies required by the PRC Company Law and other relevant regulations and include all of their income into their financial accounts and issue legal invoices and other documents as required by tax authorities for such income. For-profit private schools enjoy legal person property rights and shall be entitled to manage and use all of their assets in accordance with applicable regulations in their duration. The sponsors of for-profit private schools shall neither withdraw his/her share of the registered capital nor mortgage the teaching facilities for loans or guarantees. The balance of the school operation could only be distributed upon the annual financial settlement.

For-profit private schools shall, in accordance with the Provisional Regulations on Enterprise Information Publicity（《企業信息公示暫行條例》）, publicize their credit information such as annual report information, administrative license information and administrative penalty information through the national enterprise credit information publicity system. In addition to information that has been made public by the school, the social organizations or individuals could make a written application to the school for additional information.

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

Notice on the Registration and Administration of the Name of For-Profit Private Schools

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

The Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval) (《中華人民共和國民辦教育促進法實施條例(修訂草案) (送審稿)》)

The MOE released for consultation purposes the MOE Draft for Comment and its explanatory notes on April 20, 2018, and the consultation period for public comments was closed on May 20, 2018. Compared with the current effective 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》, the changes set out in the MOE Draft for Comments include but are not limited to: (i) a private school which provides pre-school education or formal education shall enjoy equal rights of enrollment with a public school of the same grade and category and provincial governments may formulate specific provisions to permit such private schools to expand their enrollment scale; (ii) non-profit private schools shall enjoy the same tax preferential policies as those enjoyed by public schools, and for-profit schools shall enjoy tax preferential treatment and other preferential policies applicable to industries encouraged by the state for development, of which the specific provisions shall be formulated jointly by the administrative department for finance, taxation and other relevant administrative departments of the State Council; (iii) the local people's 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 equally with public schools, and for schools that provide pre-school education or formal education, may provide lands by means of bid invitation, auction or listing, assigning contracts, long-term lease, sale after rental or combination of sale as well as rental, and may give appropriate preferential treatment on charges for the assignment or rental of land, and may permit payment in installments; (iv) private schools which provide academic non-credential education may set up branches in municipalities or cities with districts and file with both the competent authorities where such branches are located and the approval authority of the private school; and (v) the MOE Draft for Comments stipulates further provisions of the financial management of private schools, such as information disclosure system for connected transactions of non-profit private schools, mechanism of educational cost accounting, etc.

On August 10, 2018, the MOJ issued the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval) (《中華人民共和國民辦教育促進法實施條例(修訂草案) (送審稿)》) (the "MOJ Draft for Comments") based on a revised version of the MOE Draft for Comments.

As the consultation period for the MOE Draft for Comments ended in May 2018 and MOJ Draft for Comments has been issued, as advised by our PRC Legal Advisers, the MOE Draft for Comments has served its consultation purpose and will not cast any implication to the Company's business and operations.

Among others, the major difference between the MOJ Draft for Comments and the MOE Draft for Comments includes:

(1) Clause 5 of the MOJ Draft for Comments

Clause 5 of the MOJ Draft for Comments provides that foreign investment enterprises which are established in the PRC and social organizations which are controlled with foreign investors are prohibited from establishing or participating in the establishment of or having actual control over private schools implementing compulsory education. The MOE Draft for Comments does not contain such provision.

(2) Clause 12 of the MOJ Draft for Comments

Clause 12 of the MOJ Draft for Comments provides that social organizations which adopt centralized school management model are not allowed to acquire non-profit private schools or control them through ways such as franchising or "contractual arrangements." However, the MOJ Draft for Comments has not stipulated the definition of centralized school management model. The MOE Draft for Comments does not have this provision.

(3) Clause 45 of the MOJ Draft for Comments

Clause 45 of the MOJ Draft for Comments provides that any material, long-term or recurring agreement entered into between a non-profit private school and its connected parties shall be reviewed and audited by the education administrative authorities as well as the human resources and social security authorities in terms of the necessity and legality of such agreement and its compliance with the applicable laws and regulations. The MOE Draft for Comments does not contain this provision.

According to the Notice from the Ministry of Justice for Public Comments on the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval) (《司法部關於<中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)>公開徵求意見的通知》) issued by MOJ on August 10, 2018, the MOJ Draft for Comments has been submitted to the State Council for review and consideration by the MOE.

According to the Ordinance concerning the Procedures for the Formulation of Administrative Regulations (《行政法規制定程序條例》), the process for the formulation and modification of administrative regulations include the procedures to be taken for proposing, drafting, reviewing, adopting, and publishing. Such procedures involving seeking public comments during the process of the formulation of administrative regulations include: (1) at the stage for drafting, the drafting departments of the administrative regulations shall publish the draft version of administrative regulations, along with its interpretations, for seeking public comments; and (2) subsequently, at the stage of reviewing, the legislation department under the State Council shall publish the draft for examination and approval or the revised draft of administrative regulations, along with its interpretations, for seeking public comments.

The Ordinance concerning the Procedures for the Formulation of Administrative Regulations (《行政法規制定程序條例》) shall be applicable to the formulation and modification of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC, being an administrative regulation. The draft for seeking public comments at the first stage for drafting is the MOE Draft for Comments, while the draft for seeking public comments at the subsequent stage for reviewing is MOJ Draft for Comments. As advised by the Company's PRC legal advisers, the MOE Draft for Comments and the MOJ Draft for Comments are related to different steps in the process of preparing the administrative regulations. Accordingly, they do not have the effect of the promulgated administrative regulations and should not be considered as replacing one another. From the perspective of considering and reviewing administrative regulation, the State Council will consider and review the MOJ Draft for Comments, instead of the MOE Draft for Comments.

The MOJ Draft for Comments has not yet become effective and enforceable law, as there are uncertainties in terms of its content and form, and the MOJ Draft for Comments does not stipulate that such regulation will have retrospective effect after its implementation. The MOJ Draft for Comments further put forward the preferential tax treatments that private schools may enjoy, including: (i) a non-profit private school shall enjoy the same tax policies and the relevant tax concession as that enjoyed by a public school, and a for-profit school shall enjoy other preferential policies applied to industries encouraged by the state for development and corresponding tax preferential treatments, of which the specific provisions shall be formulated jointly by the administrative department for finance, taxation and other relevant administrative departments of the State Council; and (ii) the local governments shall grant preferential treatments in the form of land-use right by means of allocation, in accordance with the principle of treating non-profit private schools and public schools equally. For private schools that provide preschool education and education for academic credentials, the local governments may provide lands by means of auction, assignment, and long-term lease or a combination of sale and lease, and may give appropriate preferential treatment on the considerations for the assignment or lease of land, and may permit payment in installments within a prescribed terms in accordance with the contract.

Meanwhile, the MOJ Draft for Comments stipulates further provisions for the operation and management of private schools. Among other things, (i) a non-profit private school shall use the accounts filed with the competent authorities for transactions of fees collection and other activities; and a for-profit private school shall deposit all of the school's income into a designated settlement account of its own; (ii) a private school shall conduct any connected transactions in a transparent, fair and reasonable manner. The school shall establish relevant disclosure mechanisms for connected transactions. Any material, long-term or recurring agreement entered into between a non-profit private school and its connected party shall be reviewed and audited by the relevant government authorities to assess its necessity, legitimacy and compliance; (iii) the registered capital of a for-profit private school providing higher diploma education shall be no less than RMB200 million; (iv) social organizations that operate or control multiple private schools simultaneously or adopt centralized school management models shall have sufficient resources and capacities and undertake the management and supervisory responsibilities of those private schools that they operate. Social organizations that adopt centralized school management models are not allowed to acquire non-profit private schools or control them through ways such as franchising or "contractual arrangements."

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

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

According to the Notice Regarding Cancelation of the Fee Charge Permit System and Strengthening the Supervision in process and afterwards (《國家發展改革委、財政部關於取消收費許可證制度加強事中事後監管的通知》), or Circular 36, which was issued jointly by the NDRC and the Ministry of Finance on January 9, 2015, the fee charge permit system was canceled nationwide from January 1, 2016.

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

Pursuant to the Circular on the Cancelation of Tuition Record-filing and Boarding Fees Approval of Private Colleges, Universities and Secondary Vocational Schools (《關於取消我省民辦高校和民辦中職學校學費備案以及住宿費核准有關問題的通知》), which was issued jointly by the Guangdong Provincial Development and Reform Commission, Guangdong Provincial Department of Education and Guangdong Province Human Resources and Social Security Office on October 11, 2016 with effect from the same day, tuition charged by private colleges, universities and secondary vocational schools shall no longer be filed for record. Also, accommodation fee charged by these schools shall no longer be filed for approval.

Regulations on Safety and Health Protection of Schools

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

Regulations on Higher Education

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

In addition, the MOE issued the Several Provisions on the Administration of Non-state operated Colleges and Universities (《民辦高等學校辦學管理若干規定》) on February 3, 2007, which were amended on November 10, 2015, pursuant to which the conditions for running non-state-operated colleges and universities shall comply with the establishment standards as prescribed by the state and the basic indicators for running regular colleges and universities. The investors of a non-state-operated college or university shall, under the non-state-operated education promotion law and the regulation for the implementation thereof, timely and fully perform the capital contribution obligation. No non-state-operated college or university may engage in educational and teaching activities in any place other than that as specified in the license for running non-state operated education, or establish any branch, or rent or lend to others its license for running non-state-operated education. The principal of a non-state-operated college or university shall satisfy the appointment requirements of the state and shall have 10 or more years of experience of administration of higher education and shall be less than 70 years old. The term of office of a principal shall be four years in principle.

Regulations on Secondary Vocational Education

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

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

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

On July 8, 2010, the PRC central government promulgated the Outline of China's National Plan for Medium- and Long-Term Education Reform and Development (2010-2020) (《國家中長期教育改革和發展規劃綱要》(2010-2020)), which for the first time announced the policy that the government will implement a reform to divide private education entities into two categories: (1) for-profit private education entities and (2) non-profit private education entities. On October 24, 2010, the General Office of the State Council (國務院辦公廳) issued the Notices on the National Education System Innovation Pilot (《關於開展國家教育體制改革試點的通知》, "Pilot Notice"). Following the Pilot Notice, the MOE submitted to the State Council A Series of Suggested Amendments to Varies of Educational Laws (《教育法律一攬子修訂建議草稿(送審稿)》), the "Drafted Amendments") which were published by the legislation office of the State Council on September 5, 2013. The Standing Committee of the National People's Congress published Package Amendments to Education Laws (Draft) (《教育法律一攬子修訂建議草稿(草案)》), the "Package Amendments") on September 7, 2015. According to the Pilot Notice and Drafted Amendments and the Package Amendments, the PRC government plans to implement a for-profit and non-profit classification management system for private schools.

LEGAL REGULATIONS OVER REAL PROPERTY IN THE PRC

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

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

LEGAL REGULATIONS OVER INTELLECTUAL PROPERTY IN THE PRC

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) (the "Copyright Law"), which was amended on February 26, 2010 and became effective on April 1, 2010. Copyrights include personal rights such as the right of publication and that of attribution as well as property rights such as the right of production and that of distribution. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology, pay damages, etc.

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) (the "Trademark Law"), which was revised on August 30, 2013 and became effective on May 1, 2014, the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years, counted from the day the registration is approved. According to the Trademark Law, using a trademark that is identical with or similar to a registered trademark in connection with the same or similar goods without the authorization of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. The infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) (the "Patent Law"), which was revised on December 27, 2008 and became effective on October 1, 2009, after the grant of the patent right for an invention or utility model, except where otherwise provided for in the Patent Law, no entity or individual may, without the authorization of the patent owner, exploit the patent, that is, for production or business purposes, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. And after a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design. Where the infringement of patent is decided, the infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

Domain Name

Pursuant to the Measures for the Administration of Internet Domain Names of China (《中國互聯網絡域名管理辦法》), which was promulgated on November 5, 2004 and became effective on December 20, 2004, "domain name" shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of that computer. And the principle of "first come, first serve" is followed for the domain name registration service. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/it. Furthermore, the holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay the corresponding fees as required, the original domain name registrar shall write it off and notify the holder of the domain name in written form. Administration Measures for Internet Domain Names (《互聯網域名管理辦法》) was promulgated on August 24, 2017 and became effective on November 1, 2017. The Measures for the Administration of Internet Domain Names of China will be abolished at the same time.

LEGAL REGULATIONS OVER LABOR PROTECTION IN THE PRC

According to the Labor Law of the PRC (《中華人民共和國勞動法》) (Order No. 28 of the President) (the "Labor Law"), which was promulgated by the Standing Committee of the National People's Congress on July 5, 1994, came into effect on January 1, 1995 and was amended on August 27, 2009, an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and improve its labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for workers, guard against labor accidents and reduce occupational hazards.

Labor safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labor protection gear that complies with labor safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that are engaged in operations with occupational hazards. Laborers engaged in special operations shall have received specialized training and obtained the pertinent qualifications. An employer shall develop a vocational training system. Vocational training funds shall be set aside and used in accordance with national regulations and vocational training for workers shall be carried out systematically based on the actual conditions of the company.

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007, became effective on January 1, 2008, and was subsequently amended on December 28, 2012 and came into effect on July 1, 2013, and the Implementation Regulations on Labor Contract Law (《勞動合同法實施條例》) (Order No. 535 of the State Council) (the "Labor Contract Law"), which was promulgated on September 18, 2008 and became effective on the same day, regulate both parties through a labor contract, namely the employer and the employee, and contain specific provisions involving the terms of the labor contract. It is stipulated under the Labor Contract Law and the Implementation Regulations on Labor Contract Law that a labor contract must be made in writing. An employer and an employee may enter into a fixed-term labor contract, an un-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching agreement upon due negotiations with the employee or by fulfilling the statutory conditions. Labor contracts concluded prior to the enactment of the Labor Law and subsisting within the validity period thereof shall continue to be honored. With respect to a circumstance where a labor relationship has already been established but no formal contract has been made, a written labor contracts shall be entered into within one month from the effective date of the Labor Contract Law.

According to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in the PRC shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees. The Law on Social Insurance of the PRC (《中華人民共和國社會保險法》), which was promulgated on October 28, 2010 and became effective on July 1, 2011, has consolidated pertinent provisions for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

According to the Interim Measures for Participation in the Social Insurance System by Foreigners Working within the Territory of China (《在中國境內就業的外國人參加社會保險暫行辦法》), which was promulgated by the Ministry of Human Resources and Social Security on September 6, 2011 and became effective on October 15, 2011, employers who employ foreigners shall participate in the basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, and maternity leave insurance in accordance with the relevant law, with the social insurance premiums to be contributed respectively by the employers and foreigner employees as required. In accordance with such Interim Measures, the social insurance administrative agencies shall exercise their right to supervise and exam the legal compliance of foreign employees and employers and the employers who do not pay social insurance premium in conformity with the laws shall be subject to the administrative provisions provided in the Social Insurance Law and the relevant regulations and rules mentioned above.

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

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

LEGAL REGULATIONS OVER TAX IN THE PRC

Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "EIT Law"), which was promulgated on March 16, 2007 and became effective on January 1, 2008 and later was amended on February 24, 2017, and the Implementation Rules to the EIT Law (《中華人民共和國企業所得稅法實施條例》) (the "Implementation Rules"), which was promulgated on December 6, 2007 and became effective on January 1, 2008 by the State Council, enterprises are divided into resident enterprises and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its income deriving from both inside and outside China at the rate of enterprise income tax of 25%. A non-resident enterprise that has an establishment or place of business in the PRC shall pay enterprise income tax on its income deriving from inside China and obtained by such establishment or place of business, and on its income which derives from outside China but has actual relationship with such establishment or place of business, at the rate of enterprise income tax of 25%. A non-resident enterprise that does not have an establishment or place of business in China, or has an establishment or place of business in China but the income has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside China at the reduced rate of enterprise income tax of 10%.

According to Notice of the Ministry of Finance and the State Administration of Taxation on Tax Policies Relating to Education (《財政部國家稅務總局關於教育稅收政策的通知》) (the "Circular 39") and Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Strengthening the Administration over the Collection of Business Tax on

Educational Services (《財政部國家稅務總局關於加強教育勞務營業稅徵收管理有關問題的通知》) (the "Circular 3"), schools shall be exempt from enterprise income tax on fees they have collected upon approval and have incorporated under the fiscal budget management or the special account management of the funds outside the fiscal budget. Schools shall be exempt from enterprise income tax on the financial allocations they have received and special subsidies they have obtained from their administrative departments or institutions at higher levels.

According to the Law of PRC for Promoting Private Education (《中華人民共和國民辦教育促進法》), private school enjoys the state preferential tax policies, while the non-profit private school enjoys the same preferential tax treatment as public schools.

Income Tax In Relation To Dividend Distribution

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

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (Guoshui Han[2009] No. 81)(《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》)(國稅函[2009]81號), which was promulgated by the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局) (the "State Administration of Taxation") which became effective on February 20, 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

Business Tax

According to the Provisional Regulations on Business Tax (營業稅暫行條例) (Order No. 136 of the State Council), which was promulgated by the State Council on December 13, 1993, became effective on January 1, 1994, and was further amended on November 10, 2008, and the Detailed Implementing Rules on the Temporary Regulations on Business Tax (營業稅暫行條例實施細則), which was promulgated by the Ministry of Finance of the PRC and came into effect on December 25, 1993, was amended on May 22, 1997, December 18, 2008 and further amended on October 28, 2011, business tax is imposed on income derived from the furnishing of specified services and transferring of immovable property or intangible property at rates ranging from 3% to 20%, depending on the activity.

According to Circular 39, Circular 3 and the Provisional Regulations of the PRC on Business Tax, nursing services provided by nurseries, kindergartens and educational services provided by schools and other educational institutions shall be exempt from business tax. Hence, the nursing services and educational services provided by our schools are not subject to business tax.

Value-added Tax

According to the Temporary Regulations on Value-added Tax (《增值稅暫行條例》) (Order No. 538 of the State Council), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and was amended on November 10, 2008, February 6, 2016 and November 19, 2017, and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax (《增值稅暫行條例實施細則》) (Order No. 65 of the Ministry of Finance of the PRC), which was promulgated by the MOF and came into effect on December 25, 1993, and was amended on December 15, 2008 and October 28, 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax. The tax rate of 17% shall be levied on general taxpayers selling or importing various goods; the tax rate of 17% shall be levied on the taxpayers providing processing, repairing or replacement service; the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.

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

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui 2016 No. 36), which was promulgated by the MOF and the SAT on March 23, 2016 became effective on May 1, 2016, upon approval of the State Council, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from May 1, 2016 and business tax payers engaged in various industries shall be included in the scope of the pilot program for the payment of VAT instead of business tax. For general service income, the applicable VAT rate is 6%. Schools engaged in academic education are exempted from VAT on their education service.

Other Tax Exemptions

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

LEGAL REGULATIONS OVER FOREIGN EXCHANGE IN THE PRC

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

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

According to the Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (Hui Fa [2014] 37) (the "Circular No. 37"), which is promulgated on July 4, 2014 and with effect from the same day, before a domestic resident contributes its legally owned onshore or offshore assets and equity into an SPV, the domestic resident shall conduct foreign exchange registration for offshore investment with the local branch of the SAFE, and in the event of change of basic information such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete foreign exchange alteration of the registration formality for offshore investment. The SPV is defined as "offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and individual resident) with their legally owned assets and equity of the domestic enterprise, or legally owned offshore assets or equity, for the purpose of investment and financing"; "Round Trip Investments" refer to "the direct investment activities carried out by a domestic resident directly or indirectly via an SPV, i.e., establishing a foreign invested enterprise or project within the PRC through a new entity, merger or acquisition and other ways, while obtaining ownership, control, operation and management and other rights and interests." In addition, according to the procedural guidelines as attached to the Circular No. 37, the principle of review has been changed to "the domestic individual resident is only required to register the SPV directly established or controlled (first level)."

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

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

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

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

OUR HISTORY AND DEVELOPMENT

Overview

We are a leading provider of private higher education in South China focusing on profession-oriented education, according to the Frost & Sullivan Report. As of September 30, 2018, we had an aggregate of 45,118 students enrolled at the schools we operated, namely, Guangdong Polytechnic College and Zhaoqing School.

Our history can be traced back to 2000 when Zhaoqing School was first established under the name of Zhaoqing Technology School (肇慶科技學校) on May 19, 2000 by Mr. Ye utilizing his own personal wealth. Zhaoqing School was the first private institution of our Group approved by the Education Bureau of Zhaoqing City (肇慶市教育局) and the Bureau of Civil Affairs of Zhaoqing City (肇慶市民政局) for providing formal secondary vocational education and granting diploma certificate. On June 27, 2005, Zhaoqing School was renamed from Zhaoqing Technology School to Zhaoqing Science and Technology Secondary Vocational School (肇慶市科技中等職業學校) with the approval of the Education Bureau of Zhaoqing City.

Having accumulated years of experience in the education sector, we had gradually expanded our education service to offer higher vocational education and established Guangdong Polytechnic College under the name of Zhaoqing Technology Vocational Technical College (肇慶科技職業技術學院) on December 8, 2005. It was the first institution of our Group approved by the Guangdong Provincial Department of Education (廣東省教育廳) for providing higher vocational education. On May 16, 2014, Guangdong Polytechnic College obtained approval from the MOE for enhancing its school education qualification (辦學層次) from higher vocational college (高等職業學校) to undergraduate college (本科院校) and for its name to be changed from Zhaoqing Technology Vocational Technical College to Guangdong Polytechnic College (廣東理工學院). As at the Latest Practicable Date, Guangdong Polytechnic College provides undergraduate programs, junior college programs and adult education programs.

As at the Latest Practicable Date, our Group offered both formal higher education and secondary vocational education through our management and operation of Guangdong Polytechnic College and Zhaoqing School. Mr. Ye has accumulated over 34 years of experience in education. Please see “Directors and Senior Management” in this prospectus for further details.

Business Milestones

The following illustrates our major development milestones:

Year	Event
2000	Establishment of Zhaoqing School under the sole school sponsorship of Zhaoqing Kepei, the first private institution of the Group qualified for providing secondary vocational education and granting diploma certificate
2005	Establishment of Guangdong Polytechnic College under the name of Zhaoqing Technology Vocational Technical College under the sole sponsorship of Zhaoqing Kepei, the first private institution of the Group qualified for providing higher vocational education and granting junior college degrees

Year	Event
2005	Zhaoqing School was renamed from Zhaoqing Technology School to Zhaoqing Science and Technology Secondary Vocational School (肇慶市科技中等職業學校) and continued to engage in providing secondary vocational education
2011	Zhaoqing School was awarded the title of "Top 10 Higher Vocational Education in Guangdong Province (Private Institutions)" for seven consecutive years from 2005 to 2011
2014	Guangdong Polytechnic College became the first private institution of the Group as approved by the MOE qualified for providing undergraduate and junior college education and granting both undergraduate and junior college degrees

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

HISTORY OF OUR SCHOOL SPONSOR

Zhaoqing Kepei is the School Sponsor of Zhaoqing School and Guangdong Polytechnic College since their respective establishment.

Establishment of Zhaoqing Kepei

Zhaoqing Kepei was established on March 8, 2000 under the laws of the PRC with an initial registered capital of RMB2,000,000. Upon establishment, the total registered capital contribution and equity interest of Zhaoqing Kepei was as follows:

Name of shareholder(s)	Total registered capital (*RMB*)	Equity interest (%)
Ms. Shu	1,700,000	85%
Mr. Ye Nianjiu	200,000	10%
Mr. Zhao Xiangmu(Note)	100,000	5%
Total	**2,000,000**	**100%**

Note: Mr. Zhao Xiangmu is the brother-in-law of Mr. Ye.

Transfer among the Ye family

On November 2, 2004, for the purpose of consolidating the operation of Zhaoqing Kepei in the form of a family business under the management of Mr. Ye, (i) Mr. Ye entered into an equity transfer agreement with Ms. Shu, pursuant to which Ms. Shu agreed to transfer her 70% equity interest in Zhaoqing Kepei to him at a consideration of RMB1,400,000; and (ii) Mr. Ye entered into an equity transfer agreement with Mr. Zhao Xiangmu, the brother in law of Mr. Ye, pursuant to which Mr. Zhao Xiangmu agreed to transfer his 5% equity interest in Zhaoqing Kepei to Mr. Ye at a consideration of RMB100,000. Each of the aforesaid equity transfers was determined with reference to the registered capital of Zhaoqing Kepei as at the date of such transfer. Immediately after such transfers, the registered capital and equity interest of Zhaoqing Kepei was as follows:

Name of shareholder(s)	Total registered capital (*RMB*)	Equity interest (%)
Mr. Ye	1,500,000	75%
Ms. Shu	300,000	15%
Mr. Ye Nianjiu	200,000	10%
Total	**2,000,000**	**100%**

Capital Increase

On December 14, 2010, for the purpose of facilitating the business development of Zhaoqing Kepei, the registered capital of Zhaoqing Kepei was increased from RMB2,000,000 to RMB62,000,000 through additional capital contributions made by Mr. Ye, Ms. Shu and Mr. Ye Nianjiu in proportion to their then existing equity interests in Zhaoqing Kepei. Upon completion of such capital increase, the total capital contribution and equity interest of Zhaoqing Kepei was as follows:

Name of shareholder(s)	Total registered capital (RMB)	Equity interest (%)
Mr. Ye	46,500,000	75%
Ms. Shu	9,300,000	15%
Mr. Ye Nianjiu	6,200,000	10%
Total	**62,000,000**	**100%**

Introduction of Mr. Ye Xun as new shareholder and capital increase

On July 14, 2017, the then shareholders of Zhaoqing Kepei resolved to further increase the registered capital from RMB62,000,000 to RMB100,000,000 through additional capital contributions to be made by Mr. Ye, Mr. Ye Xun and Mr. Ye Nianjiu in the amount of RMB19,200,000, RMB15,000,000 and RMB3,800,000, respectively, with the introduction of Mr. Ye Xun, the son of Mr. Ye, as a new shareholder of Zhaoqing Kepei. Upon completion of such capital increase, the total capital contribution and equity interest of Zhaoqing Kepei would be as follows:

Name of shareholder(s)	Total registered capital (RMB)	Equity interest (%)
Mr. Ye	65,700,000	65.7%
Mr. Ye Xun	15,000,000	15%
Mr. Ye Nianjiu	10,000,000	10%
Ms. Shu	9,300,000	9.3%
Total	**100,000,000**	**100%**

Demerger

Zhaoqing Kepei underwent a demerger in September 2017 as part of the Corporate Reorganization to dispose of certain non-core business of our Group and the demerger was completed in November 2017. As a result of the demerger, Zhaoqing Kepei continued to hold Guangdong Polytechnic College and Zhaoqing School, which form our business, and Zhaoqing Qiaoli was established to hold the higher vocational education business and other non-education business then held by Zhaoqing Kepei. Please see "—Corporate Reorganization" for details. Immediately after the demerger, the total registered capital of Zhaoqing Kepei was reduced to RMB25,000,000.

Distribution by Mr. Ye to immediate family members

As part of the Corporate Reorganization, Mr. Ye distributed part of his equity interest in Zhaoqing Kepei to his immediate family member. Please see "—Corporate Reorganization" for details.

HISTORY OF OUR SCHOOLS

As at the Latest Practicable Date, our Group operated two schools, namely, Guangdong Polytechnic College and Zhaoqing School. We set forth below the development of these two schools:

Guangdong Polytechnic College

Guangdong Polytechnic College is a degree-granting undergraduate-level education institution, which provides undergraduate and junior college education offering 41 majors in a wide range of subject areas, including, among others, standardization management, electrical engineering and automation, electronic information engineering and mechanical design. Guangdong Polytechnic College was formerly known as Zhaoqing Technology Vocational Technical College (肇慶科技職業技術學院) and obtained approval from the Guangdong Provincial Department of Education on March 17, 2004 for its establishment as a higher vocational college (高等職業學校) under the laws of the PRC and the school sponsorship of Zhaoqing Kepei, with an initial capital of RMB90,000,000. On May 16, 2014, Guangdong Polytechnic College obtained approval from the MOE for enhancing its school education qualification from higher vocational college to undergraduate and for its name to be changed from Zhaoqing Technology Vocational Technical College to Guangdong Polytechnic College. As of the Latest Practicable Date, Guangdong Polytechnic College provides undergraduate programs, junior college programs and adult college programs to its graduates.

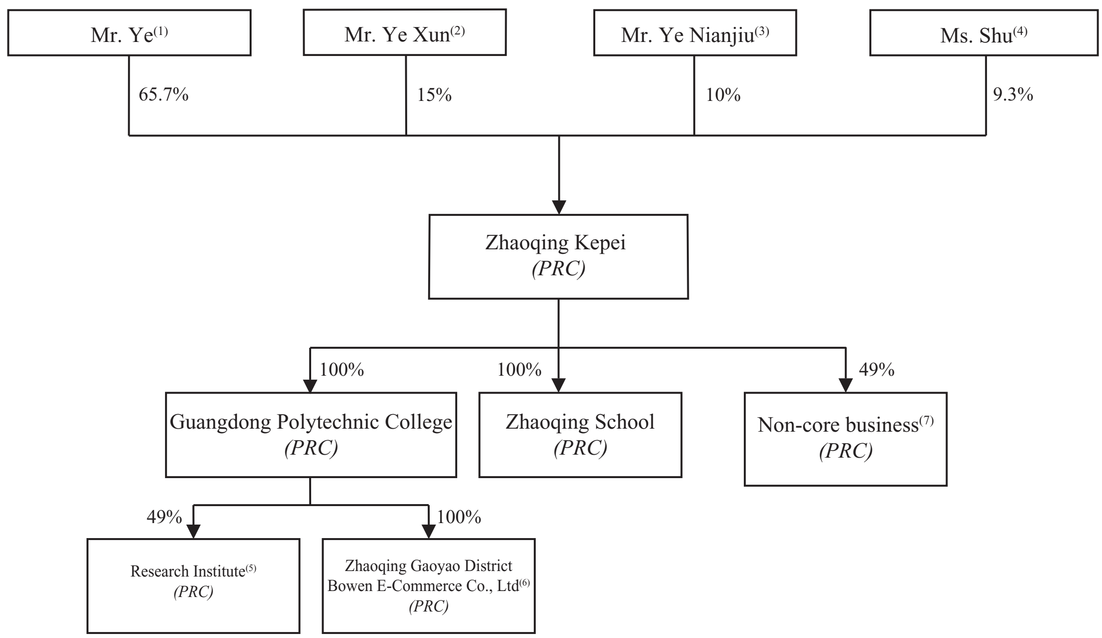
Zhaoqing School

Zhaoqing School is a secondary vocational education (中等職業教育) institution as recognized by the Guangdong Provincial Department of Education, which provides secondary vocational education in 11 majors, including, among others, automobile servicing, electronic commerce and electromechanical technology application.

Zhaoqing School was first established under the name of Zhaoqing Technology School (肇慶科技學校) and obtained approval from the Education Bureau of Zhaoqing City and the Guangdong Provincial Department of Education respectively on April 13, 2000 and May 19, 2000 for its establishment as a secondary vocational school under the laws of the PRC and the school sponsorship of Zhaoqing Kepei, with an initial capital of RMB2,000,000. On June 27, 2005, Zhaoqing School was renamed from Zhaoqing Technology School to Zhaoqing Science and Technology Secondary Vocational School (肇慶市科技中等職業學校) pursuant to a notification issued by the Education Bureau of Zhaoqing City. As of the Latest Practicable Date, Zhaoqing School provides secondary vocational education.

CORPORATE REORGANIZATION

In August 2017, we commenced the Corporate Reorganization in preparation for the Listing. In anticipation of the Listing, we underwent a restructuring exercise whereupon our Company became the holding company and the listing vehicle of our Group and our PRC operations were controlled by our Company through Structured Contracts. The following chart sets forth our corporate and shareholding structure immediately prior to the commencement of the Corporate Reorganization:



Notes:

(1) Mr. Ye, our Controlling Shareholder and executive Director, is the spouse of Ms. Shu, father of Mr. Ye Xun and brother of Mr. Ye Nianjiu.

(2) Mr. Ye Xun, an executive Director, is the son of Mr. Ye and Ms. Shu.

(3) Mr. Ye Nianjiu is the brother of Mr. Ye.

(4) Ms. Shu, our Controlling Shareholder, is the spouse of Mr. Ye and mother of Mr. Ye Xun.

(5) Research Institute was established in the PRC on May 11, 2016 with an initial registered capital of RMB5,000,000, and was held by Guangdong Polytechnic College and Guangzhou Wanzhi Information Technology Co., Ltd. (廣州萬智資訊科技有限公司), an Independent Third Party, as to 49% and 51%, respectively. The principal business of Research Institute is researching and fostering intelligent manufacturing technology and applications.

(6) Zhaoqing Gaoyao District Bowen E-Commerce Co., Ltd (肇慶市高要區博文電子商務有限公司) was established in the PRC on July 16, 2015 with an initial registered capital of RMB1,000,000 and was wholly owned by Guangdong Polytechnic College. The principal business of Zhaoqing Gaoyao District Bowen E-Commerce Co., Ltd is the provision of e-commerce services and network information engineering.

(7) As part of the Corporate Reorganization, certain businesses which did not form part of our business were excluded from our Group by way of demerger of Zhaoqing Kepei. Please see "—2. Disposal of non-core business by way of demerger of Zhaoqing Kepei" for details.

The Corporate Reorganization consisted of the following major steps:

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on August 24, 2017. The initial authorized share capital of our Company was US$50,000 divided into 50,000 shares with a par value of US$1.00 each and one share of US$1.00 was issued and allotted to the initial subscriber at par and the initial subscriber then transferred such Share to Qiaoge Company on the same day. Upon completion of such transfer, our Company was wholly owned by Qiaoge Company. On October 24, 2017, the authorized share capital of the Company (including the 1 issued Share and 49,999 unissued Shares) was subdivided into 5,000,000 Shares with a par value of US$0.01 each.

2. Disposal of non-core business by way of demerger of Zhaoqing Kepei

As part of the arrangements to streamline our business prior to Listing, Zhaoqing Kepei underwent a demerger in September 2017 to dispose of the non-core business. Immediately prior to the demerger of Zhaoqing Kepei, apart from our business primarily in undergraduate and secondary vocational education, Zhaoqing Kepei also held investment in higher vocational education, property management and rural credit and banking through the holding of equity interest in the following companies:

Entities	Business scope	Reason for excluding the interest in entities from our Group	Interest in entities (direct or indirect interest) (%)
Jiangxi Kepei	School sponsor of Jiangxi Vocational College	Not related to the provision of formal education	49% (direct interest)
Jiangxi Hongzhou Vocational College (江西洪州職業技術學院) ("Jiangxi Vocational College")	Provision of higher vocational education in Jiangxi Province	Focusing our resources for provision of formal higher and secondary education in Guangdong Province	49% (indirect interest)
Zhaoqing City Duanzhou District Huida Enterprise Management Co., Ltd (肇慶市端州區匯達企業管理有限公司)	Provision of property management and enterprise management consulting services	Not related to the provision of formal education	10.53% (direct interest)
Zhaoqing City Duanzhou District Huize Enterprise Management Co., Ltd (肇慶市端州區匯澤企業管理有限公司)	Provision of property management and enterprise management consulting services	Not related to the provision of formal education	10.53% (direct interest)
Zhaoqing City Dinghu District Rural Credit Association (肇慶市鼎湖區農村信用合作聯社) ("Dinghu Rural Credit Association")	Provision of financial and credit services	Not related to the provision of formal education	8.34% (direct interest)
Guangdong Gaoyao Rural Commercial Bank Co., Ltd.(廣東高要農村商業銀行股份有限公司) ("Gaoyao Rural Commercial Bank")	Provision of financial and credit services	Not related to the provision of formal education	2.61% (direct interest)
Zhaoqing Duanzhou Rural Commercial Bank Co., Ltd (肇慶端州農村商業銀行股份有限公司) ("Duanzhou Rural Commercial Bank")	Provision of financial and credit services	Not related to the provision of formal education	0.38% (direct interest)

The demerger was completed in November 2017. As a result of the demerger, Zhaoqing Kepei continued to hold Guangdong Polytechnic College and Zhaoqing School, which forms our principal business, and Zhaoqing Qiaoli was established to hold the higher vocational education business and other non-education business then directly or indirectly held by Zhaoqing Kepei. Immediately after the demerger, the registered capital of Zhaoqing Kepei was RMB25,000,000. Our Directors, including our independent non-executive Directors, are of the view that our Group's principal business is separate and distinct from that of Jiangxi Vocational College and there is no significant competition between our schools and Jiangxi Vocational College. For further details, please see "Relationship with our Controlling Shareholders—Delineation of Business" in this prospectus.

Our PRC Legal Advisors have confirmed that the demerger had been legally completed and settled and all necessary approvals and registrations from the relevant PRC authorities have been obtained and completed.

3. Subscription of Shares in our Company by the offshore holding companies

On October 25, 2017, each of Mr. Ye, Mr. Ye Xun, Mr. Ye Nianjiu and Ms. Shu, through their respective offshore holding companies, subscribed for the Shares in our Company at par in proportion to their then respective equity interests in Zhaoqing Kepei. The consideration of the subscribed Shares was determined with reference to the aggregate par value of such subscribed Shares in our Company. Upon completion of the subscriptions, our Company was owned by the following Shareholders and their respective subscription prices and equity interests are set forth in the table below:

Date of subscription	Name of Shareholder(s)	Number of subscribed Shares	Equity interest after the subscription (%)	Subscription price (US$)
October 25, 2017	Qiaoge Company	557	65.7	5.57
October 25, 2017	Chenye Company	150	15	1.50
October 25, 2017	Weixin Company	100	10	1.00
October 25, 2017	Shuye Company	93	9.3	0.93
Total		**900**	**100%**	**9.00**

Note: The equity interest of 65.7% held by Qiaoge Company includes 100 Shares with a par value of US$0.01 each, which were subdivided on October 24, 2017 from 1 Share with a par value of US$1.00 previously transferred to Qiaoge Company when our Company was incorporated on August 24, 2017.

4. Incorporation of Huanan Education

Huanan Education is an investment holding company and was incorporated in the BVI as a limited liability company on September 5, 2017. Huanan Education was authorized to issue a maximum of 50,000 shares of one class of US$1.00 par value each and one ordinary share was issued and allotted at par to our Company. Upon completion of such issue and allotment, Huanan Education was wholly owned by our Company.

5. Incorporation of China Kepei (Hong Kong)

China Kepei (Hong Kong) is an investment holding company and was incorporated in Hong Kong as a limited liability company on October 12, 2017. On the same day, one ordinary share was issued and allotted to Huanan Education at a subscription price of HK$1.00. Upon completion of such issue and allotment, China Kepei (Hong Kong) was wholly owned by Huanan Education.

6. Incorporation of International Academy

International Academy was incorporated as a company under the laws of the State of California on October 10, 2017 with 10,000 shares allotted and issued to China Kepei (Hong Kong). Upon completion of such issue and allotment, International Academy was wholly owned by China Kepei (Hong Kong).

International Academy was established in the State of California on October 10, 2017 as our entity to operate and manage our new school to be established overseas in the State of California. For further details regarding the regulatory background and purpose for the establishment of International Academy, please see "Structured Contracts—Background of the Structured Contracts—Plan to Comply with the Qualification Requirement" in this prospectus.

7. Disposal of the entire equity interest in Zhaoqing Gaoyao District Bowen E-Commerce Co., Ltd ("Zhaoqing Bowen")

On December 27, 2017, to dispose of Zhaoqing Bowen which did not form part of our principal business, Guangdong Polytechnic College transferred the entire equity interest in Zhaoqing Bowen to Mr. Huang Zhuoyu (黃焯宇) and Mr. Lin Weiting (林偉廷) on a 50:50 basis, both being Independent Third Parties, at the nominal consideration of RMB1.00 as Zhaoqing Bowen had nil-paid capital and had not commenced its business prior to the transfer.

Our PRC Legal Advisors have confirmed that the above equity transfers were properly and legally completed and settled and all necessary approvals and registrations from the relevant PRC authorities have been obtained and completed.

8. Establishment of Zhaoqing Information Technology

Zhaoqing Information Technology was established in the PRC as a wholly owned foreign enterprise on January 17, 2018 with a registered capital of RMB1,000,000, which was wholly owned by China Kepei (Hong Kong).

9. Distribution by Mr. Ye to immediate family members

In February 2018, Mr. Ye distributed part of his equity interest in our Company and Zhaoqing Kepei as gift to his immediate family member, namely Mr. Ye Xun and Ms. Shu.

In February 2018, Mr. Ye transferred 5% and 15.7% equity interest in Zhaoqing Kepei to Mr. Ye Xun and Ms. Shu, respectively, at nil and nil consideration. Immediately after such transfer, Zhaoqing Kepei was owned as to 45%, 25%, 20% and 10% by Mr. Ye, Ms. Shu, Mr. Ye Xun and Mr. Ye Nianjiu, respectively.

In February 2018, Qiaoge Company, a company wholly owned by Mr. Ye, transferred 50 Shares and 157 Shares to Chenye Company and Shuye Company, respectively, at nil and nil consideration. Immediately after such transfer, our Company was owned as to 45%, 25%, 20% and 10% by Qiaoge Company, Shuye Company, Chenye Company and Weixin Company, respectively.

10. Establishment of Tibet Kepei

Tibet Kepei was established in the PRC as a wholly owned foreign enterprise on June 4, 2018 with a registered capital of RMB1,000,000, which was wholly owned by China Kepei (Hong Kong).

11. Entering into the Structured Contracts to control our PRC Consolidated Affiliated Entities by Tibet Kepei

On July 10, 2018, Tibet Kepei entered into various agreements that constitute the Structured Contracts with, among others, our PRC Consolidated Affiliated Entities. Under the Structured

Contracts, all economic benefits arising from the business of our PRC Consolidated Affiliated Entities will be transferred to Tibet Kepei to the extent permitted by the PRC laws and regulations by means of services fees payable by our PRC Consolidated Affiliated Entities to Tibet Kepei. For further details on the contractual arrangements, please see "Structured Contracts" in this prospectus.

Compliance with PRC Laws and Regulation

Our PRC Legal Advisors confirmed that the establishment of our School Sponsor and PRC Operating Schools and their subsequent shareholding changes have complied with the relevant laws and regulations in all material respects.

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

PRE-IPO INVESTMENT

On April 30, 2018, our Company, Skyline Miracle Limited (the "**Pre-IPO Investor**"), Mr. Ye, Orchid Asia VII, L.P. and Orchid Asia VII Co-Investment, Limited entered into a convertible bond subscription agreement ("**Convertible Bond Subscription Agreement**"), pursuant to which our Company issued to the Pre-IPO Investor a convertible bond (the "**Convertible Bond**") with a principal amount of RMB330,000,000 convertible into our Shares (the "**Pre-IPO Investment**").

The principal terms of the Convertible Bond is set out as follows:

Name of Pre-IPO Investor	Skyline Miracle Limited
Date of Convertible Bond Subscription Agreement	April 30, 2018
Date on which the Pre-IPO Investment was fully settled	April 30, 2018
Subscription amount	RMB330,000,000
Interest	The Convertible Bond bears interest on its outstanding principal amount from and including November 1, 2018 at the rate of 6% per annum.
Maturity date	April 30, 2020, unless such date is extended to April 30, 2022 at the Bondholder's discretion (the "**Maturity Date**").
Basis of consideration	The relevant consideration was determined after arm's length negotiations between our Company and the Pre-IPO Investor with reference to the business valuation of our Company, the timing of the investment and the status of our financial performance and business operations.

Automatic conversion	Immediately prior to Listing, the whole principal amount under the Convertible Bond shall be mandatorily and automatically converted into Shares of the Company. The number of Conversion Shares to be issued to the Pre-IPO Investor will be determined according to the formula set forth below: $\frac{A}{B} \times C$ where: A = RMB330,000,000 B = RMB4,500,000,000, being the agreed valuation of the Company C = Shares expected to be in issue immediately upon the issue of the Conversion Shares to the Pre-IPO Investor and Listing (which will not take into account the number of Shares to be issued pursuant to the Over-allotment Option)
Number of Shares to be issued upon completion of the conversion of the Convertible Bond immediately prior to Listing	146,666,667 (the "**Conversion Shares**")
Direct shareholding in our Company upon the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised)	7.33%
Investment cost per Share	HK$2.567
Premium to Offer Price	7.4%, (calculated based on HK$2.39, being the mid-point of the indicative Offer Price range of HK$2.08 to HK$2.70, on the basis that 2,000,000,667 Shares are expected to be in issue immediately upon the issue of the Conversion Shares and completion of the Listing (assuming the Over-allotment Option is not exercised))
Use of proceeds	The proceeds will be used for business expansion, repayment of certain existing loans of our Group and as the working capital of our Group. As of the Latest Practicable Date, the proceeds have not been utilized.
Strategic benefits of the Pre-IPO Investment brought to the Company	At the time of the Pre-IPO Investment, our Directors were of the view that the investment by the Pre-IPO Investor demonstrates its confidence in the operations of our Group and serves as an endorsement of the performance and prospect of our Group. In addition, our Company would benefit from the additional capital that will be generated from by the Pre-IPO Investment.

Lock-up of the Pre-IPO Investor

The Pre-IPO Investor has agreed and undertaken to our Company that (1) it will not subscribe for any Shares in the Global Offering other than the Conversion Shares; and (2) for a period of six months following Listing, it will not dispose of any of its interest in the Conversion Shares, unless agreed to by our Company.

Security

Qiaoge Company provided a charge over 250 Shares, representing 25% of the shareholding of our Company as of the Latest Practicable Date, in favor of the Pre-IPO Investor to secure the performance by our Company of our obligations under the Convertible Bond Subscription Agreement and such share charge will be automatically released immediately prior to Listing.

Special rights

All the special rights granted to the Pre-IPO Investor will automatically terminate upon Listing.

Repurchase of the Convertible Bond

If:

1. our Company has not submitted the listing application by December 31, 2018 (which can no longer be triggered as of the date of this prospectus);
2. the Stock Exchange rejects or returns the listing application of our Company;
3. our Company withdraws the listing application;
4. our Company fails to take all reasonable actions to resubmit the listing application within 2 months following the lapse of the listing application and if the failure is based on the assessment of our Company with reasonable basis that it would be impracticable to resubmit within such 2 months period or continue to pursue the Listing;
5. our Company fails to take all reasonable actions to resubmit the listing application within 2 months following the lapse of the listing application and if the failure is not based on the assessment of our Company with reasonable basis that it would be impracticable to resubmit within such 2 months period or continue to pursue the Listing;
6. the Listing is not completed on or prior to 31 days prior to the Maturity Date,

the Pre-IPO Investor shall have the right, at any time after the first occurrence of any of the events, to require

	our Company or Mr. Ye to early redeem or repurchase the Convertible Bond at RMB330,000,000 plus interest accrued at 15% per annum from May 1, 2018 (in the case of event 1, 3 or 5 above) or November 1, 2018 (in the case of event 2, 4 or 6 above) until the date of redemption or repurchase, but in the case where the Pre-IPO Investor only exercises such right on a day which is after 31 days from the date of occurrence, interest from the period from the 32nd day until the date of redemption or repurchase will be accrued on the basis of 6% per annum. The above right of the Pre-IPO Investor to requisite a redemption or repurchase will terminate upon the Pre-IPO Investor ceasing to hold the Convertible Bond which will occur immediately prior to Listing.
Guarantors	Mr. Ye is a party to the Convertible Bond Subscription Agreement to guarantee the performance by our Company of our obligations under the Convertible Bond Subscription Agreement. Orchid Asia VII, L.P. and Orchid Asia VII Co-Investment, Limited are parties to the Convertible Bond Subscription Agreement to, on a joint and several basis, guarantee the performance of the Pre-IPO Investor of its obligations under the Convertible Bond Subscription Agreement.

The Pre-IPO Investor

Skyline Miracle Limited, a limited liability company incorporated under the law of British Virgin Islands, is an entity beneficially owned by Orchid Asia VII, L.P. as to 93% and Orchid Asia VII Co-Investment, Limited as to 7%. Orchid Asia VII, L.P. is in turn ultimately controlled by Orchid Asia V Group Management, Limited ("**Orchid Asia**"). Orchid Asia is wholly-owned by Orchid Asia V Group, Limited, which is in turn wholly-owned by Areo Holdings Limited. Areo Holdings Limited is wholly-owned by Ms. Lam Lai Ming, and is controlled by Mr. Li Gabriel by virtue of his directorship therein. Orchid Asia is a private equity group with an investment focus on China and Asia. Mr. Li is the managing partner and an investment committee member of Orchid Asia Group Management Limited. He is currently also a director of Ctrip.com International, Ltd (Nasdaq: CTRP). Previously, he was a director of Nirvana Asia Ltd (HKEx: 1438), Autohome Inc. (Nasdaq: ATHM), Lifetech Scientific Corporation (HKEx: 8122), and Zhaopin Ltd (Nasdaq: ZPIN), and was a managing director at the Carlyle Group in Hong Kong overseeing Asian technology investments. Ms. Lam is the spouse of Mr. Li.

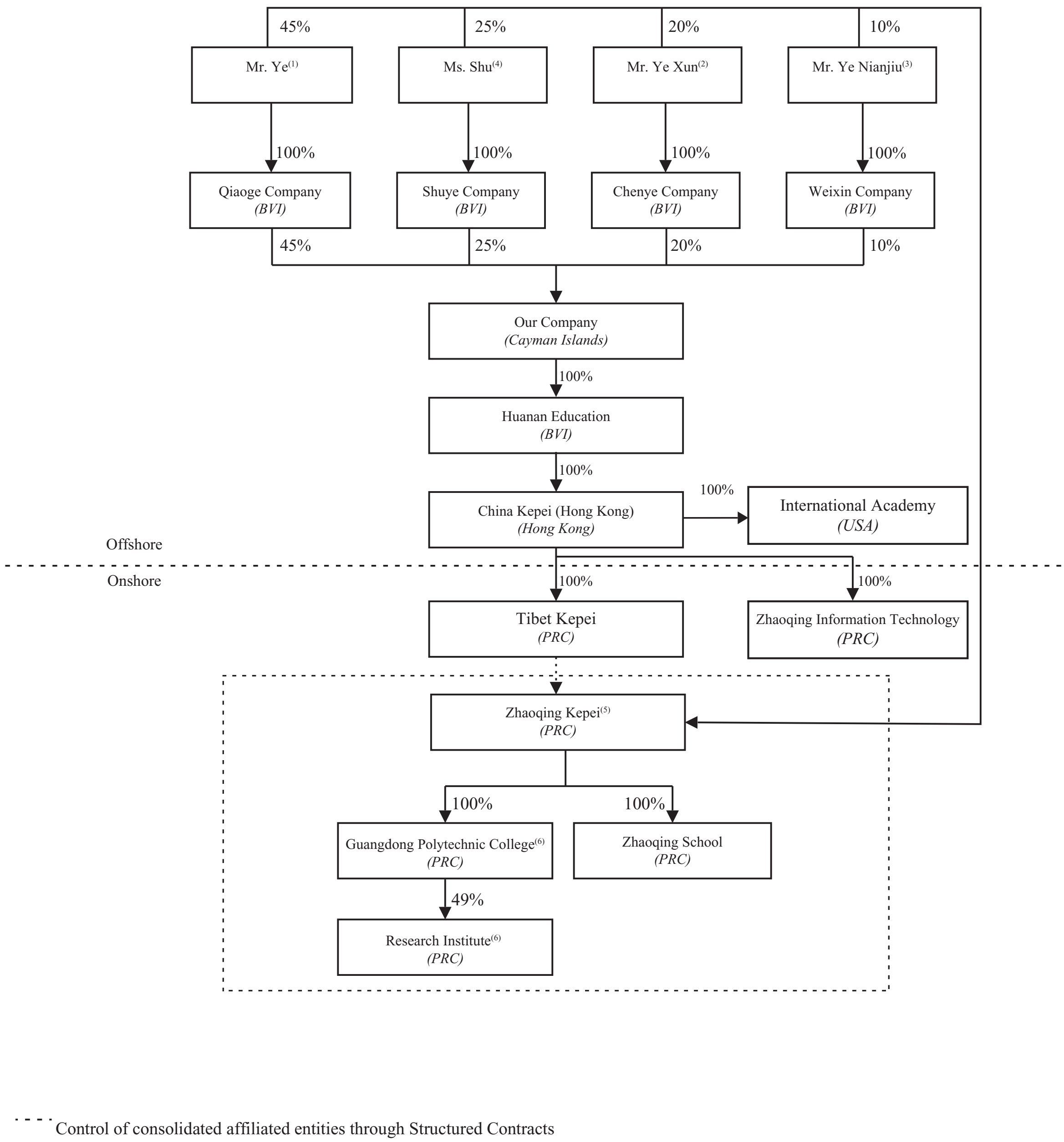
The Pre-IPO Investor is independent from and not connected with our Group and/or any connected person of our Company. The Shares to be issued to the Pre-IPO Investor upon conversion of the Convertible Bond will be considered as part of the public float according to Rule 8.08 of the Listing Rules.

Confirmation from the Joint Sponsors

On the basis that (i) the Listing Date, being the first day of trading of the Shares, will take place no earlier than 120 clear days after the completion of the Pre-IPO Investment, and (ii) all the special rights granted to the Pre-IPO Investor will automatically terminate upon the Listing, the Joint Sponsors have confirmed that the Pre-IPO Investment is in compliance with the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange on October 13, 2010 (and as updated in March 2017), the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 (and as updated in July 2013 and March 2017) and the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 (and as updated in March 2017).

GROUP STRUCTURE AFTER THE CORPORATE REORGANIZATION

The following chart sets out our corporate and shareholding structure immediately after the Corporate Reorganization and the Pre-IPO Investments, but prior to the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering:



Notes:

(1) Mr. Ye, our Controlling Shareholder and executive Director, is the spouse of Ms. Shu, father of Mr. Ye Xun and brother of Mr. Ye Nianjiu.

(2) Mr. Ye Xun, an executive Director, is the son of Mr. Ye and Ms. Shu.

(3) Mr. Ye Nianjiu is the brother of Mr. Ye.

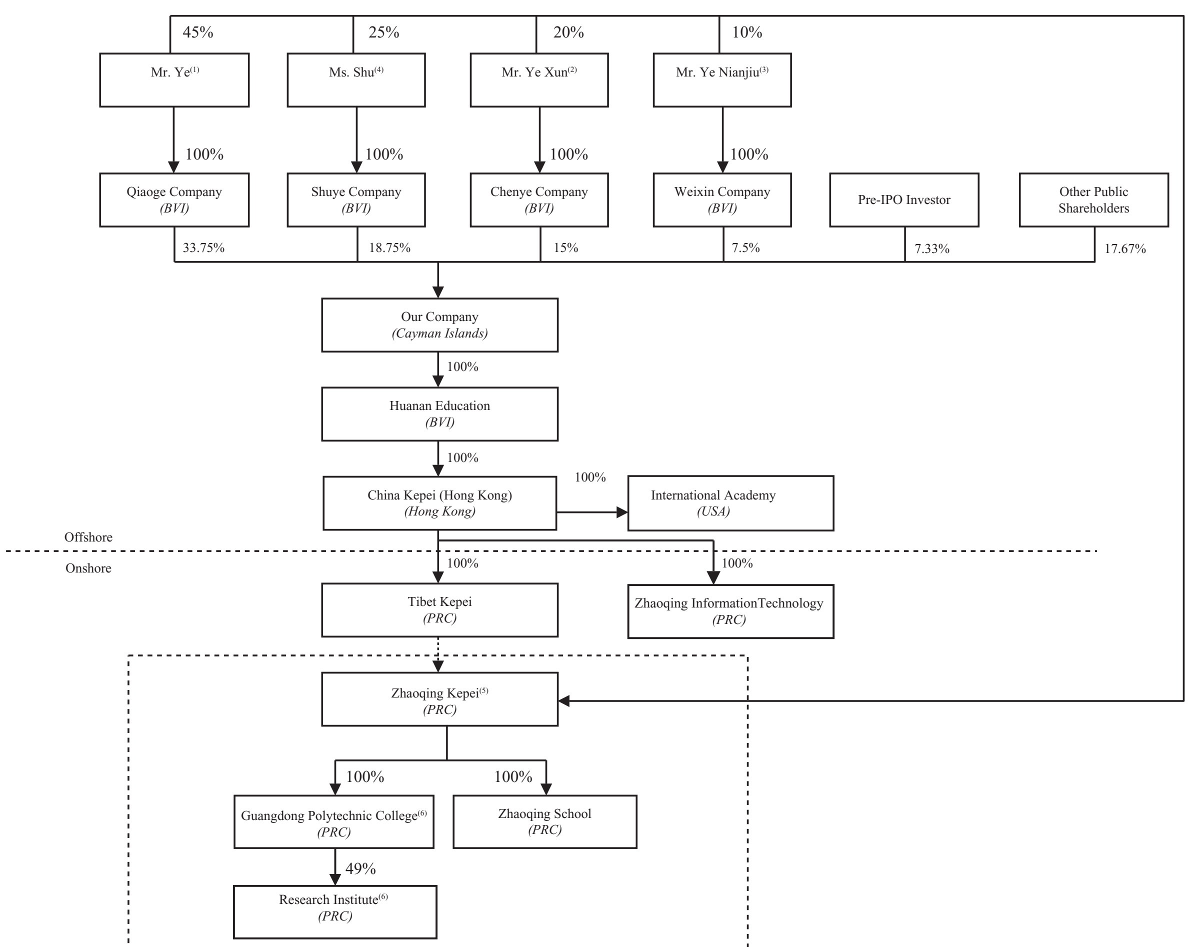
(4) Ms. Shu, our Controlling Shareholder, is the spouse of Mr. Ye and mother of Mr. Ye Xun.

(5) To consolidate our control over our PRC Consolidated Affiliated Entities, we, through Tibet Kepei, entered into the Structured Contracts with Mr. Ye, Mr. Ye Xun, Mr. Ye Nianjiu, Ms. Shu and the PRC Consolidated Affiliated Entities. Please see “Structured Contracts” in this prospectus for further details.

(6) As of the Latest Practicable Date, Guangdong Polytechnic College held 49% of the equity interest in Research Institute. Research Institute was established in the PRC on May 11, 2016 with an initial registered capital of RMB5,000,000, and was held by Guangdong Polytechnic College and Guangzhou Wanzhi Information Technology Co., Ltd. (廣州萬智資訊信息有限公司) ("**Guangzhou Wanzhi**"), an Independent Third Party, as to 49% and 51%, respectively. The principal business of Research Institute is researching and fostering intelligent manufacturing technology and applications and is not subject to foreign investment restrictions or prohibitions under the Foreign Investment Catalog as advised by our PRC Legal Advisors. We further consulted the People's Government of Gaoyao District, Zhaoqing City (肇慶市高要區人民政府), being the competent authority as advised by our PRC Legal Advisors, on the ownership requirement of Research Institute. As advised by the People's Government of Gaoyao District, Zhaoqing City in a letter dated December 29, 2017, the pre-existing shareholding structure of the Research Institute must remain unchanged and Guangdong Polytechnic College shall not transfer any of its interest in Research Institute to any other party. We were further advised by the People's Government of Gaoyao District, Zhaoqing City that the People's Government of Gaoyao District, Zhaoqing City funded the establishment of Research Institute with government funds and shall not invest in any research institute that has any foreign investment. In addition, we also sought to obtain the consent of Guangzhou Wanzhi, whose consent is required pursuant to the articles of association of Research Institute, and Guangzhou Wanzhi has refused to consent to the transfer of our interest in Research Institute to our Company or Tibet Kepei. In light of the above, the Directors are of the view that the Structured Contracts are narrowly tailored notwithstanding Research Institute is held through Guangdong Polytechnic College instead of Tibet Kepei.

GROUP STRUCTURE IMMEDIATELY UPON THE LISTING

The following chart sets forth our Group's corporate and shareholding structure upon the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised):



-- Control of consolidated affiliated entities through Structured Contracts

Notes:

(1) Mr. Ye, our Controlling Shareholder and executive Director, is the spouse of Ms. Shu, father of Mr. Ye Xun and brother of Mr. Ye Nianjiu.

(2) Mr. Ye Xun, an executive Director, is the son of Mr. Ye and Ms. Shu.

(3) Mr. Ye Nianjiu is the brother of Mr. Ye.

(4) Ms. Shu, our Controlling Shareholder, is the spouse of Mr. Ye and mother of Mr. Ye Xun.

(5) To consolidate our control of our PRC Consolidated Affiliated Entities, we, through Tibet Kepei, entered into the Structured Contracts with Mr. Ye, Mr. Ye Xun, Mr. Ye Nianjiu, Ms. Shu and the PRC Consolidated Affiliated Entities. Please see "Structured Contracts" in this prospectus for further details.

(6) As of the Latest Practicable Date, Guangdong Polytechnic College held 49% of the equity in Research Institute. Research Institute was established in the PRC on May 11, 2016 with an initial registered capital of RMB5,000,000, and was held by Guangdong Polytechnic College and Guangzhou Wanzhi Information Technology Co., Ltd. (廣州萬智資訊科技有限公司), an Independent Third Party, as to 49% and 51%, respectively. The principal business of Research Institute is researching and fostering intelligent manufacturing technology and applications.

SAFE REGISTRATION

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

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

As advised by our PRC Legal Advisors, Mr. Ye, Mr. Ye Xun, Mr. Ye Nianjiu and Ms. Shu, being our PRC beneficial owners, have completed the registration under the SAFE Circular No. 13 and SAFE Circular No. 37 on November 24, 2017.

M&A RULES

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

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

BACKGROUND OF THE STRUCTURED CONTRACTS

We conduct private higher education and secondary vocational education business through our PRC Operating Schools in Guangdong Province of the PRC. In the PRC, the private education industry is subject to certain foreign ownership restrictions. Under applicable laws and regulations in Guangdong Province, education institutions offering higher education and secondary vocational education must be operated in the form of Sino-foreign cooperation. Furthermore, applicable PRC laws and regulations impose Qualification Requirements on the foreign investors of Sino-foreign joint venture private schools. However, in practice, the PRC government usually withholds approval in respect of the application for the establishment of Sino-foreign joint venture private schools. As such, we do not hold any equity interest in our PRC Operating Schools and we obtain control over and derive economic benefits from our PRC Operating Schools and our School Sponsor through the Structured Contracts. The Structured Contracts have been narrowly tailored to achieve our business purpose and minimize the potential conflict with the relevant PRC laws and regulations.

Higher Education and Secondary Vocational Education

Pursuant to the Foreign Investment Catalog, the provision of higher education in the PRC falls within the "restricted" category. In particular, the Foreign Investment Catalog explicitly provides that higher education must be operated in the form of Sino-foreign cooperation, which means that the foreign investor shall operate higher education in the PRC through cooperation with a PRC education institution in compliance with the Sino-Foreign Regulation. In addition, the Foreign Investment Catalog also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or chief executive officer of the school shall be a PRC national; and (b) the representatives of the domestic party shall account for no less than half of the total number of members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative education institution (the "**Foreign Control Restriction**"). As confirmed by our PRC Legal Advisors, we had complied with the Foreign Control Restriction in respect of our PRC Operating Schools on the basis that (a) the principals and the chief executive officers of our PRC Operating Schools are all PRC nationals; and (b) all the members of the board of directors of our PRC Operating Schools are PRC nationals, while secondary vocational education is not listed as restricted category in the Foreign Investment Catalog.

We further consulted the Guangdong Provincial Department of Education, being the competent authority as advised by our PRC Legal Advisors, on the applicability of foreign investment restrictions to secondary vocational education. As advised by the relevant officer of the policies and regulation division at the Guangdong Provincial Department of Education, being the competent authority as advised by our PRC Legal Advisors, the application by a foreign investor to invest in or operate as a school sponsor of secondary vocational education in any form other than Sino-foreign cooperation will not be approved or permitted.

Sino-Foreign Cooperation

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Sino-Foreign Regulation, if we were to apply for any of our schools offering higher education to be reorganized as a Sino-foreign joint venture private school for PRC students (a "**Sino-Foreign Joint Venture Private School**"), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign education institution with relevant qualifications and one that provides high quality education (the "**Qualification Requirement**"). Furthermore, pursuant to the Implementation Opinions, the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the "**Foreign Ownership Restriction**"). In addition, if we were to apply for any of our schools offering secondary vocational education to be reorganized as a Sino-Foreign Joint Venture Private School, we were advised by the relevant officer of the policies and regulation division at the Guangdong Provincial Department of Education being the competent authority as advised by our PRC Legal Advisors, that the Foreign Ownership Restriction and Qualification Requirement also apply to education institutions offering secondary vocational education aiming for PRC students.

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

On September 20, 2017, with the assistance of our PRC Legal Advisors, we consulted the Guangdong Provincial Department of Education, being the competent authority as advised by our PRC Legal Advisors, to confirm the matters relating to the Sino-Foreign Joint Venture Private Schools relevant to us. We were advised by the relevant officer of the policies and regulation division at the Guangdong Provincial Department of Education that:

(i) the Foreign Ownership Restriction applies to Sino-Foreign Joint Venture Private Schools engaging in higher education and secondary vocational education in the region;

(ii) no implementing measures or specific guidance had been promulgated pursuant to the Sino-Foreign Regulation, including the Qualification Requirement, in Guangdong Province;

(iii) as a matter of policy, no Sino-Foreign Joint Venture Private School (as a separate legal person) had been approved in Guangdong Province after the Sino-Foreign Regulation became effective, and no application had been received in respect of establishing Sino-Foreign Joint Venture Private Schools;

(iv) the application to convert our PRC Operating Schools into Sino-Foreign Joint Venture Private Schools would not be approved; and

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

Our PRC Legal Advisors are of the view that the aforesaid officer is competent to provide the confirmation on the basis that such officer has good and authoritative understanding of the PRC laws and regulations regarding Sino-foreign cooperative education and its actual implementation in Guangdong Province.

As of the Latest Practicable Date, except for four Sino-foreign joint venture public schools which have been approved by the education authorities in Guangdong Province, our Company is not aware of any application in respect of Sino-foreign Joint Venture Private schools being previously submitted for approval to the authority in Guangdong Province.

Given that as of the Latest Practicable Date, as advised by our PRC Legal Advisors, we do not meet the Qualification Requirement as we have no experience in operating a school outside of the PRC, and as there are no implementing measures or specific guidance on the Qualification

Requirement, it is therefore not practicable for us to seek to apply to reorganize any of our PRC Operating Schools and the schools to be newly established or invested by us as a Sino-Foreign Joint Venture Private School, or convert any of our PRC Operating Schools and the schools to be newly established or invested by us into a Sino-Foreign Joint Venture Private School.

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

As of the Latest Practicable Date, we have not encountered any interference or encumbrance from any governing bodies in our plan to adopt the Structured Contracts and the consolidation of the financial results of our PRC Operating Schools. As advised by our PRC Legal Advisors, (i) each of our PRC Operating Schools and our School Sponsor has been legally established; (ii) the Structured Contracts in relation to the operations of higher education and secondary vocation education are valid, legal and binding and do not contravene any PRC laws or regulations; and (iii) the failure to meet the Qualification Requirement and the adoption of the Structured Contracts to operate our higher education and secondary vocational education does not render our business illegal operations in the PRC under the PRC laws and regulations. As disclosed above, we have obtained confirmation from the competent education authority in Guangdong Province during our consultations with them that the execution of the Structured Contracts does not require approval from the education authorities. However, no positive regulatory assurance has been obtained from relevant PRC regulatory authorities with respect to the use of the Structured Contracts in the education industry, and it is impracticable to obtain such assurance given that no relevant PRC regulatory authorities have ever issued any regulations, rules or notices to prohibit the use of Structured Contracts in the education industry.

Circumstances in which we will unwind the Structured Contracts

Pursuant to the PRC laws and regulations and regulatory requirements, foreign investment in higher education and secondary vocational education in the Guangdong Province of the PRC shall be in the form of cooperation between PRC education institutions and foreign education institutions. In particular, such foreign investor can only hold less than 50% interest in a Sino-Foreign Joint Venture Private School in compliance with the Foreign Ownership Restriction and must meet the Qualification Requirement. Furthermore, foreign investment in higher education shall be further subject to the Foreign Control Restriction and not less than 50% of the governing body of the institute offering higher education must be appointed by the Chinese investors.

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

- in circumstance (a), our Company will partially unwind the Structured Contracts and directly hold an equity interest of less than 50% in the relevant school (such as a 49.99% equity interest) as our Company or any of its subsidiaries, as a foreign investor, can only hold a portion of the total investment in a Sino-Foreign Joint Venture Private School for up to 50%. However, our Company will not be able to control the school without the Structured Contracts in place with respect to the domestic interests. Accordingly, if the Foreign Ownership Restriction and the Foreign Control Restriction remain, regardless of whether the Qualification Requirement is removed or met, our Company will still rely on contractual arrangements to establish control over the school. Our Company will also acquire rights to appoint members of the board of directors who together shall constitute less than 50% of the board of directors of the relevant school. We will then control the voting power of the other members of the board of directors appointed by the domestic interest holder(s) by way of the Structured Contracts;

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

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

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

In addition, pursuant to the Exclusive Call Option Agreement, in the event that the PRC laws and regulations allow Tibet Kepei and/or us to directly hold all or part of the equity interest in our PRC Operating Schools and/or our school sponsor, Tibet Kepei shall issue the notice of exercise of the equity call option. Accordingly, if the Foreign Ownership Restriction and the Foreign Control Restriction are removed, the Company will fully unwind the contractual arrangements. Please see "—

Operation of the Structured Contracts—Summary of the Material Terms of the Structured Contracts—(3) Exclusive Call Option Agreement" in this section for further details.

Plan to Comply with the Qualification Requirement

We have adopted a specific plan and begun to take the following concrete steps which we reasonably believe are meaningful endeavors to demonstrate compliance with the Qualification Requirement. According to the consultation with the Guangdong Provincial Department of Education, they would not approve our application to convert our PRC Operating Schools into Sino-Foreign Joint Venture Private Schools and there were no implementing measures or specific guidance on the Qualification Requirement. Our PRC Legal Advisors are of the view that, notwithstanding it is not possible for the Guangdong Provincial Department of Education to approve our application to convert our PRC Operating Schools into Sino-Foreign Joint Venture Private Schools, taking into consideration that (i) no implementing measures or specific guidance were promulgated pursuant to the Sino-Foreign Regulation, including the Qualification Requirement, in Guangdong Province as of the Latest Practicable Date and (ii) the consultation with the Guangdong Provincial Department of Education as outlined above, the following steps taken by us to demonstrate compliance with the Qualification Requirements are reasonable and appropriate, and our PRC Legal Advisors are of the view that the following steps taken are reasonable, appropriate and sufficient to demonstrate compliance with the Qualification Requirement pursuant to paragraph 16C of Listing Decision HKEX-LD43-3.

As of the Latest Practicable Date, we have formed a holding company of a new school in the United States, namely International Academy, which was wholly owned by China Kepei (Hong Kong). We have submitted a formal application to BPPE for the establishment of a new school under the name of International Academy of Southern California in the State of California, the United States in May 2018 and the approval process is expected to be completed within approximately 18 months from the date of the application. International Academy will be responsible for the daily operation and management of the new school to be established and a three-tier management system comprising (i) the board of directors, (ii) the chief executive officer and (iii) the chief academic officer and the chief operating officer will be established. In particular, Ms. Shuye Huan (郇舒葉) ("Ms. Huan") will serve as the chief executive officer of the school. Ms. Huan has approximately 28 years of higher education administration experience in the United States. Ms. Huan worked at Stanford University in the State of California, the United States from February 1990 to February 2017 with positions including assistant director of the SCID (Stanford Center for International Development) China Program and director of SCID Training Programs, where she designed, marketed and guided to completion various academic and training programs. Since 2017, Ms. Huan has been serving as a board member of the board of trustees, mainly responsible for higher education development, at Sofia University in the United States. The mission of the new school is to provide educational services at the bachelor's degree level, with a focus on business administration. As of the Latest Practicable Date, the new school is intended to initially offer bachelor's degrees of science in business administration and has employed four professors, all of whom were awarded a doctorate of philosophy by renowned universities such as Stanford University. In addition, we have entered into a lease agreement for the rent of a premises occupying a total of 5,333 square feet in the city of San Jose, State of California, the United States for the use of the new school. We will fund the operation and development of the new school from our internal resources and have expended approximately US$150,000 in connection with our plan as of the Latest Practicable Date. We intend to further invest up to US$500,000 for establishing and operating the new school for the two years ending December 31, 2019. We do not expect such investment will have any material adverse impact on our overall cost structure and financial results on the basis that: (i) most costs arising from the establishment of the new school will be capitalized and thus will not have any material adverse impact on our overall profitability throughout its establishment period; (ii) we estimate that the initial student enrolment of the new school will not exceed 20 and the new school will progress to a more mature stage after six to ten years of development and operations, with an increasing trend of student enrollment year by year until reaching a total student enrollment of around 200; and (iii) our initial investment of US$500,000 represents only 2.11% of our cost of sales for the year ended December 31, 2017. As of the Latest Practicable Date, no implementing measures or specific guidance have been promulgated pursuant to the Sino-Foreign Regulation, including the Qualification Requirement, in Guangdong Province, and our PRC Legal Advisors are not aware of any relevant PRC laws and regulations which indicate that the steps taken are insufficient for demonstrating compliance with the Qualification Requirement.

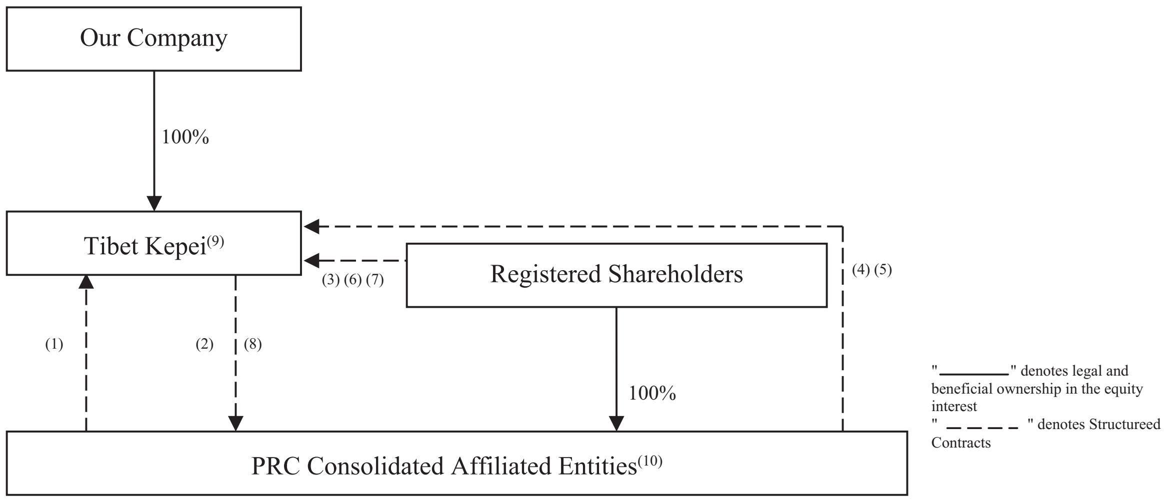
As advised by our PRC Legal Advisors, if both of the Foreign Ownership Restriction and the Foreign Control Restriction are removed but the Qualification Requirement remains and assuming the new school to be operated by International Academy, i.e. the foreign school or another foreign educational institution established by us gains a level of foreign experience sufficient to demonstrate compliance with the Qualification Requirement and obtains the approval of the relevant education authorities for the establishment of a Sino-Foreign Joint Venture Private School in the future (provided that the then PRC laws and regulations do not impose new requirements, restrictions, or prohibitions in relation to the establishment of a Sino-Foreign Joint Venture Private School), we will be able to operate our schools in the PRC directly through the new school operated by International Academy, i.e. the foreign school or such other educational institution subject to the approval from the competent education authorities.

Furthermore, we have undertaken to the Stock Exchange that we will: (i) under the guidance of our PRC Legal Advisors, continue to keep ourselves updated with regard to any relevant regulatory developments and guidance relating to the Qualification Requirement; and (ii) 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 STRUCTURED CONTRACTS

In order to comply with the PRC laws and regulations as set out above while availing ourselves of international capital markets and maintaining effective control over all of our operations, on July 10, 2018, our wholly-owned subsidiary, Tibet Kepei, entered into the Structured Contracts with, among others, our PRC Operating Schools and our School Sponsor, pursuant to which all economic benefits arising from the business of our PRC Operating Schools and our School Sponsor are transferred to Tibet Kepei to the extent permitted under the PRC laws and regulations by means of service fees payable by our PRC Operating Schools and our School Sponsor to Tibet Kepei.

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



Notes:

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

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

(3) Exclusive call option to acquire all or part of our school sponsor's interest in our PRC Operating Schools and all or part equity interest in our School Sponsor. Please see "—Operation of the Structured Contracts—Summary of the Material Terms of the Structured Contracts—(3) Exclusive Call Option Agreement" in this prospectus for details.

(4) Entrustment of school sponsor's rights in our PRC Operating Schools by Zhaoqing Kepei. Please see "—Operation of the Structured Contracts—Summary of the Material Terms of the Structured Contracts—(6) School Sponsor's and Directors' Rights Entrustment Agreement" and "—Operation of the Structured Contracts—Summary of the Material Terms of the Structured Contracts—(9) School Sponsor's Powers of Attorney" in this prospectus for details.

(5) Entrustment of directors' rights in our PRC Operating Schools by directors of our PRC Operating Schools including directors' powers of attorney. Please see "—Operation of the Structured Contracts—Summary of the Material Terms of the Structured Contracts—(6) School Sponsor's and Directors' Rights Entrustment Agreement" and "—Operation of the Structured Contracts—Summary of the Material Terms of the Structured Contracts—(8) Directors' Power of Attorney" in this prospectus for details.

(6) Entrust of Shareholders' right including Registered Shareholders' Power of Attorney. Please see "—Operation of the Structured Contracts—Summary of the Material Terms of the Structured Contracts—(5) Registered Shareholders' Rights Entrustment Agreement" and "—Operation of the Structured Contracts—Summary of the Material Terms of the Structured Contracts—(7) Registered Shareholders' Power of Attorney" in this prospectus for details.

(7) Pledge of equity interest by the Registered Shareholders of their equity interest in Zhaoqing Kepei. Please see "—Operation of the Structured Contracts—Summary of the Material Terms of the Structured Contracts—(4) Equity Pledge Agreement" in this prospectus for details.

(8) Provision of loans by Tibet Kepei to Zhaoqing Kepei. Please see "—Operation of the Structured Contracts—Summary of the Material Terms of the Structured Contracts—(11) Loan Agreement" in this prospectus for further details.

(9) On July 10, 2018, the original structured contracts dated April 26, 2018 were terminated as we incorporated a new wholly foreign owned enterprise in Tibet Autonomous Region, Tibet Kepei, which had assumed the rights and obligations of Zhaoqing Information Technology under the original structured contracts since July 10, 2018.

(10) As of the Latest Practicable Date, Guangdong Polytechnic College held 49% of the equity in Research Institute. Research Institute was established in the PRC on May 11, 2016 with an initial registered capital of RMB5,000,000, and was held by Guangdong Polytechnic College and Guangzhou Wanzhi Information Technology Co., Ltd. (廣州萬智資訊科技有限公司), an Independent Third Party, as to 49% and 51%, respectively. The principal business of Research Institute is researching and fostering intelligent manufacturing technology and applications.

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

Zhaoqing Kepei, our School Sponsor, is a special purpose vehicle established as a holding company to hold interests in our PRC Operating Schools. Zhaoqing Kepei is not engaged in any other business other than the aforesaid. Under the Structured Contracts, each of our Consolidated Affiliated Entities entered into the Exclusive Technical Service and Management Consultancy Agreement and

Loan Agreement with, among others, Tibet Kepei, pursuant to which each of Zhaoqing Kepei and our PRC Operating Schools will be directly bound by and subject to the terms and conditions thereof. Accordingly, for any services provided by Tibet Kepei to any of our PRC Operating Schools and our School Sponsor, the respective service fee will be paid by our School Sponsor and/or PRC Operating Schools to Tibet Kepei directly. In addition, in order to prevent the leakage of assets and values of our PRC Operating Schools, the Registered Shareholders, our School Sponsor and our PRC Operating Schools have undertaken that, without the prior written consent of Tibet Kepei or its designated party, the Registered Shareholders, our Schools Sponsors or our PRC Operating Schools shall not, among others, distribute dividends or other payments to our School Sponsor, or the Registered Shareholder. For further details, please see "—Summary of the Material Terms of the Structured Contracts—(1) Business Cooperation Agreement" in this section.

Summary of the Material Terms of the Structured Contracts

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

(1) Business Cooperation Agreement

Pursuant to the Business Cooperation Agreement, Tibet Kepei shall provide technical services, management support and consulting services necessary for the private education business, and in return, our PRC Operating Schools and our School Sponsor shall make payments of fees accordingly.

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

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

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

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

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

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

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

(g) to carry out its business operations and maintain its respective necessary licenses, all government licenses, permits, authorizations and approvals in legal and valid condition based on the purpose to develop education business. Any act/omission that may cause such government licenses, permits, authorizations and approvals to be invalid, revoked, or incapable of renewal after expiration shall not be allowed; in the event any and all government license, permits, authorizations and approvals necessary for our PRC Operating Schools and our School Sponsor to carry out business are requested to change and/or increase due to the alteration of provisions of the relevant government authorities, our PRC Operating Schools and our School Sponsor shall make change and/or supplement in accordance with any requirement of the PRC laws;

(h) to provide business operating management and financial materials relevant to our PRC Operating Schools and School Sponsor at the request of Tibet Kepei, to inform material adverse impact circumstances of Tibet Kepei that arise or may arise in the business or operation, and to prevent occurrence of such circumstances and/or expansion of loss with its best endeavors;

(i) to purchase and hold assets and business insurance of our PRC Operating Schools and our School Sponsor from the insurance company agreed by Tibet Kepei at the request of Tibet Kepei, the amount and coverage of which shall be in line with the general insurance of a company and school that operate similar business or have similar assets or properties in the same area; and

(j) to keep and manage all authorized original seals and registered documents of Guangdong Polytechnic College and Zhaoqing School and other documents or items necessary for the achievement of the purposes of the Structured Contracts.

In addition, pursuant to the Business Cooperation Agreement,

(a) Mr. Ye undertakes to Tibet Kepei that, in the event of death, loss of or restriction on capacity, divorce or other circumstances regarding Mr. Ye which may affect the exercise of his direct or indirect equity interest in Zhaoqing Kepei, Mr. Ye and Ms. Shu or their representatives shall have made all necessary arrangement and sign all necessary documents such that Mr. Ye's respective successor, guardian, spouse, and any other person which may as a result of the above events obtain the equity interest or relevant rights shall not prejudice or hinder the enforcement of the Structured Contracts;

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

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

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

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

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

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

(d) providing any borrowing, loan or assuming or accepting any debt, or providing any guarantee to any debt by the Registered Shareholders to our PRC Operating Schools and School Sponsor and/or its subsidiaries;

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

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

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

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

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

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

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

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

(m) entering into any business contract outside the ordinary course of business except pursuant to the plan or suggestion of Tibet Kepei or us;

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

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

(p) entering into any transaction which has or may have an adverse effect on the transactions contemplated under the Structured Contracts to Tibet Kepei, the Registered Shareholders, our PRC Operating Schools or its subsidiaries; and

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

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

(2) Exclusive Technical Service and Management Consultancy Agreement

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, Tibet Kepei agreed to provide exclusive technical services to our PRC Operating Schools and our School

Sponsor, including but not limited to, (a) design, development, update and maintenance of education software for computers and mobile devices; (b) design, development, update and maintenance of webpages and websites necessary for the education activities; (c) design, development, update and maintenance of management information systems necessary for the education activities; (d) provision of other technical support necessary for the education activities; (e) provision of technical consulting services; (f) provision of technical training; (g) engaging technical staff to provide on-site technical support; and (h) providing other technical services reasonably requested by our PRC Operating Schools and our School Sponsor.

Furthermore, Tibet Kepei agreed to provide exclusive management consultancy services to our PRC Operating Schools and our School Sponsor, including but not limited to, (a) design of curricula; (b) preparation, selection and/or recommendation of course materials; (c) provision of teacher and staff recruitment and training support and services; (d) provision of student recruitment support and services; (e) provision of public relation services; (f) preparation of long-term strategic development plans and annual working plans; (g) development of financial management systems and recommendation and optimization on annual budget; (h) advising on the design of internal structures and internal management; (i) provision of management and consultancy training to administrative staff; (j) conducting market research and investigation and providing market information feedback and business development recommendation; (k) preparation of market development plan; (l) building of online and offline marketing networks; and (m) providing other services reasonably requested by our PRC Operating Schools and our School Sponsor.

In consideration of the technical and management consultancy services provided by Tibet Kepei, each of our PRC Operating Schools and our School Sponsor agreed to pay Tibet Kepei a service fee equal to all of their respective amounts of surplus from operations (after deducting necessary costs, expenses, taxes, losses from the previous year (if required by the law) and the legally compulsory development fund of the respective school (if required by the law)) and other expenses required by the applicable PRC laws; and our School Sponsor agreed to pay Tibet Kepei a service fee equal to all of its net profit (after deducting all necessary costs, expenses, taxes, losses from the previous year (if required by law) and statutory accumulation funds. Tibet Kepei has the right (but not the obligation) to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of our PRC Operating Schools and our School Sponsor, provided that any adjusted amount shall not exceed the amount mentioned above.

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

(3) Exclusive Call Option Agreement

Under the Exclusive Call Option Agreement, the Registered Shareholders have irrevocably and unconditionally granted Tibet Kepei or its designated purchaser the right to purchase all or part of the school sponsor's interest in our PRC Operating Schools and equity interest in our School Sponsor

(“**Equity Call Option**”). The purchase price payable by Tibet Kepei in respect of the transfer of such school sponsor’s interest or equity interest upon exercise of the Equity Call Option shall be the lowest price permitted under the PRC laws and regulations. Tibet Kepei or its designated purchaser shall have the right to purchase such proportion of the school sponsor’s interest of our PRC Operating Schools and/or equity interest in our School Sponsor as it decides at any time.

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

Each of the Registered Shareholders has further undertaken to Tibet Kepei that, it:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) Equity Pledge Agreement

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

Pursuant to the Equity Pledge Agreement, without the prior written consent of Tibet Kepei, the Registered Shareholders shall not transfer the equity interest or create any further pledge or encumbrance over the pledged equity interest. Any unauthorized transfer shall be invalid. The Registered Shareholders also waived any pre-emptive rights upon enforcement and agreed to any transfer of the pledged equity pursuant to the Equity Pledge Agreement.

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

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

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

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

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

(a) to the extent permitted under the PRC laws and regulations, Tibet Kepei may request the Registered Shareholders to transfer all or part of his or her or its equity interest in our School Sponsor to any entity or individual designated by Tibet Kepei at the lowest consideration permissible under the PRC laws and regulations, the Registered Shareholders irrevocably undertake that in the event that the consideration paid by Tibet Kepei or its designated purchaser for the transfer of all or part of the school sponsor's interest in our PRC Operating Schools and/or equity interest in our School Sponsor exceeds RMB0, shall pay such amount in excess to Tibet Kepei or its designated entity;

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

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

The registration of the pledges under the Equity Pledge Agreement with the relevant Administration of Industry and Commerce of the PRC was completed on August 7, 2018.

(5) Registered Shareholders' Rights Entrustment Agreement

Pursuant to the Registered Shareholders' Rights Entrustment Agreement, each of the Registered Shareholders has irrevocably authorized and entrusted Tibet Kepei to exercise all of his/her/their respective rights as shareholders of Zhaoqing Kepei to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to attend shareholders' meetings of Zhaoqing Kepei, as the case may be; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the shareholders' meeting of Zhaoqing Kepei, as the case may be; (c) the right to propose to convene interim shareholders' meetings of Zhaoqing Kepei, as the case may be; (d) the right to sign all shareholders' resolutions and other legal documents which the Registered Shareholders have authority to sign in his or their capacity as shareholders of Zhaoqing Kepei, as the case may be; (e) the right to instruct the directors and legal representative of Zhaoqing Kepei, as the case may be to act in accordance with the instruction of Tibet Kepei; (f) the right to exercise all other rights and voting rights of shareholders as prescribed under the articles of association of Zhaoqing Kepei, as the case may be; (g) the right to handle the legal procedures of registration, approval, licensing and filing of Zhaoqing Kepei, as the case may be at the industrial and commercial administrative department or other government regulatory departments; (h) the right to determine to transfer or dispose in any form of equity interests in Zhaoqing Kepei held by the Registered Shareholders; and (i) other shareholders' rights pursuant to applicable PRC laws and regulations and the articles of association of our PRC Operating Schools as amended from time to time.

In addition, each of the Registered Shareholders and Zhaoqing Kepei has irrevocably agreed that (i) Tibet Kepei may delegate its rights under the Registered Shareholders' Rights Entrustment Agreement to the directors of Tibet Kepei or its designated person; and (ii) any person as successor of civil rights of Tibet Kepei or liquidator by reason of subdivision, merger or liquidation of Tibet Kepei or other circumstances shall have authority to replace Tibet Kepei to exercise all rights under the Registered Shareholders' Rights Entrustment Agreement.

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

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, Zhaoqing Kepei has irrevocably authorized and entrusted Tibet Kepei to exercise all its rights as the school sponsor of each of our PRC Operating Schools to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to appoint and/or elect directors or council members of the schools; (b) the right to appoint and/or elect supervisors of the schools; (c) the right to understand the operation and financial situation of the schools; (d) the right to review the resolutions and records of the board of directors and financial statements and reports of the schools; (e) the right to obtain reasonable returns as the school sponsor of the schools in accordance with the laws and the articles of association of each school; (f) the right to acquire residual assets upon liquidation of the schools in accordance with the laws and the articles of association of each school; (g) the right to transfer school sponsor's interest in accordance with the laws; (h) the right to make a choice between profitability and non-profitability of the schools in accordance with the PRC laws, regulations or regulatory documents; (i) the right to vote on behalf of the schools regarding bankruptcy, liquidation, dissolution or termination of the schools; (j) the right to handle the legal procedures of registration, approval, licensing and filing of our PRC Operating Schools at the education department, the department of civil affairs or other government regulatory departments and deliver any document to the relevant government authority that the school sponsor is required to deliver; and (k) other school sponsor's rights pursuant to applicable PRC laws and regulations and the articles of association of each school as amended from time to time.

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, each of the directors of each PRC Operating Schools appointed by Zhaoqing Kepei (the "**Appointees**") has irrevocably authorized and entrusted Tibet Kepei to exercise all his/her rights as directors of our PRC

Operating Schools as appointed by our School Sponsor and to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to attend meetings of the board of directors as representative of the directors appointed by our School Sponsor; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the board meeting of each of our PRC Operating Schools; (c) the right to propose to convene interim board meetings of each of our PRC Operating Schools; (d) the right to sign all board minutes, board resolutions and other legal documents which the directors appointed by Zhaoqing Kepei has authority to sign in his/her capacity as directors of our PRC Operating Schools; (e) the right to instruct the legal representative and financial and business and administrative responsible persons of our PRC Operating Schools to act in accordance with the instruction of Tibet Kepei; (f) the right to exercise all other rights and voting rights of directors as prescribed under the articles of association of our PRC Operating Schools; (g) the right to vote on behalf of the schools in respect of bankruptcy, liquidation, dissolution or termination of the schools; (h) the right to handle the legal procedures of registration, approval and licensing of our PRC Operating Schools at the education department, the department of civil affairs or other government regulatory departments and deliver any document to the relevant government authority that the school sponsor is required to deliver; and (i) other directors' rights pursuant to applicable PRC laws and regulations and the articles of association of our PRC Operating Schools as amended from time to time.

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

(7) Registered Shareholders' Power of Attorney

Pursuant to the Registered Shareholders' Powers of Attorney executed by each of the Registered Shareholders in favor of Tibet Kepei, each of the Registered Shareholders authorized and appointed Tibet Kepei, as his or their agent to act on his or their behalf to exercise or delegate the exercise of all his or their rights as shareholders of Zhaoqing Kepei. For details of the rights granted, please see "—Operation of the Structured Contracts—Summary of the Material Terms of the Structured Contracts—(5) Registered Shareholders' Rights Entrustment Agreement" in this prospectus.

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

(8) Directors' Power of Attorney

Pursuant to the Directors' Powers of Attorney executed by each of the Appointees in favor of Tibet Kepei, each of the Appointees authorized and appointed Tibet Kepei (the sole director of which is not a director of any of our School Sponsor and/or PRC Operating Schools and therefore does not give rise to any conflict of interest), as his/her agent to act on his/her behalf to exercise or delegate the exercise of all of his/her rights as directors of our PRC Operating Schools. For details of the rights granted, please see "—Operation of the Structured Contracts—Summary of the Material Terms of the Structured Contracts—(6) School Sponsor's and Directors' Rights Entrustment Agreement" of this prospectus.

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

(9) School Sponsor's Power of Attorney

Pursuant to the School Sponsor's Powers of Attorney executed by our School Sponsor in favor of Tibet Kepei, our School Sponsor authorized and appointed Tibet Kepei (the sole director of which is not a director of any of our School Sponsor and/or PRC Operating Schools and therefore does not give rise to any conflicts of interest), as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of each of our PRC Operating Schools. For details of the rights granted, please see "—Operation of the Structured Contracts—Summary of the Material Terms of the Structured Contracts—(6) School Sponsor's and Directors' Rights Entrustment Agreement" of this prospectus.

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

(10) Spouse Undertakings

Pursuant to the Spouse Undertakings, each of Mr. Ye, Ms. Shu, the spouse of Mr. Ye Nianjiu and the spouse of Mr. Ye Xun (the "**Relevant Spouse**") has irrevocably undertaken that:

(a) the Relevant Spouse has full knowledge of and has consented to the entering into of the Structured Contracts by his/her spouse, and in particular, the arrangement as set out in the Structured Contracts in relation to the restrictions imposed on the direct or indirect equity interest in Zhaoqing Kepei, pledge or transfer the direct or indirect equity interest in Zhaoqing Kepei, or the disposal of the direct or indirect equity interest in Zhaoqing Kepei in any other forms;

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

(c) the Relevant Spouse authorizes his/her spouse or his/her authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the Relevant Spouse in relation to the Relevant Spouse's equity interest in

Zhaoqing Kepei (direct or indirect) in order to safeguard the interest of Tibet Kepei under the Structured Contracts and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;

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

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

(f) all undertakings, confirmations, consents and authorizations under the Spouse Undertakings shall continue to be valid and binding until otherwise terminated by both Tibet Kepei and the Relevant Spouse in writing; and

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

(11) Loan Agreement

Pursuant to the Loan Agreement, Tibet Kepei agreed to provide interest-free loans to Zhaoqing Kepei in accordance with the PRC laws and regulations and Zhaoqing Kepei agreed to utilize the proceeds of such loans to contribute as capital of our PRC Operating Schools in its capacity as school sponsor in accordance with our instructions.

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

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

DISPUTE RESOLUTIONS

Each of the Structured Contracts provides that:

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

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

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

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

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

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

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

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

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

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

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

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

Pursuant to the Business Cooperation Agreement, each of the Registered Shareholder undertakes to Tibet Kepei that, in the event of death, loss of or restriction on capacity, divorce or other circumstances regarding the Registered Shareholder which may affect the exercise of his direct or indirect equity interest in Zhaoqing Kepei, the Registered Shareholder's respective successor, guardian, spouse, and any other person which may as a result of the above events obtain the equity interest or relevant rights directly or indirectly shall not prejudice or hinder the enforcement of the Structured Contracts. Please see "—Operation of the Structured Contracts—Summary of the Material Terms of the Structured Contracts—(1) Business Cooperation Agreement" in this prospectus for details.

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

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

Furthermore, Tibet Kepei has been irrevocably authorized and entrusted to exercise the rights of Zhaoqing Kepei as School Sponsor of our PRC Operating Schools and the rights of the Appointees as directors of our PRC Operating Schools and rights of Registered Shareholders as shareholders of Zhaoqing Kepei. Please see "—Operation of the Structured Contracts—Summary of Material Terms of the Structured Contracts—(6) School Sponsor's and Directors' Rights Entrustment Agreement" and "—Operation of the Structured Contracts—Summary of Material Terms of the Structured Contracts—(5) Registered Shareholders' Rights Entrustment Agreement" in this prospectus for details.

LOSS SHARING

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

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

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

TERMINATION OF THE STRUCTURED CONTRACTS

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

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

INSURANCE

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

ARRANGEMENT TO ADDRESS POTENTIAL CONFLICT OF INTEREST

We have in place arrangements to address the potential conflicts of interest between the Registered Shareholders on the one hand, and our Company on the other hand. Pursuant to the

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

LEGALITY OF THE STRUCTURED CONTRACTS

PRC Legal Opinions

Based on the above, our PRC Legal Advisors are of the opinion that:

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

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

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

(d) each of the Structured Contracts is enforceable under the PRC laws and regulations. Entering into and the performance of the Structured Contracts do not require any approval or authorization from the PRC governmental authorities, except that: (i) the pledge of any equity interest in Zhaoqing Kepei in favor of Tibet Kepei is subject to registration requirements with the Administration of Industry and Commerce Department; (ii) the transfer of the school sponsor's interests in our PRC Operating Schools and/or equity interest in our School Sponsor contemplated under the Structured Contracts is subject to applicable approval and/or registration requirements under the then applicable PRC laws; (iii) the transfer of equity interest in our School Sponsor contemplated under the Structured Contracts is subject to applicable approval and/or registration requirements under the then applicable laws and (iv) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Structured Contracts are subject to applications to the competent PRC courts for recognition and enforcement;

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

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

(g) a private school that does not require reasonable return cannot distribute reasonable returns to its school sponsor. No current national PRC laws or regulations or regulations in Guangdong Province stipulate any proportion and/or amount limit for a reasonable return. Furthermore, in Guangdong Province, whether the school chooses to require reasonable returns or not has no adverse impact on the payment of service fees by our PRC Operating Schools to Tibet Kepei.

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

Directors' Views on the Structured Contracts

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

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

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

CONSOLIDATED FINANCIAL RESULTS OF OUR PRC OPERATING SCHOOLS AND OUR SCHOOL SPONSOR

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

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Draft Foreign Investment Law and the Explanatory Notes

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

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

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

(b) 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

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

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

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

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

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

The Draft Foreign Investment Law stipulates restriction of foreign investment in certain industry sectors. The Negative List set out in the Draft Foreign Investment Law classifies the relevant prohibited and restricted industries into the Catalog of Prohibitions and the Catalog of Restrictions, respectively. Foreign investors are not allowed to invest in any sector set out in the Catalog 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 Catalog of Prohibitions, unless otherwise specified by the State Council.

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

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

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

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

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

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

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

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

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

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

If the Draft Foreign Investment Law is promulgated in the current draft form, on the basis that (i) Mr. Ye and Ms. Shu, who are of Chinese nationality, will indirectly hold approximately 52.5% (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option) of the issued share capital of our Company upon the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering and will indirectly hold approximately 50.25% of the issued share capital of our Company assuming that the Over-allotment Option is exercised in full; (ii) our Company through Tibet Kepei exercises effective control over our PRC Operating Schools and/or our School Sponsor pursuant to the Structured Contracts and (iii) Mr. Ye and Ms. Shu are of Chinese nationality, our PRC Legal Advisors are of the view that we can apply for the recognition of the Structured Contracts as domestic investments and it is likely that the Structured Contracts will be considered as legal.

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

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

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

Nevertheless, considering that (i) a number of existing conglomerates are operating under contractual arrangements and some of which have obtained listing status abroad; and (ii) our PRC Legal Advisors are of the view that the Draft Foreign Investment Law will have no retrospective effect on existing contractual arrangements in principle after the enactment of the Draft Foreign Investment Law on the basis that the Legislative Law of the PRC provides that the laws, administrative regulations, local regulations, autonomous regulations, special regulations, administrative rules or local rules in the PRC do not have retrospective effect (with the exception of special provisions made for the purpose of better defending the rights and interests of citizens, legal persons and other social organizations which is not applicable to the case of the Draft Foreign Investment Law), our Directors are of the view that it is unlikely, if the Draft Foreign Investment Law is promulgated, that the relevant regulations will take retrospective effect to require the relevant enterprises to remove the contractual arrangements. In future, the PRC government is likely to take a relatively cautious attitude towards the aspects of supervision as well as the enactment, and make decisions according to different situations in practice.

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

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

As mentioned above, our PRC Legal Advisors are of the view that the Structured Contracts are likely to be deemed as a domestic investment if the Draft Foreign Investment Law were to become effective in its current form and content. As advised by our PRC Legal Advisors, we require Mr. Ye and Ms. Shu to provide the following undertaking to mitigate the risks associated with the Draft Foreign Investment Law:

(a) continue to maintain his/her or procure his/her successors to maintain Chinese nationality and citizenship for as long as he/she holds a controlling interest in our Company;

(b) maintain control of our Company for the purposes of the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated) and related laws applicable to our Group in relation to domestic investment when they become effective, or otherwise procure the transferee(s) who will become the new PRC controlling shareholder of our Company to provide an undertaking in the same terms and conditions as the one offered by him/her to our Company; and

(c) obtain prior written consent of our Company as to the identity of the transferee(s) before Mr. Ye/Ms. Shu disposes of or transfers the controlling interest in our Company that he/her beneficially owns. Prior to any such disposal, transfer or other transactions which may result in Mr. Ye/Ms. Shu ceasing to have control of our Company for the purposes of the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated), Mr. Ye/Mr. Shu shall demonstrate to the satisfaction of our Company and the Stock Exchange that the Structured Contracts will remain a domestic investment for the purpose of the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated) and related laws applicable to our Group in relation to domestic investment.

Based on the view of our PRC Legal Advisors and the aforesaid undertaking given by Mr. Ye and Ms. Shu, our Directors are of the view that (i) the Structured Contracts are likely to be deemed as a domestic investment and to be permitted to continue; and (ii) our Group can maintain control over our PRC Operating Schools and/or our School Sponsor and receive all economic benefits derived from our PRC Operating Schools and/or our School Sponsor. The aforesaid undertaking will become effective from the date of the listing of our Shares on the Stock Exchange and will be terminated only in the circumstance where our Company has been advised by our PRC Legal Advisors that compliance with the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated) is not required.

Notwithstanding the above, there may be uncertainties that the above measures to maintain control over and receive the economic benefits from our PRC Operating Schools and/or our School Sponsor alone may not be effective in ensuring compliance with the Draft Foreign Investment Law (if and when it becomes effective). In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares. Please see "Risk Factors—Risks Relating to Our Ownership Structure" in this prospectus for more details.

COMPLIANCE WITH THE STRUCTURED CONTRACTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Structured Contracts and our compliance with the Structured Contracts:

(a) major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(b) our Board will review the overall performance of and compliance with the Structured Contracts at least once a year;

(c) our Company will disclose the overall performance and compliance with the Structured Contracts in its annual reports and interim reports to update the Shareholders and potential investors;

(d) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding (i) the Qualification Requirement; (ii) our status of compliance with the Draft Foreign Investment Law and its accompanying explanatory notes as stipulated under "—Background of the Structured Contracts"; (iii) the latest development of the Draft Foreign Investment Law and its accompanying explanatory notes as disclosed under "—Development in the PRC Legislation on Foreign Investment", and (iv) updates of changes to the Draft Foreign Investment Law that will materially and adversely affect us as and when occur, including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the Qualification Requirement; and

(e) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Structured Contracts, review the legal compliance of Tibet Kepei and our PRC Operating Schools and/or our School Sponsor to deal with specific issues or matters arising from the Structured Contracts.

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

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

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

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

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

OVERVIEW

We are a leading provider of private higher education in South China focusing on profession-oriented education, according to the Frost & Sullivan Report. Our history can be traced back to 2000, since when we have accumulated abundant experience in the education industry. During the Track Record Period, we operated two schools in Zhaoqing, Guangdong Province:

- *Guangdong Polytechnic College*—a degree-granting undergraduate-level education institution established in 2005 which offers undergraduate, junior college and adult education programs. For the 2018/2019 school year, it has a total of 36,860 students enrolled, consisting of 19,977 undergraduate students, 7,610 junior college students and 9,273 adult college students. It offers 41 majors consisting of 22 undergraduate majors and 19 junior college majors, in a wide range of subject areas with core majors including standardization management, electrical engineering and automation, electronic information engineering and mechanical design; and
- *Zhaoqing School*—a secondary vocational school established in 2000 which provides secondary vocational education in 11 majors, including automobile servicing, electronic commerce, and electromechanical technology application. For the 2018/2019 school year, it has a total of 8,258 students enrolled.

We experienced a rapid growth since the beginning of our Track Record Period. The total number of students enrolled at our schools increased from 18,869 in the 2014/2015 school year to 45,118 in the 2018/2019 school year. According to the Frost & Sullivan Report, for the 2016/2017 and 2017/2018 school years, Guangdong Polytechnic College ranked first among 61 private higher education institutions (excluding independent colleges) in South China in terms of the number of newly admitted students and student enrollment, and Zhaoqing School ranked first among approximately 70 private specialized secondary schools in Guangdong Province in terms of student enrollment. Our revenue increased from RMB256.1 million in 2015 to RMB455.4 million in 2017. For the eight months ended August 31, 2017 and 2018, our revenue increased from RMB227.9 million to RMB284.1 million.

Our Competitive Strengths

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

We are a fast growing leader of the private higher education industry in South China.

During the Track Record Period, we experienced rapid growth in our revenue from RMB256.1 million in 2015 to RMB349.9 million in 2016, and further to RMB455.4 million in 2017, representing a CAGR of 33.3%. Our revenue increased from RMB227.9 million for the eight months ended August 31, 2017 to RMB284.1 million for the eight months ended August 31, 2018, representing a growth rate of 24.7%. The higher education market in China is underserved and thus has substantial growth potential. According to the Frost & Sullivan Report, 44.1% of the school-age population of higher education (aged 18 to 21) in China was enrolled in higher education institutions in 2017. This percentage was substantially lower than certain developed countries in Europe and North America, such as the U.S., France and the UK. In 2017, public expenditure on education accounted for the equivalent of 4.1% of China's GDP. Private higher education providers are expected to fill the gap between market demand and public expenditure in higher education. Meanwhile, the governmental authorities have promulgated a series of policies to encourage the development of private higher education. The market demand for high-quality higher education, especially profession-oriented higher education, continues to grow, driven by strong economic development in China and the increasing disposable income of Chinese residents.

We also experienced a rapid growth in our student enrollment since the beginning of our Track Record Period. The total number of our students enrolled increased from 18,869 in the 2014/2015 school year to 45,118 in the 2018/2019 school year. According to the Frost & Sullivan Report, for the 2016/2017 school year and 2017/2018 school year, Guangdong Polytechnic College ranked first among 61 private higher education institutions (excluding independent colleges) in South China in terms of the number of newly admitted students and student enrollment and Zhaoqing School ranked first among a total of approximately 70 private specialized secondary schools in Guangdong Province in terms of student enrollment. Our successful track record has won us first-mover advantages in expanding school network coverage in South China, increasing market share, achieving structural growth in undergraduate and junior college education, and seizing market opportunities.

In May 2014, Guangdong Polytechnic College was successfully upgraded to undergraduate institution. An undergraduate institution, compared to a junior college, generally enjoys greater social recognition, competes more advantageously in both student admission and graduate employment, and receives higher tuition fees. Benefiting from the upgrade in 2014, for the 2014/2015, 2015/2016, 2016/2017, 2017/2018 and 2018/2019 school years, the number of undergraduate students enrolled in Guangdong Polytechnic College were 1,057, 4,318, 9,448, 14,900 and 19,997, respectively, representing a CAGR of 108.6%. This rapid growth in student enrollment, coupled with the higher tuition charged for the undergraduate program, has resulted in an increase in our total tuition fees income.

Deeply rooted in the Pearl River Delta and focusing on applied sciences, we have seized the significant geographical advantage of China's manufacturing center and met strong local demand for professional talents, further solidifying our leading position in the private higher education sector in South China.

Under the "Made in China 2025" Strategy, China's manufacturing industry is experiencing transformation and upgrade. Focusing on the integration of industrialization and digitalization and the development of high-technology and intelligent manufacturing sectors, China is expected to become a leading manufacturing country in the next 30 years. The Pearl River Delta, as one of the centers of China's manufacturing industry, is expected to become a new highland for cooperation, innovation, transformation and upgrading during the Thirteenth Five-Year Plan period. The region is expected to transform from a labor-intensive economy to a high-quality and engineering-intensive economy and will thus demand a large number of profession-oriented talent with advanced skills. Moreover, with the further integration and development of the Guangdong-Hong Kong-Macao Greater Bay Area, the demand for high-quality education resources cultivating professional talents with practical skills continues to increase. The well-established manufacturing industry and strong demand for talent provides students with abundant employment opportunities and creates an environment conducive to entrepreneurship. We have established various collaboration programs with reputable enterprises in the manufacturing construction and logistics industries, such as Vivo Mobile Communication Co., Ltd., a leading mobile phone manufacturer in the PRC, and Ming Fai Industrial (Shenzhen) Co., Ltd., a leading personal care products manufacturer in the PRC, to offer students practical training, internships and potential employment opportunities. These opportunities allow students to apply classroom learning to workplace practices, explore professional interests and improve their job prospects. For 2015, 2016, 2017 and 2018, the initial employment rates of Guangdong Polytechnic College's junior college programs were 96.3%, 97.4%, 96.8% and 91.7%, respectively. Our schools' location in the Pearl River Delta has helped us to establish connections with various reputable manufacturing enterprises to bring in industry expertise and the latest technological developments. We require our teachers to practice their expertise at enterprises in relevant industries during school breaks to keep abreast of industry dynamics, and to ensure that our major and curriculum offering is tailored to the skill-set demands of enterprises in the region, creating a virtuous circle between education and employment.

According to the Frost & Sullivan Report, Guangdong Province is one of the most developed provinces in China, with a GDP of RMB9.0 trillion in 2017, accounting for 10.9% of China's national GDP. Moreover, the per capita GDP of Guangdong Province in 2017 was RMB81,089, which is much higher than the national average. We have benefited from the higher level of economic development in Guangdong Province as the primary source of our students, where people are able to afford relatively high tuition fees and boarding fees.

At the same time, the enrollment rate of higher education in Guangdong Province is significantly lower than the national average. According to the Frost & Sullivan Report, the gross enrollment rate for higher education in Guangdong Province in 2017 was 39.2% while the national average was 44.1%, indicating the relative scarcity of higher education resources in Guangdong Province. We have been realizing the supply-side potential of the Guangdong provincial higher education industry as a committed profession-oriented private education provider, and we believe that we will further benefit from our first-mover position as the potential of the demand-side continues to be realized.

We are dedicated to cultivating professional talent with practical skills, and offering featured engineering majors and curricula to students.

In light of the "Made in China 2025" Strategy and the growing market demand for talent of the Pearl River Delta as an emerging national advanced manufacturing center, we position ourselves as a profession-oriented higher education provider, and are dedicated to cultivating talent with practical skills.

With an emphasis on the quality of education, we focus on offering engineering majors in order to better capture local employment demand balanced with economics, management, education and art majors to provide well-rounded education services. According to the Frost & Sullivan Report, as of September 30, 2017, Guangdong Polytechnic College had 22 engineering majors, enjoying a leading position among the private higher education institutions in Guangdong Province. To capture the employment demand generated by the "Made in China 2025" Strategy, our engineering major offering includes mechatronic engineering, computer science, electrical engineering and automation, automobile engineering and standardization management. Similarly, as of September 30, 2018, Zhaoqing School offered 12 majors at a secondary vocational level, including automobile servicing, electronic commerce and electromechanical technology application. In addition, we have made significant investment in recruiting high-quality faculty with extensive practical experience, training facilities simulating the workplace environment and land resources to accommodate teaching facilities, to satisfy the current need and facilitate the future growth and development of our engineering majors. Guangdong Polytechnic College was recognized as a National Training Base for Application-oriented Talents in 2015 by the MOE, and as Guangdong Provincial Maker Space Pilot Unit (廣東省眾創空間試點單位) by the Guangdong Provincial Science and Technology Department. We also established more than 180 on-campus laboratories such as intelligent robotics innovation laboratory, mobile computing laboratories and 3D printing laboratories to meet demand for experiment and testing of practical training.

We design courses with reference to national professional qualification standards, and closely track the development trends of relevant markets and industries. Our extensive market research involves collaboration between our teachers and industry experts. Through in-depth market research and regular interactions with local governments and enterprises, we are able to adjust major and curriculum offering according to latest industry trends and labor market demand, and to achieve the integration of production, instruction and research. For example, we established a resource-sharing scheme with Guangdong Yueke Institute of Standardization (廣東粵科標準化研究院), a non-profit research institution focusing on standardization management, through which our teachers participated in the formulation of evolving industry standards and gained significant insight into new trends in the relevant industries. Guangdong Polytechnic College thus became the first undergraduate institution in Guangdong Province to offer the standardization management major. Based on research of current and anticipated market demands, we launched 22 new undergraduate majors at Guangdong Polytechnic College during the Track Record Period. Furthermore, we attach great value to practical training as a strong supplement to lectures, especially for engineering majors. We strive to provide students with various practical training and internship opportunities. We have set up on-campus practical training bases for majors such as electronic commerce, industrial robots, CNC equipment and fashion design. Students in engineering majors of Guangdong Polytechnic College receive practical training for three to four weeks each semester, accounting for more than 40% of each student's total credit hours.

Our continuous efforts to improve the market competitiveness of students and expand their employment opportunities through various channels have enabled us to achieve an industry-leading initial employment rate.

We closely analyze the employment prospects of students. We improve students' market competitiveness and expand their employment opportunities through the following integrated measures:

Extensive and Effective School-Enterprise Collaboration: We believe that the school-enterprise collaboration enables us to evaluate and adjust our curricula from the demand-side perspective, and to provide students with practical training opportunities which are essential to our educational goal of fostering students' practical skills. Leveraging on our position as a leading provider of profession-oriented education in the region, we have established effective collaboration with various reputable enterprises to facilitate teaching and graduate employment support. Through our collaborating enterprises we also offer students internship opportunities to enhance their career prospects. All of our graduating class students can choose to intern at our collaborating enterprises. In addition, we have set up more than 100 practical training bases for students to gain practical experience in workplace environment.

Comprehensive Career Planning Guidance: We consider career development an essential part of the educational service and a key factor in students' future career development. Therefore, we have established a comprehensive system of career planning and enhancement to provide services including career development courses, career information updates and job fair organization.

Qualification Examination Center: We have established the Qualification Examination Center for Guangdong Polytechnic College, which offers preparation courses for various qualification examinations, including the National Test for English, National Computer Rank Examination and National Standardization Management Training, to help students obtain relevant qualification certificates and thus improve their overall competitiveness in the employment market. The

Qualification Examination Center further provides our faculty with the latest information related to the examinations and employment market, which in turn helps upgrade our instructional methods and class content applied in routine education in accordance with the most up-to-date industry trends.

Entrepreneurship and Innovation Education: In addition to the traditional employment paths, we also encourage students to start their own business. We established Guangdong Provincial College Students Innovation and Entrepreneurship Center at Guangdong Polytechnic College on September 10, 2015, the name of which was later changed to Students Innovation and Entrepreneurship College, to function as a training base to guide and encourage entrepreneurial success and equip our students with the requisite knowledge, skills and motivation. Our dedication to the development of the innovative and entrepreneurial education method has inspired various achievements of our students. Since 2015, more than 100 students' entrepreneurship projects have been initiated, among which 27 projects were selected and sponsored by the Guangdong Provincial College Students Innovation and Entrepreneurship Training Program and five projects were selected and sponsored by the National College Students Innovation and Entrepreneurship Training Program. One of our students' entrepreneurship projects was awarded first prize in the 2016 Guangdong Provincial Youth E-Commerce Entrepreneurship Competition (廣東省青年電子商務創業大賽).

Our students, with professional skills nurtured through high-quality practical training, are well received by the employment market. During the Track Record Period, we have achieved an initial employment rate higher than the local and national industry average. For the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school years, the initial employment rates of Guangdong Polytechnic College's junior college programs were 96.3%, 97.4%, 96.8% and 91.7%, respectively. Guangdong Polytechnic College started to offer undergraduate programs since the 2014/2015 school year. As all of its undergraduate programs take four years to complete, there were no graduates from our undergraduate program from 2014/2015 school year to 2016/2017 school year. For the 2017/2018 school year, Guangdong Polytechnic College had 1,023 graduates from our undergraduate program, achieving initial employment rate of 96.8%. According to the Frost & Sullivan Report, for 2015, 2016 and 2017, the overall initial employment rates of higher education graduates of Guangdong Province were 94.8%, 95.1% and 95.1%, respectively, while China's overall initial employment rates of the higher education graduates were 77.7%, 77.9% and 78.4%, respectively.

We have an experienced and reputable management team with a proven track record and highly qualified faculty.

We have an experienced management team with professional expertise and extensive experience in the education industry. Mr. Ye Nianqiao, our founder and chairman of the Board, is one of the pioneers of the PRC's private higher education industry. He is also the vice president of Guangdong Provincial Private Education Association (廣東省民辦教育協會副會長), the vice president of Guangdong Vocational Training and Technical Education Association (廣東省職業培訓和技工教育協會) and a member of the Chinese Vocational Education Association of Guangdong Province (廣東省中華職業教育社). He has devoted himself to the PRC's private education industry since 1984 and has more than 34 years' teaching and management experience in the industry.

Our schools are led by a team of seasoned education professionals with extensive experience in the industry. Dr. Zhang Xiangwei, principal of Guangdong Polytechnic College, has over 31 years of experience in the education industry. He served as the vice principal of Chongqing University, principal of Shantou University and principal of Guangdong University of Technology. He is now a member of the discipline review panel of the National Natural Science Foundation of China (中國國家自然科學基金委員會) and a member of the science and technology committee of the MOE. For the past seven years, Dr. Zhang has helped in recruiting a large number of talents. He now leads a group of senior management personnel, most of whom have worked for us for over 10 years. Both of our schools have established a stable core team of both young teachers and experienced professionals, and we believe that these talents are the key assets to our continuous development.

We believe that the stability of our faculty is fundamental in maintaining our education quality. As of September 30, 2018, we had 2,024 teachers in total. We provide teachers with a comprehensive teacher training system, competitive compensation and benefit plan, and a clear career path scientifically designed to encourage both academic and managerial development. Furthermore, we have formulated strict standards for teacher recruitment and established continuing training programs. To facilitate the personal growth and development of our young teachers, we have established a mentoring system under which they are guided and supported by senior teachers. Meanwhile, during school breaks, we require our teachers to practice their expertise at enterprises in relevant industries, conduct scientific research and continue to improve their professional abilities. We believe our investment in continuing training and career development for our teachers will continue to enable us to maintain a highly qualified and stable faculty.

Our Business Strategies

In strengthening our position as a leading provider of private higher education in South China focusing on profession-oriented education, we plan to pursue the following business strategies:

Increase the capacity and utilization rate of our schools and optimize our business structure and pricing to maximize endogenous growth.

We plan to further increase the capacity of our schools. The new Dinghu campus of Guangdong Polytechnic College has been established in Dinghu District, Zhaoqing. The first phase of the construction was completed in September 2017, putting a portion of the campus with a gross floor area of more than 125,000 square meters into operation and expanding the capacity of Guangdong Polytechnic College by approximately 6,000 students. The second phase of the construction was completed in the third quarter of 2018, putting a portion of the campus with a gross floor area of more than 64,000 square meters into operation and expanding the capacity of the school by over 4,000 students. The third phase of the construction involving a planned gross floor area of 68,000 square meters is expected to commence in 2019, and further expand the capacity of Guangdong Polytechnic College by over 1,000 students. The establishment of the new campus enables us to expand student enrollment, which in turn will lead to an increase in revenue. We also intend to continuously improve the quality of our education and further strengthen our established reputation, in order to attract more students and further increase the utilization rate of our schools.

The level of tuition fees and boarding fees we charge is another fundamental factor affecting our profitability. We plan to achieve increases in both student enrollment and average tuition fees through further structural adjustment of our business. The fees we typically charge students consist of tuition fees and boarding fees. We raise tuition fees as necessary and appropriate to reflect our increased operating costs and the adjustment of our major and curriculum offering. New tuition fee rates only apply to newly enrolled students. Students who have already enrolled at our schools continue to pay the tuition fees at the rates in effect when they enrolled. We believe our leading position and established reputation enable us to further increase our tuition fees while maintaining competitiveness in student admission. In addition, as advised by our PRC Legal Advisors, according to the relevant local regulations in Guangdong Province, we have discretion to adjust the tuition fees and boarding fees charged by our schools, and the tuition fee and boarding fee raises are not subject to regulatory approval or filing requirements. See "Regulatory Overview—Regulations on Private Education in the PRC." Moreover, with the further expansion and upgrade of our campus, we will be able to further increase our tuition fees and boarding fees commensurate with the improving studying and living conditions.

The tuition fees of our undergraduate program are generally higher than those of the junior college program and the secondary vocational program. As a result of the expansion of our undergraduate program since 2014, we saw an increase in our average tuition fee during the Track Record Period. We are in the process of expanding our offering of undergraduate majors and reducing junior college majors and aim to have more than 40 undergraduate majors. During the Track Record Period, we discontinued 20 junior college majors. All of the 22 newly established majors are undergraduate majors. The upgrade of degree level will enhance students' competitiveness in the market and increase their employment opportunities. Through such structural optimization, we will be able to further improve our competitiveness in student admissions, expand student enrollment and increase the average tuition fee.

Further expand service offering and diversify revenue sources.

We intend to expand our service offering and diversify revenue sources primarily through the following channels:

Qualification Examination Center: We established Qualification Examination Center for Guangdong Polytechnic College in 2015, which offers licensing examination preparation courses to students at extra charge. We plan to further expand the offering of Qualification Examination Center to improve students' market competitiveness as well as diversify revenue sources. We encourage all of our students to obtain at least one occupational qualification upon graduation.

Adult Education: We intend to continue to offer the following adult education programs: (i) full-time adult education program provided to students enrolled through National Higher Education Entrance Examination for Adults (成人高考); and (ii) preparation program and examination services for Examinations for Upgrade of Junior College Students to Undergraduate Students provided to our junior college students (專升本). In order to accommodate various needs of our adult college students who might be in the workforce, we operate such programs with a flexible and diversified approach, including cooperating with other partner education institutions to make available additional venues and teaching staff. We are responsible for setting the unified teaching standard and supervising its enforcement. In addition, we plan to cooperate with more education institutions to offer our adult education programs. Such collaboration programs will enable us to expand the coverage of our adult education programs, help a wider range of students to obtain an undergraduate degree and foster their market competitiveness.

Campus Services: We have engaged Independent Third Parties to provide certain campus services for students, such as catering services and campus supermarkets. We primarily generate revenue from the rent and utilities paid by the service providers who leased premises from us for operation. In the future we intend to further expand and improve campus service offerings by optimizing campus planning and layout, and selecting high-quality third-party service providers through public tender processes.

Expand our school network through strategic mergers and acquisitions.

We plan to further expand our school network and strengthen our market penetration and market share in the private higher education industry in the PRC, with the focus in South China, through strategically identifying suitable acquisition targets. Specifically, we will target high-quality private junior colleges which have potential to upgrade to become undergraduate institutions, as these junior colleges are usually more reasonably priced and possess high growth potential which could be harnessed by our experience and know-how in upgrading junior college to undergraduate institutions, thereby creating and realizing synergies within our school network. We would consider a variety of factors, including geographic location, regional population, economic conditions, junior college-to-undergraduate college ratio, provincial education level and development plans, local government support and regulatory environment, potential market demand and existing market competition, when selecting targets.

We plan to effectively integrate acquired schools into our school network, ensure unified education quality and operational efficiency with our existing schools, and apply our existing know-how in upgrading junior colleges to undergraduate institutions. Our management team will leverage our extensive experience to facilitate the upgrade of the junior college to an undergraduate institution, further increase their competitiveness in student admission and graduate employment, and thus receive higher fees and achieve growth. We aim to enhance education quality by transplanting our profession-oriented instruction method and market-oriented major and curriculum offering to the acquired schools. With respect to graduate employment, we plan to share our employment information and resources as well as extensive school-enterprise relationships with newly acquired schools. We will also implement centralized management over our entire school network, optimize pricing strategy and lower the operating costs of newly acquired schools.

In terms of geographical coverage, we will continue to focus on expanding our school network within Guangdong Province and strengthen our leading position in the Pearl River Delta. Meanwhile, we will also explore expansion opportunities in South China provinces, where there is also a relative scarcity of higher education resources, according to the Frost & Sullivan Report, as well as other areas in China with market potential. We plan to further expand our school network coverage in these regions to capture the relatively high growth and development potential. As of the Latest Practicable Date, we have not identified any potential acquisition target or initiated negotiations for any merger and acquisition.

According to our current understanding and interpretation of the MOJ Draft for Comments, if the MOJ Draft for Comments is adopted in its current form, it may have the following implications on our expansion strategy:

(i) we may acquire schools that have been registered as for-profit private schools. The consideration payable for such acquisition is expected to include the additional costs that may be involved in the for-profit private school registration process. According to Clause 12 of the MOJ Draft for Comments, social organizations which adopt centralized school management model are not allowed to acquire non-profit private schools or control them through ways such as franchising or "contractual arrangements." Therefore, if Clause 12 of the MOJ Draft for Comments becomes formally promulgated regulations in the future, and our school management model is considered as adopting the centralized school management model or if our Structure Contracts are considered as "contractual arrangements" under Clause 12 of the MOJ Draft for Comments, according to the requirements of Clause 12 of the MOJ Draft for Comments, we will no longer be able to acquire non-profit private schools or control them through ways such as franchising or "contractual arrangements", which may limit our acquisition scope.

(ii) we may not be able to acquire any schools that have already been registered as non-profit private schools.

We currently do not consider that the implications above would have any material impact on our expansion strategy, except that the number of target schools available for our acquisition may be reduced by those that will be registered as a non-profit private school in the future.

Notwithstanding that the MOJ Draft for Comments may limit the scope of our acquisition of for-profit private schools, we consider it is strategically more desirable to seek appropriate acquisition opportunities as opposed to establishing new schools as acquisitions of existing schools enable us to gain rapid entry into the market of choice, while barriers to entry for establishment of new schools are high for the following reasons:

Licenses and permits: School operators in China are required to obtain and maintain a series of approvals, licenses and permits by various relevant governmental authorities and are subject to specific registration and filing requirements; the process of obtaining such approvals, licenses and permits can be very time-consuming and is subject to legal and administrative uncertainties.

High initial investment: The initial investment required to establish a new school is substantial, and the investments include costs associated with construction of new campus and school facilities, hiring new teachers and administrative staff, building industry reputation and promoting the new school through marketing efforts.

Location and land: It takes, in general, considerable amount of time and resources to identify a location for establishing a new school, and to obtain relevant permits and approvals for developing the underlying land can be time-consuming.

Staff: Recruiting qualified teachers who are usually in high demand for a new school and building a quality team of teaching and administrative staff require substantial capital and time commitments.

We have established a regulatory risk committee chaired by Mr. Ye Nianqiao to pay close attention to the developments of the relevant policies and regulations, including the 2016 Amendments and the MOJ Draft for Comments. We will assess whether the MOJ Draft for Comments or other relevant implementation rules and regulations in the future will present practical challenges or compliance issues to any future acquisition. Such special committee will ensure that our acquisition in the future fully complies with the relevant rules and regulations in effect from time to time.

Further advance our profession-oriented education by strengthening school-enterprise collaboration and improving practical training facilities.

To cultivate high-quality profession-oriented talent with practical skills, we plan to further expand and enrich our school-enterprise collaboration programs. We aim to establish collaboration programs with more industry-leading enterprises and strengthen our relationships with existing cooperation partners, focusing on collaborative formulation of class plan and course content, customized training majors and courses at our schools and the provision of internship opportunities to our students.

Furthermore, we believe our various practical training programs have helped improve students' competitiveness in the market. For example, we have set up the Research Institute with the People's Government of Gaoyao District and a third-party research institute focusing on CNC equipment innovation at Guangdong Polytechnic College in 2016. The institute is installed with advanced facilities for the research and development of industrial robots, CNC equipment and 3D printing and precision casting equipment, and aims to be the incubator of talent in the equipment manufacturing industry. In December 2017, the institute was certified as 2017 Guangdong Provincial Youth Science and Technology Education Base (2017年度廣東省青少年科技教育基地) by Guangdong Productivity Association (廣東省生產力促進協會). We plan to improve our current facilities and establish more practical training bases, similar to the Research Institute, which enable students to obtain first-hand workplace simulation experience, strengthen practical skills and adapt quickly to the growing and changing demand of the market.

Continue to attract and retain high-quality faculty and strengthen support for teachers' career development.

We believe that the quality of our education depends heavily on our faculty. We intend to continue to improve the quality of faculty by attracting new talent while retaining existing resources. We will continue to apply high standards in teacher recruitment, and target primarily those candidates with relevant industry experience, multiple professional qualifications and a strong record in conducting professional programs. In particular, we plan to recruit more dual-qualified teachers on both full-time and adjunct basis, and provide them with competitive employee welfare and benefits.

To ensure continuous improvement of education quality, we constantly refine our teacher training programs and performance evaluation systems. We intend to establish a training center to conduct centralized management of mandatory and continuing training for teachers and staff. In addition, we plan to optimize our mentoring system, in which new teachers are guided and assisted by senior teachers, in order to apply consistent education quality in our entire school network. We will continue to require our teachers to practice their expertise at enterprises in relevant industries during school breaks. Our teacher performance evaluation will continue to consist of various components, including in-class observations, evaluation of the teacher's personal statement, peer appraisal and evaluation by faculty management, and will form the basis for the adjustment of education method and the decisions of teachers' awards and promotions. We have also conditionally adopted the Share Option Scheme for the purpose of incentivizing our management team and key teachers whose contributions are significant to our future growth and continuous success.

OUR EDUCATIONAL PHILOSOPHY

Our fundamental educational philosophy is "benevolence, truth-seeking, perseverance and innovation" (「修德、求是、篤行、創新」). We endeavor to provide students with high-quality profession-oriented education and help them meet the growing and changing demand of the market.

OUR SCHOOLS

Overview

We operate two schools in Zhaoqing, Guangdong Province:

Guangdong Polytechnic College — a degree-granting undergraduate-level education institution established in 2005 which offers undergraduate programs, junior college programs and adult education programs. It offers 41 majors in a wide range of subject areas, including standardization management, electrical engineering and automation, electronic information engineering and mechanical design; and

Zhaoqing School — a secondary vocational school established in 2000 which provides secondary vocational education in 11 majors, including automobile servicing, electronic commerce and electromechanical technology application.

The following table sets out certain general information on our schools during the Track Record Period:

School	Year ended December 31, 2015	2016	2017	Eight months ended August 31, 2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Guangdong Polytechnic College					
Tuition fees	201,483	280,826	378,742	187,183	239,287
Boarding fees	22,879	25,587	30,154	14,407	18,854
Total revenue	224,362	306,413	408,896	201,590	258,141
Cost of sales	79,850	97,530	131,025	69,095	88,312
Gross profit	144,512	208,883	277,871	132,495	169,829
Zhaoqing School					
Tuition fees	26,373	36,872	40,161	22,269	22,376
Boarding fees	5,362	6,602	6,325	4,062	3,606
Total revenue	31,735	43,474	46,486	26,331	25,982
Cost of sales	12,383	17,085	18,128	11,905	13,296
Gross profit	19,352	26,389	28,358	14,426	12,686

Our Board is generally responsible for making strategic decisions for both of our schools on matters such as the school budgets, investments, acquisitions and future development. Our Board further appoints boards of directors of our schools, which are the decision-making bodies of the schools led by the respective principals. From time to time, the school boards consult with, and seek approval from, our Board on major decisions and significant expenditures. Under the guidance of the school boards, the principal's offices are responsible for the daily operation and management of each school. Our principals are assisted by several vice principals, each of whom is responsible for one or more specific aspects of our schools' operations, such as major and curriculum offering, student admission, student career development, security and logistics, student affairs and human resources. We believe this management structure allows us to operate our schools efficiently, maximizing the capability of our faculty and administrative staff.

Student Enrollment and Capacity

We have built our reputation on high-quality education, which is evidenced by the high initial employment rate of our junior college graduates. As a result, we experienced steady growth in student enrollment during the Track Record Period. According to the Frost & Sullivan report, for the 2017/2018 school year, in terms of student enrollment, Guangdong Polytechnic College ranked first among private higher education institutions (excluding independent colleges) in South China and Zhaoqing School ranked first among Guangdong's private specialized secondary schools.

The following table sets out information relating to the student enrollment for both of our schools for the school years indicated:

School	Number of Students Enrolled(1)/ School Year				
	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Guangdong Polytechnic College					
Undergraduate program(2)	1,057	4,318	9,448	14,900	19,977
Junior college program(3)	12,492	12,487	11,768	9,309	7,610
On-campus adult college program	1,023	1,248	1,389	2,157	1,951
Off-campus adult college program(4)	n/a	n/a	880	2,209	7,322
Subtotal	14,572	18,053	23,485	28,575	36,860
Zhaoqing School					
Secondary vocational program(5)	4,297	5,980	7,641	7,352	8,258
Total	18,869	24,033	31,126	35,927	45,118

Notes:

(1) The student enrollment information during the Track Record Period was based on the official records of the relevant PRC education authority and the internal records of our schools. Our school year generally starts in September. For consistency purposes, we use September 30 to present our business operating data in this prospectus.

(2) We started to offer the undergraduate program since the 2014/2015 school year. The number of student enrollment of our undergraduate program includes those students in the "2+2" program during all four years of such program. See "—Guangdong Polytechnic College—Featured Programs—"2+2" Program."

(3) The number of students registered with the program for the upgrade of junior college students to undergraduate students are included in the total number of junior college students of Guangdong Polytechnic College. We started to offer such program since the 2014/2015 school year. For the 2014/2015, 2015/2016, 2016/2017, 2017/2018 and 2018/2019 school years, the number of students enrolled were 1,106, 2,374, 2,305, 2,044 and 1,875 respectively. See "—Guangdong Polytechnic College—Featured Programs—Adult Education—Upgrade of Junior College Students to Undergraduate Students."

(4) We started to offer off-campus adult college program since the 2016/2017 school year.

(5) The number of students enrolled in the secondary vocational program includes the number of students enrolled in the "3+2" Program. Students enrolled in the "3+2" Program continue their study at Guangdong Polytechnic College after graduating from Zhaoqing School. See "—Zhaoqing School—Featured Programs—"3+2" Program."

The following table sets out information relating to the capacity and utilization rate (calculated by the number of boarding students divided by school capacity) for both of our schools for the school years indicated:

School	School Capacity(1)(2)/ School Year					School Utilization Rate(1)(4)/ School Year				
	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2014/2015	2015/2016	2016/2017(3)	2017/2018(3)	2018/2019
								(%)		
Guangdong Polytechnic College	14,844	19,152	19,152	25,148	29,148	98.2	94.3	90.1	86.3	90.8
Zhaoqing School	6,829	6,829	6,829	6,829	6,829	62.9	87.6	91.6	81.3	86.0
Total	21,673	25,981	25,981	31,977	35,977	87.1	92.5	90.5	85.2	89.9

Notes:

(1) The school capacity information during the Track Record Period was based on the internal records of our schools. Our school year generally starts in September. For consistency purposes, we use September 30 to present our business operating data in this prospectus.

(2) Both of our schools are boarding schools. The capacity for student enrollment at both of our schools is restricted by the number of beds available in student dormitories.

(3) The off-campus adult college program is non-boarding. Starting from the 2016/2017 school year, all graduating class students have not been boarding at school as they were on internships at enterprises where accommodation was provided. For the 2016/2017, 2017/2018 and 2018/2019 school years, the number of graduating class students of Guangdong Polytechnic College on internships were 5,354, 4,672 and 3,072, respectively, while the number of graduating class students of Zhaoqing School on internships were 1,386, 1,798 and 2,385, respectively. Therefore there was a decrease in the school utilization rate for the 2016/2017 and 2017/2018 school year.

(4) School utilization rate is calculated by boarding student enrollment for a particular year divided by school capacity for such year.

The number of students we are able to admit for both of our schools for each school year is set and approved by the relevant PRC education authorities. According to the Opinions of the Ministry of Education on Further Regulating Higher Education Enrollment Program (教育部關於進一步規範高等教育招生計劃管理工作的意見), student enrollment for an undergraduate program is subject to the approval of the MOE, while student enrollment for junior college and secondary programs is subject to the approval of the relevant provincial educational authorities. During the Track Record Period, most of our students were boarding students.

We emphasize the quality of education. Accordingly, we have made teacher recruitment, training and retention a vital part of our overall corporate strategy. As of September 30, 2014, 2015, 2016, 2017 and 2018, we had an aggregate of 860, 1,198, 1,487, 1,622 and 2,024 teachers in total, respectively. 59.7% of teachers of Guangdong Polytechnic College have obtained a master's degree or above as of September 30, 2018. We are committed to training our faculty through various mandatory and continuing training programs, including courses on teaching theories and teaching techniques. See "—Our Comprehensive Educational Approach—Faculty, Recruitment, Training and Evaluation."

Tuition Fees and Boarding Fees

The fees we typically charge students comprise of tuition fees and boarding fees. We raise tuition fees as necessary and appropriate to reflect increased operating costs and adjustment in our major and curriculum offering. We have raised tuition fees for certain majors at Guangdong Polytechnic College and Zhaoqing School for the 2016/2017, 2017/2018 and 2018/2019 school years. New tuition fee rates only apply to newly enrolled students. Students who have already enrolled at our schools continue to pay the tuition fees at the rates in effect when they enrolled. We believe the increase in tuition fees and boarding fees at our schools during the Track Record Period is attributable to, among other things, our growing popularity among prospective students in recent years, the introduction of new majors and curricula at our schools, the upgrade by Guangdong Polytechnic College from a junior college to an undergraduate institution and the outstanding employment rates of our graduates. The increase in tuition fees and boarding fees allows us to provide our students with better educational services, employment opportunities and living standards, all of which require capital and resources.

The following table sets out the tuition fee information for the schools we operate for the school years indicated:

School	Tuition Fees(1)(2)/ School Year 2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
Guangdong Polytechnic College					
Undergraduate program	17,500-18,000	17,500-18,000	18,000-19,500	18,800-30,000(3)	21,800-30,000
Junior college program(4)	11,600-12,800	11,600-28,000(3)	12,100-28,500	14,100-28,500	15,800-28,500
On-campus adult college program	6,400-9,200	6,400-9,200	6,400-9,200	5,900-10,700	5,900-10,700
Off-campus adult college program(5)	n/a	n/a	2,400	2,400	2,400
Zhaoqing School					
Secondary vocational education	5,300-6,800	5,300-6,800	5,300-7,300	6,100-9,300	6,100-9,300

Notes:

(1) Tuition fees shown above for both of our schools only apply to newly enrolled students in the relevant school years.

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

(3) The high end of the tuition fees range for the undergraduate program and the junior college program offered by Guangdong Polytechnic College rose as the tuition fees charged by the "2+2" Program are generally higher. See "—Guangdong Polytechnic College — Featured Programs — "2+2" Program." We started to offer "2+2" program for junior college students and undergraduate students since the 2015/2016 school year and 2017/2018 school year, respectively.

(4) On top of the tuition fees for the junior college program, junior college students enrolled in the upgrade of junior college students to undergraduate students program pay additional tuition fees for it.

(5) We started to offer off-campus adult college program since the 2016/2017 school year.

We generally require students to board at our schools. The following table sets out the boarding fee information for the schools we operate for the school years indicated:

School	Boarding Fees/ School Year 2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
Guangdong Polytechnic College					
Undergraduate program	1,500	1,500	1,500	1,500	1,600
Junior college program	1,380-1,500	1,380-1,500	1,380-1,500	1,500	1,600
On-campus adult college program	1,380-1,500	1,380-1,500	1,380-1,500	1,500	1,600
Zhaoqing School					
Secondary vocational education	880-1,380	880-1,380	880-1,500	1,170-1,570	1,600

In 2015, 2016, 2017 and the eight months ended August 31, 2017 and 2018, tuition fees from all of our schools accounted for 89.0%, 90.8%, 92.0%, 91.9% and 92.1% of our total revenue, respectively, while boarding fees accounted for 11.0%, 9.2%, 8.0%, 8.1% and 7.9% of our total revenue, respectively. We require students to pay tuition fees and boarding fees for the entire school year upfront, and recognize revenue proportionately over the period. To the best of our knowledge, no related party has collected any payment from students on behalf of our Group during the Track Record Period and up to the Latest Practicable Date.

Student Withdrawals and Refund

Very few of our students have withdrawn during their enrollment at our schools, for reasons such as military service, entrepreneurial plan or serious illness. In the event that a student withdraws during the school year, there are refund policies in place at both of our schools. These policies set out the formula for calculating the amount of tuition fees and boarding fees that can be refunded based on the time of withdrawal. These policies were formulated pursuant to the rules and regulations issued by the local education authorities where our schools are located. If a student withdraws from our schools: (i) before the commencement of the upcoming school year, the tuition fees and boarding fees to be refunded shall equal 90% of the total amount of tuition fees and boarding fees paid; or (ii) after the commencement of the school year, the tuition fees and boarding fees to be refunded shall equal the total amount of tuition fees and boarding fees paid after deducting a proportionate amount for the actual number of months the student stayed at school (calculated on a nine-month school year basis).

The following table sets out the number of students who withdrew from our schools for the school years indicated:

	Number of Students Withdrawn/ School Year			
School	**2014/2015**	**2015/2016**	**2016/2017**	**2017/2018**
Guangdong Polytechnic College[(1)]	94	122	89	20
Zhaoqing School	433	436	241	315
Total	527	558	330	335

Note:

(1) Our schools' different level of student withdrawn is primarily due to the fact that generally fewer students withdraw from higher education institutions.

The following table sets out both school's retention rate of students for the school years indicated:

	School year											
	2014/2015			2015/2016			2016/2017			2017/2018		
School	# of students at beginning of school year	# of students withdrawn	Retention rate of students (%)	# of students at beginning of school year	# of students withdrawn	Retention rate of students (%)	# of students at beginning of school year	# of students withdrawn	Retention rate of students (%)	# of students at beginning of school year	# of students withdrawn	Retention rate of students (%)
Guangdong Polytechnic College	14,572	94	99.4	18,053	122	99.3	23,485	89	99.6	28,575	20	99.9
Zhaoqing School	4,297	433	89.9	5,980	436	92.7	7,641	241	96.8	7,352	315	95.7

The table below sets out the amount of tuition fees refunded by our schools for the periods indicated:

	Year ended December 31,			Eight months ended August 31,
	2015	**2016**	**2017**	**2018**
School	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Guangdong Polytechnic College	138.6	309.4	413.5	64.0
Zhaoqing School	189.0	182.2	143.4	73.1
Total	327.6	491.6	556.9	137.1

The table below sets out the amount of boarding fees refunded by our schools for the periods indicated:

School	Year ended December 31, 2015 RMB'000	Year ended December 31, 2016 RMB'000	Year ended December 31, 2017 RMB'000	Eight months ended August 31, 2018 RMB'000
Guangdong Polytechnic College	16.1	46.9	92.9	—
Zhaoqing School	4.8	5.7	26.4	31.4
Total	20.9	52.6	119.3	31.4

Guangdong Polytechnic College

Overview

Guangdong Polytechnic College is an undergraduate-level higher education institution located in Zhaoqing, Guangdong Province, PRC, which provides undergraduate education, junior college education and adult education. Its predecessor was Zhaoqing Technology Vocational Technical College, a higher vocational college established in 2005. In 2014, the school was further approved by the MOE to upgrade its education qualification, from higher vocational college to undergraduate institution, and for its name to be changed to Guangdong Polytechnic College. Guangdong Polytechnic College's educational philosophy is "to develop student-oriented programs with high quality, expertise, cultural contents and specialties" (「以學生為本，質量立校、人才強校、文化興校、特色辦校」). Its educational goal is to foster engineering and technical talents equipped with the skillsets demanded in the industry transformation and upgrade boosted by the "Made in China 2025" Strategy.

As of September 30, 2018, Guangdong Polytechnic College had 36,860 students enrolled (comprising 19,977 undergraduate students, 7,610 junior college students and 9,273 adult college students). It employed 1,483 teachers as of the same date. Students of the school were admitted to and enrolled based on their scores in the National Higher Education Entrance Examination and in accordance with national and local admission standards and procedures.

As of the Latest Practicable Date, Guangdong Polytechnic College had two campuses, namely, Gaoyao campus, located in Gaoyao District, Zhaoqing, and Dinghu campus (partially under construction), located in Dinghu District, Zhaoqing.

Students and Student Admission

According to the Frost & Sullivan Report, as of September 30, 2017, Guangdong Polytechnic College ranked first among 61 private higher education institutions (excluding independent colleges) in South China in terms of the number of newly admitted students and student enrollment.

In order to be admitted to undergraduate and junior college programs, student candidates are required to take the National Higher Education Entrance Examination, achieve the required total score and follow national and local admission standards and procedures. The number of students we are able to admit for each school year is set and approved by the relevant PRC education authorities.

To attract more high-quality candidates and to connect with them effectively and cost-efficiently, we utilize a variety of marketing and recruitment tools, including: (i) consultation sessions; (ii) visits to middle/high schools; (iii) advertisements in official school catalogs; (iv) school open days for prospective students and their parents; and (v) various media channels. We have established a student admission office through which we arrange for teachers and admission staff to answer questions from prospective students and their parents. We believe these efforts, together with the quality of our faculty, the diversity of our curricula and the relatively high employment rates of our graduates, are our core competitive advantages in student admission. Furthermore, we offer scholarships to outstanding applicants who demonstrate academic excellence or other commendable qualities, and provide grants and other types of financial aid to underprivileged students. The majority of such programs are subsidized by the national and provincial governments.

Majors and Curricula

Guangdong Polytechnic College currently offers 46 majors (27 undergraduate majors and 19 junior college majors) in a wide range of subject areas. Our core majors include standardization management, electrical engineering and automation, electronic information engineering, mechanical design, manufacture and automation, mechatronic engineering, automobile servicing, automobile engineering, computer science, networking engineering, logistics management, international economics and trade, financial engineering and financial management. According to the Frost & Sullivan Report, as of September 30, 2017, Guangdong Polytechnic College had 22 engineering majors, enjoying a leading position among the private higher education institutions in Guangdong Province.

We conduct thorough research on employment market trends, and review and adjust our major and curriculum offering accordingly. During the Track Record Period, we launched 22 new undergraduate majors at Guangdong Polytechnic College. When establishing new majors, we generally take into consideration the following factors:

Employment prospects: We have maintained our focus on engineering majors, which generally have better initial employment rates. Further, we conduct in-depth research into the regional labor market, and adjust our major offering in response to the market trend and the particular features of the local industries.

Available school resources: We constantly review our hardware and software resources to evaluate our subject advantages. We will consider establishing new majors in those academic areas where we have adequate faculty and expertise as well as the necessary teaching facilities.

Admission criteria and students' demand: We have closely analyzed the market demand for profession-oriented higher education with reference to, among others, the admission criteria of our majors in the past years and feedback from students and their parents. For areas with a noticeable increase in demand, we will consider establishing relevant majors if such is compatible with our overall development strategy.

Regulatory approval: According to the Provision on the Establishment of Undergraduate Majors in Colleges and Universities (普通高等學校本科專業設置管理規定) and the Colleges and Universities Majors Directory (普通高等學校本科專業目錄), higher education institutions are encouraged to establish and adjust major offering to meet the needs of regional and national socio-economic development. Most of the majors under the Colleges and Universities Majors Directory only require filing with provincial education administration departments for establishment. MOE approval is only required for a few state-controlled majors. During the Track Record Period, 26 out of 27 of our newly established majors were not state-controlled majors, and we have successfully obtained the necessary approval for the establishment of the state-controlled major.

We are in the process of expanding our offering of undergraduate majors and reducing junior college majors and aim to have more than 40 undergraduate majors. During the Track Record Period, we discontinued 20 junior college majors. All of the 22 newly launched majors are undergraduate majors.

Besides classroom instruction, we attach great value to practical training. We have set up more than 100 practical training bases on campus to provide workplace simulation training. We invested substantially into the development of practical training bases at Guangdong Polytechnic College. The classrooms and laboratories at practical training bases are installed with various equipment including CNC milling machines, drilling/tapping machining centers and three-component piezoelectric dynamometers, to facilitate workplace simulation for majors including mechatronic engineering, computer science, electrical engineering and automation and automobile engineering. Students in engineering majors receive practical training for three to four weeks each semester, accounting for more than 40% of each student's total credit hours. The average proportion of practical training in non-engineering majors exceeds 25%. We believe our efforts to expand and perfect the practical training offering has proved sufficient for the needs of our daily education and effective for our educational goal of fostering the practical skills and market competitiveness of our students. We also established more than 180 on-campus laboratories such as intelligent robotics innovation laboratory, mobile computing laboratories and 3D printing laboratories to meet demand for experiment and testing of practical training.

Various occupations related to our majors such as auditors, statisticians, customs declarers, engineers and electricians are subject to national and/or industrial licensing systems. We established the Qualification Examination Center in Guangdong Polytechnic College in 2015, which offers examination preparation courses at extra charge. See "—Featured Programs—Qualification Examination Center." We encourage all of our students to obtain at least one occupational qualification upon graduation. We provided reimbursement of qualification examination registration fee to certain students during the Track Record Period.

Graduation and Employment

Guangdong Polytechnic College has achieved high initial employment rates during the Track Record Period. For the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school years, the school had 3,587, 3,012, 4,753 and 4,873 graduates, respectively, and the initial employment rates were 96.3%, 97.4%, 96.8% and 92.8%, respectively. During the Track Record Period, the initial employment rates of our graduates were higher than the overall higher education graduate initial employment rates of China and Guangdong Province, according to the Frost & Sullivan Report. The following table sets out the numbers of graduates and initial employment rates of the graduates from Guangdong Polytechnic College by program for the school years indicated:

	2014/2015		2015/2016		2016/2017		2017/2018	
Program	**# of Graduates**	**Initial Employment Rate (%)**	**# of Graduates**	**Initial Employment Rate (%)**	**# of Graduates**	**Initial Employment Rate (%)**	**# of Graduates**	**Initial Employment Rate (%)**
Undergraduate program(1)	n/a	n/a	n/a	n/a	n/a	n/a	1,023	96.8
Junior college program	3,587	96.3	3,012	97.4	4,753	96.8	3,850	91.7
Total	3,587	96.3	3,012	97.4	4,753	96.8	4,873	92.8

Note:

(1) We started to offer undergraduate programs since the 2014/2015 school year. As all of our undergraduate programs take four years to complete, there were no undergraduate program graduates from the 2014/2015 school year to the 2016/2017 school year.

Due to our dedication to developing students' practical skills, our students have received numerous awards and honors for their achievements. During the Track Record Period, our students won 15 first prizes, 27 second prizes, 73 third prizes and three honorable mentions in provincial subject matter competitions, four honorable mentions in provincial social practice activity appraisals and one provincial award of outstanding student leader.

School-Enterprise Collaboration Programs

We emphasize school-enterprise collaboration to create opportunities for students to learn directly from industry experts, receive valuable practical training, and better prepare themselves for the job market following graduation. During the Track Record Period, Guangdong Polytechnic College cooperated with various reputable enterprises and institutions to establish collaboration programs, under which the enterprises serve as external training bases to provide students with internship opportunities while the schools provide the enterprises with well-trained talent. For the 2017/2018 school year, 7,509 students participated in these programs. We believe such practical training has greatly improved the employment prospects of our students. For instance, Guangdong Polytechnic College set up a targeted training program with Orientfunds Precast Limited in the 2016/2017 school year, focusing on construction project control training. Orientfunds Precast Limited is a leading civil construction structural elements supplier in Hong Kong that manufactures precast concrete structural elements. Students who participated in these programs spend six months at the external training bases, where they receive intensive operation training. We also maintained long-term, customized training programs with certain enterprises. Students enrolled under such programs are given preparation courses tailored for an enterprise's business operation, and provided with internship placement. Often, they subsequently received job offers from the collaborating enterprises upon graduation.

In addition, we explored cooperation opportunities for teachers with research institutions and enterprises in course design, and research and development. We have established resource-sharing platforms with non-profit scientific research institutions such as Guangdong Yueke Institute of Standardization. Our Qualification Examination Center acts as the primary point of contact in such cooperation and undertakes relevant examination training courses and issues qualification certificates. See "—Featured Programs—Qualification Examination Center." Guangdong Yueke Institute of Standardization initiated its standardization management engineer training courses at the Qualification Examination Center of Guangdong Polytechnic College in 2016. As of September 30, 2018, 13 of our teachers have obtained the qualification of senior standardization management engineer through participation in these courses. Such resource-sharing schemes also enable our teachers to gain significant insight into the new trends in relevant industries by participating in on-site training with enterprises where advanced practices are implemented. In 2016, the Research Institute was set up at Guangdong Polytechnic College with joint contributions from the school, the government and enterprises in the relevant industry. This institute focuses on designing, developing and manufacturing industrial robots, CNC equipment and 3D printing and precision casting equipment, and aims to be the incubator of talent in the equipment manufacturing industry of Zhaoqing. In December 2017, the institute was certified as 2017 Guangdong Provincial Youth Science and Technology Education Base by Guangdong Productivity Association.

Featured Programs

Qualification Examination Center

Various occupations related to our majors are subject to the national and/or industrial licensing system, such as auditors, statisticians, customs declarers, engineers and electricians. To help students prepare for the qualification examinations and enhance their competitiveness in the job market, we established the Qualification Examination Center in 2015 to offer our students examination preparation programs. Subsequently, we began to expand our offering and provide services to the general public. We started to charge fees for the preparation programs since the 2017/2018 school year. The fees we charge for the preparation programs range from RMB410 to RMB1,350, depending on the type of qualification examinations and length of study period.

The Qualification Examination Center currently provides preparation programs for more than 100 qualification certificates recognized by national ministries and commissions, research institutions and industry associations. In addition to classroom instruction, practical training for at least 24 credit hours is provided for all of our preparation programs. The Qualification Examination Center further provides our faculty with information related to the licensing qualification examinations, which in turn helps our faculty adjust the teaching methods applied in our routine education in accordance with the latest trend of examinations, in order to better serve the practical needs of our students.

Adult Education

During the Track Record Period, we also provided the following two types of adult education programs:

Adult College (成人大學): We provide adult education program for students enrolled through the National Higher Education Entrance Examination for Adults. The National Higher Education Entrance Examination for Adults is a state-administered entrance examination for candidates with a high school diploma. A student who completes the three-year adult college program will receive a junior college or an undergraduate degree upon graduation, depending on the type of program he or she enrolled under. Our adult college programs are further divided into full-time on-campus programs and part-time off-campus programs. The part-time off-campus programs were designed in order to accommodate various needs of our adult college students who might be in the workforce. We operate such program with flexible and diversified approach by cooperating with other partner education institutions to make available additional venues and teaching staff. We are responsible for setting the unified teaching standard and the supervision of its enforcement. Under such cooperation, tuition fees paid by the students comprise: (i) RMB1,720 charged by our partner institutions that provide venues and/or additional teachers; and (ii) RMB680 charged by us. Terms of such contracts typically range from two to five years; and

Upgrade of Junior College Students to Undergraduate Students: We established collaboration programs with renowned higher education institutions, including South China Agricultural University, South China Normal University, Guangdong University of Technology, Shenzhen University and Guangzhou University, under which we provide our junior college students with preparation programs and examination services for the examination for upgrade of junior college students to undergraduate students. Students enrolled under these programs will be given extra courses during the weekends of the first and second school years of their junior college programs. A student who completes these programs receives a junior college degree from Guangdong Polytechnic College and an undergraduate degree from partner undergraduate institutions.

The following table sets out information relating to student enrollment for our adult education program for the school years indicated:

	Number of Students Enrolled[(1)]/ School Year				
Program	**2014/2015**	**2015/2016**	**2016/2017**	**2017/2018**	**2018/2019**
Guangdong Polytechnic College					
Adult college	1,023	1,248	2,269	4,366	9,273
Upgrade of junior college students to undergraduate students[(2)]	1,106	2,374	2,305	2,044	1,875
Total	2,129	3,622	4,574	6,410	11,148

Notes:

(1) The student enrollment information during the Track Record Period was based on the official records of the relevant PRC education authority and the internal records of our schools. Our school year generally starts in September. For consistency purposes, we use September 30 to present our business operating data in this prospectus.

(2) The number of students registered with the program of the upgrade of junior college students to undergraduate students is included in the total number of junior college students of Guangdong Polytechnic College. We began to offer this program since the 2014/2015 school year.

The following table sets out information relating to the tuition fees for our adult education program for the school years indicated:

	Tuition Fees[(1)]/ School Year				
Program	**2014/2015**	**2015/2016**	**2016/2017**	**2017/2018**	**2018/2019**
	(RMB)	**(RMB)**	**(RMB)**	**(RMB)**	**(RMB)**
Adult college	6,400-9,200	6,400-9,200	2,400-9,200	2,400-10,700	2,400-10,700
Upgrade of junior college students to undergraduate students[(2)]	4,500-6,000	4,500-6,000	4,500-6,000	4,500-6,000	4,500-6,000

Notes:

(1) Tuition fees shown above only apply to newly enrolled/registered students in the relevant school years.

(2) Tuition fees for this program is charged in addition to the fees for the junior college program.

The following table sets out information relating to the boarding fees for our adult education programs for the school years indicated:

Program	Boarding Fees/ School Year				
	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
Adult college(1)	1,380-1,500	1,380-1,500	1,380-1,500	1,380-1,500	1,600
Upgrade of junior college students to undergraduate students(2)	n/a	n/a	n/a	n/a	n/a

Notes:

(1) Boarding fees do not apply to off-campus adult college programs, as such programs are non-boarding.

(2) This program does not separately charge boarding fees as students enrolled shall pay boarding fees under junior college program.

"2+2" Program

We established the "2+2" program in collaboration with reputable overseas education institutions, including Trinity Western University (Canada), Texas Wesleyan University (US), University of Huddersfield (UK) and Midwestern State University (US), which provides our undergraduate and junior college students with the opportunity to complete the final two years of their study at our overseas collaboration partners. We started to offer "2+2" program for junior college students and undergraduate students since the 2015/2016 school year and 2017/2018 school year, respectively. Our "2+2" program normally involves pursuing the first two years of undergraduate or junior college program study at Guangdong Polytechnic College, with the remaining two years at the overseas institutions. The tuition fees for the first two years of the program are charged by Guangdong Polytechnic College, while those for the remaining two years are charged by the overseas institutions. The tuition fee charged by Guangdong Polytechnic College for the "2+2" program was generally higher than that of our ordinary undergraduate and junior college program, ranging from RMB15,000 to RMB30,000 per school year. For the final two years, if a student chooses to attend the overseas study, the overseas institutions will collect tuition fees from the student. If a student chooses not to attend the overseas study for the final two years, he or she will complete the remaining two years' study at Guangdong Polytechnic College and pay the tuition fees for the remaining two years at the rate of ordinary programs. A student who completes the "2+2" program receives degrees from both the overseas institutions and Guangdong Polytechnic College.

The numbers of students enrolled under the "2+2" program for the 2015/2016, 2016/2017, 2017/2018 and 2018/2019 school years were 53, 62, 79 and 21, respectively. As of September 30, 2018, 57 students attended overseas study.

Zhaoqing School

Overview

Zhaoqing School is a private secondary vocational education institution located in Zhaoqing, Guangdong Province, which provides technical secondary education. Established under the name of Zhaoqing Technology School in 2000, it was the first private institution of our Group approved by the Education Bureau of Zhaoqing City and the Bureau of Civil Affairs of Zhaoqing City for providing formal secondary vocational education. Zhaoqing School's educational philosophy is "to combine technology and cultural contents, ability and skills, and education and practice" (「堅持技術與人文相結合，堅持技能與技巧相結合，堅持教學與實踐相結合」).

As of September 30, 2018, Zhaoqing School had a total of 8,258 students enrolled for the 2018/2019 school year and employed 541 teachers. Students of the school were admitted and enrolled via either the Secondary Education Entrance Examination or our self-designed entrance programs in accordance with national and local admission standards and procedures.

Students and Student Admission

Zhaoqing School generally admits students through two channels: the Secondary Education Entrance Examination and our self-designed admission process. Our self-designed admission process is approved by the local education authority and provides a more flexible admission method: qualified middle school students who commit to attend Zhaoqing School prior to graduation can be admitted without taking the Secondary Education Entrance Examination, conditional upon their completion of the junior high school diploma.

We believe the reputation of our schools, the high initial employment rate of our graduates, the quality of our curricula, and the qualifications of our faculty members, are key elements that attract prospective students.

To attract more high-quality candidates and to connect with them effectively and cost-efficiently, we utilize a variety of marketing and recruitment tools, including: (i) consultation sessions; (ii) visits to high schools; (iii) advertisements in official school catalogs; and (iv) various media channels. We have set up a student admission working unit consisting of three officers to take charge of our recruitment campaign and to liaise with prospective students and their parents.

Majors and Curricula

Zhaoqing School currently offers 12 majors, including automobile servicing, electronic commerce and electromechanical technology application. We design these majors based on our understanding of the market demand for skilled graduates.

The courses we offer are divided into two groups: liberal studies courses and specialty courses. The liberal studies courses, including Chinese, mathematics, and business English, are designed in accordance with the state-specified catalog and are mandatory for every student, while the specialty courses vary for different majors. Our overall course offering is designed under the secondary education standard guidance issued by the MOE and the Guangdong provincial MOE. In order to provide students with practical training to meet the actual demands of local employers, we have established school-enterprise collaboration programs with local enterprises to allow our teachers to conduct on-site studies of production processes, and adjust our course offering and training methods accordingly. We also engage external industry experts to help design our courses.

We have set up practical training bases on campus which provide workplace simulation training. We invested substantially into the development of practical training bases at Zhaoqing School. The classrooms and laboratories at our training bases are provided with various types of equipment, including CNC lathes, CNC milling machines, training robots, training vehicles, and automobile engines, to facilitate workplace simulation for majors, including mechatronic engineering, computer science, electrical engineering and automation and automobile engineering.

Graduation and Employment

Besides focusing our education on cultivating practical skills, we encourage students at Zhaoqing School to participate in various skill-based competitions, such as the Secondary Vocational Skills Competition of Zhaoqing and the Secondary Vocational Skills Competition of Guangdong Province. We believe this improves their practical knowledge and skills, fosters their entrepreneurial spirit and enhances market competitiveness. During the Track Record Period, our students won the second prize twice, the third prize three times, and the excellence award 14 times in the Zhaoqing competitions.

Zhaoqing School also established career development seminars in 2015, covering entrepreneurial experience, employment application skills and career planning. The speakers are usually distinguished alumni. To further expand the employment opportunities available to our students, we also organize a number of large-scale, on-campus job fairs, where collaborating enterprises with employment and internship opportunities meet with our students.

School-Enterprise Collaboration Programs

Our school-enterprise collaboration programs nurture well-trained talent by providing opportunities for applying classroom learning to workplace practices.

During the Track Record Period, Zhaoqing School established school-enterprise collaboration programs sponsored by well-known enterprises, including Guangdong Xinbao Electrical Appliances Holdings Co., Ltd. and Vivo Mobile Communication Co., Ltd., which have historically been major employers of our graduates. Students enrolled under this program receive targeted training jointly designed by our teachers and experts from the enterprises, and will be offered internship opportunities at collaborating enterprises to gain first-hand workplace experience before eventually securing job offers.

Featured Programs

"3+2" Program

Zhaoqing School is approved by the relevant education authorities to offer the "3+2" program, together with Guangdong Polytechnic College, to qualified secondary school graduates. This program is a five-year vocational program where qualified secondary school graduates can take the National Higher Education Entrance Examination for Adults to advance to the junior college program for two years after completing three years of secondary vocational training. Students who graduate from the "3+2" program are eligible to receive junior college degrees from Guangdong Polytechnic College. For the 2014/2015, 2015/2016, 2016/2017, 2017/2018 and 2018/2019 school years, the numbers of students enrolled under the "3+2" program were 1,270, 1,698, 1,670, 1,716 and 2,762, respectively, accounting for 29.6%, 28.4%, 21.9%, 23.3% and 33.4% of the total number of students enrolled.

OUR COMPREHENSIVE EDUCATIONAL APPROACH

Our comprehensive educational approach comprises the following:

Examinations and Grade Assessment

Both of our schools administer examinations at the end of each semester to test students' understanding of various subject matter. The final grade a student receives for a particular course generally consists of his or her performance in the written examinations, practical training assessment and internship evaluations. The examinations are generally formulated by the relevant faculty members based on the teaching syllabi and approved by the teaching and research office at both of our schools. In addition, undergraduate students are required to submit their research and design projects for assessment.

As advised by our PRC Legal Advisors, pursuant to the relevant PRC laws and regulations, the method and manner in which our schools set examinations and assess grades shall be specified by the schools on their own.

Career Planning Initiatives and Graduate Employment

Graduate employment has always been one of the top priorities of our work. As a profession-oriented higher education service provider, we consider our graduates' initial employment rate as a key indicator of our teaching quality. We have established a comprehensive system of employment and entrepreneurship guidance for students. Relevant measures include:

Career planning: We generally design a comprehensive career planning map for students, ranging from developing career awareness and setting career goals early on to providing relevant career-oriented courses, expanding practical training and enhancing employment application skills. Relevant courses include career planning, innovation and entrepreneurship and career guidance. We maintain a pool of adjunct teachers consisting of external industry experts to help with the design of the curriculum, provide hands-on training and career planning guidance;

Practical training bases: We strive to further enhance students' practical skills and employability through the provision of various practical training opportunities. As of August 31, more than 100 practical training bases were set up jointly by our schools and reputable enterprises. Our practical training bases have been effective platforms for students to gain valuable practical experience in addition to classroom learning; and

Career information system: We deploy multiple methods to build up a career information system, covering online and offline channels in order to timely disseminate employment-related information to students.

Employment support is managed at school board level. Each school has a vice principal focusing on both admission and graduate employment support, who possesses years of relevant experience. We believe such arrangements better position the responsible vice principal to develop a deep understanding of both the educational market and the job market and facilitate the holistic management of student admission, course and internship design and graduate employment support.

To further assist students in finding suitable employment opportunities that best utilize their knowledge and skills and provide them with the appropriate development platform, we have established graduate employment offices at both of our schools, which report to the management of each school. Each school formulates its overall strategic decisions regarding school-enterprise collaboration programs and numerous valuable internship and practical training opportunities at management level, and delegates matters relating to graduate employment to the graduate employment offices which are responsible for, among other things: (i) managing internship programs and training bases; (ii) arranging employment guidance lectures for students; (iii) job market research; (iv) organizing on-campus recruitment fairs; and (v) keeping track of graduates' employment status. For details of our graduates' employment rates of both of our schools, see "—Our Schools."

Faculty, Recruitment, Training and Evaluation

Our Faculty

We believe the quality of our faculty is one of the essential factors in our success. Teachers with sufficient industry expertise and practical knowledge and who are capable and dedicated to teaching are instrumental to the realization of our educational philosophies. We prefer to recruit teachers who have the following characteristics: (i) extensive experience in teaching and scientific research; (ii) strong record in conducting professional projects; (iii) dedication to teaching and improving students' academic performance and practical skills; (iv) strong command of their subject areas; (v) capability of effectively implementing tailored instruction methods; and (vi) strong communication, language and interpersonal skills. We also prefer to recruit teachers who have a master's degree or higher, or hold relevant professional and/or technical qualifications. We generally enter into one-year or three-year fixed-term labor contracts with our full-time teachers.

Some of our teachers are dual-qualified for both education and practicing in fields including engineering, statistics, auditing, among others. Besides education-related qualifications, these teachers hold qualifications for practicing in fields such as engineering, statistics and auditing. We also require our teachers to practice their expertise at enterprises in relevant industries during school breaks to keep abreast of industry dynamics. We also value the recognition bestowed upon our teachers who have achieved teaching excellence. During the Track Record Period, teachers at Guangdong Polytechnic College contributed to the publication of over 1,227 research papers and over 30 books, while teachers at Zhaoqing School contributed to the publication of over 85 research papers.

Under the state initiative to promote profession-oriented education, education institutions are encouraged to hire more adjunct teachers with dual qualifications, and seek school-enterprise collaboration opportunities. We also maintain an adjunct team of experts and professionals from relevant industry enterprises to support our practical training needs. This adjunct faculty is expected to facilitate the setting up of workshops and laboratories, providing hands-on training in the relevant domain areas, the development of soft skills, and competency-based learning outcomes among students. The following table sets out the numbers and percentages of our full-time and adjunct teachers for the school years indicated:

	Number and Percentage of Total Teachers[(1)]/ School Year									
	2014/2015		2015/2016		2016/2017		2017/2018		2018/2019	
Type of Teachers	**# of Teachers**	**Percentage**	**# of Teachers**	**Percentage**	**# of Teachers**	**Percentage**	**# of Teachers**	**Percentage**	**# of Teachers**	**Percentage**
Full-time Teachers	822	95.6	1,061	88.6	1,344	90.4	1,488	91.7	1,788	88.3
Adjunct Teachers	38	4.4	137	11.4	143	9.6	134	8.3	236	11.7
Total . . .	**860**	**100.0**	**1,198**	**100.0**	**1,487**	**100.0**	**1,622**	**100.0**	**2,024**	**100.0**

Note:

(1) Our school year generally starts in September. For consistency purposes, we use September 30 to present our business operating data in this prospectus.

The following table sets out the numbers of teachers for both of our schools for the school years indicated:

School	Number of Teachers(1)/ School Year 2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Guangdong Polytechnic College(2)	632	878	1,075	1,229	1,483
Zhaoqing School(3)	228	320	412	393	541
Total	**860**	**1,198**	**1,487**	**1,622**	**2,024**

Notes:

(1) Our school year generally starts in September. For consistency purposes, we use September 30 to present our business operating data in this prospectus.

(2) Including 13, 112,113, 114 and 145 adjunct teachers, respectively.

(3) Including 25, 25, 30, 20 and 91 adjunct teachers, respectively.

The following table sets out both schools' retention rate of full-time teachers for the school years indicated:

	School Year											
	2014/2015			2015/2016			2016/2017			2017/2018		
School	# of full-time teachers at beginning of period	# of full-time teachers left position	Retention rate of full-time teachers (%)	# of full-time teachers at beginning of period	# of full-time teachers left position	Retention rate of full-time teachers (%)	# of full-time teachers at beginning of period	# of full-time teachers left position	Retention rate of full-time teachers (%)	# of full-time teachers at beginning of period	# of full-time teachers left position	Retention rate of full-time teachers (%)
Guangdong Polytechnic College	619	13	97.9%	766	22	97.1%	962	12	98.8%	1,115	16	98.6%
Zhaoqing School	203	6	97.0%	295	9	97.0%	382	9	97.6%	373	14	96.3%

The following table sets out the details of the qualification of our full-time teachers for the school years indicated:

	Number and Percentage of Full-time Teachers/ School Year									
	2014/2015		2015/2016		2016/2017		2017/2018		2018/2019	
Degree Obtained	# of Teachers	Percentage	# of Teachers	Percentage	# of Teachers	Percentage	# of Teachers	Percentage	# of Teachers	Percentage
Master's degree	146	17.8	252	23.7	294	21.9	507	34.1	941	52.6
Bachelor's degree	637	77.5	733	69.1	934	69.5	865	58.1	670	37.5
Junior college or below	39	4.7	76	7.2	116	8.6	116	7.8	177	9.9
Total	822	100.0	1,061	100.0	1,344	100.0	1,488	100.0	1,788	100.0

The below table sets out the student-to-teacher ratio of our schools as of the dates indicated:

	Guangdong Polytechnic College			Zhaoqing School		
As of	Student enrollment	Number of teachers	Student-to-teacher ratio(1)	Student enrollment	Number of teachers	Student-to-teacher ratio(2)
September 30, 2014	14,572	632	21.8	4,297	228	19.9
September 30, 2015	18,053	878	20.6	5,980	320	19.4
September 30, 2016	23,485	1,075	21.0	7,641	412	19.2
September 30, 2017	28,575	1,229	21.0	7,352	393	19.2
September 30, 2018	36,860	1,483	20.2	8,258	541	16.7

Notes:

(1) According to the Basic Conditions for Operating Higher Education Institutions (trail) (普通高等學校基本辦學條件指標(試行)) ("Basic Conditions") promulgated by the MOE on February 6, 2004, for an undergraduate-level school, the student-to-teacher ratio should not be higher than 22. According to the Basic Conditions, the student enrollment used to calculate student-to-teacher ratio of higher education institutions equals the number of students in undergraduate and junior college programs, plus 0.1 times the number of students in on-campus and off-campus adult college programs, and the number of teachers used equals the number of full-time teachers plus 0.5 times the number of adjunct teachers.

(2) According to the Setting Standard of Secondary Vocational Schools (中等職業學校設置標準) ("Setting Standard") promulgated by the MOE on July 6, 2010, for a secondary vocational school, the student-to-teacher ratio should not be higher than 20. The Setting Standard doesn't specify the calculation method of student-to-teacher ratio, so we apply the same principle as stated in the Basic Conditions. The student enrollment used to calculate student-to-teacher ratio equals total number of students in Zhaoqing School, and the number of teachers used equals the number of full-time teachers plus 0.5 times the number of adjunct teachers.

In 2015, 2016 and 2017 and for the eight months ended August 31, 2018, the cost attributable to the salaries and benefits for teachers amounted to RMB32.6 million, RMB44.2 million, RMB67.1 million and RMB43.0 million, respectively.

Teacher Recruitment

We recruit teachers based on the size of our current student enrollment and the number of newly admitted students at the beginning of each school year. Before hiring a teacher, we consider his or her educational background, professional qualifications, subject matter expertise, relevant work experience and professional projects record, and verify such information by various means, such as telephone interview with the previous employer and public information searches. We primarily target candidates with relevant teaching and industry experience, multiple professional qualifications and a strong record in conducting professional programs. We administer written assessments and demonstration classes observed by relevant faculty management to evaluate the candidate's overall competency. Once candidates have completed their written assessment and demonstration classes, the evaluation results will be submitted to the principals for approval before job offers are extended to such candidates.

Teacher Training Programs

Newly hired teachers attend mandatory training programs which focus on teaching skills and techniques. Our training programs generally include: (i) professional ethics; (ii) instruction methods, such as on course preparation; (iii) teaching skills and techniques, such as on the use of multimedia in teaching; (iv) school cultural training, such as on the educational philosophies of our schools; and (v) other professional training. To help newly recruited teachers to fit in, we have established a mentoring system, in which new teachers are guided and assisted by senior teachers. We also provide continuing training for our teachers to help them stay abreast of changes in their relevant fields, such as new subject theories and instruction methods and changing teaching and testing standards. We require our teachers to practice their expertise at enterprises in relevant industries during school breaks to keep abreast of industry dynamics, and to ensure that our major and curriculum offering are tailored to the skill-set demands of enterprises in the region, creating a virtuous circle between education and employment. Each school also has an education supervisory office consisting of teachers possessing state-recognized specialty and technology qualification level of vice-senior (副高級) or higher, which is responsible for overall education quality control. The education supervisory office also requires each senior teacher to mentor one or two new teachers each year. In addition to the training we provide in-house, we also encourage our teachers to attend external training courses and programs organized by third parties, such as local education authorities and industry associations.

Teacher Performance Evaluations

To ensure the continuous provision of high-quality education, we conduct teacher performance reviews and evaluations periodically. Each school's human resource department formulates the guidance for performance evaluation, which is then executed in accordance with the specific conditions of each faculty. We typically conduct periodic teacher performance reviews at the end of each school year. These assessments generally include in-class observations, evaluation of the teacher's personal statement, peer appraisal and evaluation by faculty management. Our evaluations generally focus on teachers' moral qualities, teaching workload and effectiveness of in-class instructions. As part of the evaluation process, we also strongly encourage our students to complete teacher satisfaction surveys during each semester and take into consideration their feedback and suggestions. Such surveys are conducted on a voluntary and anonymous basis. The assessment results are normally categorized into four tiers: excellent, qualified, basically qualified and disqualified. For those teachers who were rated basically qualified, a follow-up session will be arranged to discuss with teachers the difficulties encountered at work, and necessary guidance will be provided. For those teachers that fail to meet our standards by receiving a disqualified assessment, we would generally reconsider their suitability for current positions, or choose not to renew their employment contracts upon expiration. In addition, our supervision office oversees the conduct of our teachers and other employees for compliance with relevant laws and regulations and the administration rules of our schools, and handles complaints file by students or teachers.

We believe we offer a relatively competitive remuneration package to teachers so we can retain and attract talented teachers. Our teachers' compensation typically includes base salary and bonus based on teaching performance. We also provide free lunches to teachers. In addition, we provide free medical check-ups for teachers and other staff once every two years.

Selection and Design of Teaching Materials and Textbooks

We adhere to strict procedures for selecting teaching materials and textbooks in order to maintain the quality of our education programs. Both of our schools have implemented a set of teaching materials management policies, which generally cover the selection, procurement, distribution and management of the teaching materials to be used. Teachers responsible for each course propose the selection of textbooks before the start of the semester. Once approved by senior faculty members of the relevant teaching and research department and the dean's office, such proposal will be submitted to the procurement center and orders will be made.

CENTRALIZED MANAGEMENT SYSTEM

We have established a centralized management system through which we consistently manage certain aspects of our schools, including market research, school administration, supply procurement and campus services, so as to support and facilitate the effective implementation of our standardized comprehensive educational approach.

Market Research

We conduct market research to select, design and update majors and curriculum offering at school level. We keep track of and analyze our graduating students' initial employment record to keep abreast of the local employment market. Through our extensive school-enterprise programs, we have the ability to identify key industry segments where we believe the demand for professional talent is strong. We also review trends in technical development and the changing requirements for professional talent sought by potential employers.

We typically designate the graduate employment department at both of our schools to conduct market research periodically to gauge changes in the market demand for skilled professionals. We then incorporate the research results into an official application to establish new majors at the relevant school which is submitted to the local PRC educational authorities for approval. Such application usually also involves the relevant operating experience of the school, the availability of educational resources to establish the new major, such as the faculty members, details of the available laboratory spaces and libraries and a comprehensive plan for the cultivation of professional talent. For details of the establishment of new majors, see "—Our Schools—Guangdong Polytechnic College."

School Administration

In order to improve the quality of the education we provide, reduce our operating costs and elevate our corporate efficiency, we have implemented a series of measures to administer our schools in a centralized and coordinated manner. Our Board has also approved a series of policies and procedures relating to, among others, corporate governance, risk management, anti-bribery, anti-corruption and conflict of interest matters, which are aimed at strengthening the management and governance of our schools. Under the guidance of the school boards, the principal's offices are responsible for the daily operation and management of each school.

Supply Procurement

We make procurement decisions regarding teaching equipment and other educational supplies through the procurement center at each of our schools. The procurement budget is formulated by each school, and submitted to our Board for approval. We have endeavored to build professional procurement teams to conduct procurement more effectively and efficiently. We plan to set up a centralized procurement center to administer procurement for both schools, which we believe will allow us to allocate resources at lower cost while maintaining our education logistics support standard. Our procurement typically includes air conditioners, furniture, kitchen equipment, teaching facilities, experimental facilities, office appliances and supplies, electricity and water supply repair materials, as well as printing materials.

Campus Services

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

Catering Services

Our canteens are operated by Independent Third Parties selected through public tender process to provide campus food and catering services, and were operated by Mr. Ye Nianqing before September 2017. As of the Latest Practicable Date, our catering providers operated three canteens at Guangdong Polytechnic College and two canteens at Zhaoqing School.

We typically enter into annual lease agreements, which are automatically renewed upon expiration, with such catering providers. Under such arrangements, we provide premises required to operate a dining hall to a catering provider for a specified amount of rent. Catering services of three meals each day are provided for our students and faculty. To oversee the services of catering providers, in addition to the regular inspections conducted by local food administrative authorities, we also inspect the operation of the dining halls at each school. We generally expect our catering providers to obtain relevant licenses and permits required by applicable laws and regulations. For risks associated with catering services, see "Risk Factors—Risks Related to Our Business and Industry—We currently outsource catering services at our schools to Independent Third Parties and, as a result, we cannot guarantee the quality and price of the food they serve to our students and therefore, we may be exposed to potential liabilities if we cannot maintain food quality standards."

Campus Supermarkets

Our on-campus supermarkets are operated by Independent Third Parties selected through public tender process to provide groceries and daily household products.

We typically enter into agreements with the service providers for a term typically lasting for five years. Under such agreements, we agree to lease premises to the service providers, and the service providers are responsible for obtaining all permits and licenses to operate the on-campus supermarkets required by relevant laws and regulations.

Medical Care Services

Our on-campus clinics are operated by Independent Third Parties selected through public tender process to provide routine medical services for our students and faculty, attending to minor illnesses and injuries. In certain serious and emergency medical situations, we will promptly send our students to local hospitals for treatment. Premises are leased to the medical services providers for free. See "—Licenses and Permits" for the license information of our on-campus clinics.

EXPANSION PLANS

Overview

In our efforts to achieve business growth, we plan to further expand our school network through acquiring existing schools and/or cooperating with other school sponsors. In addition, the new Dinghu campus of Guangdong Polytechnic College has been established in Dinghu District, Zhaoqing. The first phase of the construction was completed in September 2017, putting a portion of the campus with a gross floor area of more than 125,000 square meters into operation and expanding the capacity of the school by approximately 6,000 students. The second phase of the construction was completed in the third quarter of 2018, putting a portion of the campus with a gross floor area of more than 64,000 square meters into operation and expanding the capacity of the school by over 4,000 students. The third phase of the construction involving a planned gross floor area of 68,000 square meters is expected to commence in 2019 and complete around the end of 2019, and further expand the capacity of Guangdong Polytechnic College by over 1,000 students. We believe such growth will continuously boost our competitiveness.

The below table sets out the capital expenditure for each phase of the construction of Dinghu campus of Guangdong Polytechnic College:

Phase	Overall Expenditure	Amount Paid as of the Latest Practicable Date	Amount to Be Paid	Funding Source
First phase	RMB380.0 million *(estimated)*	RMB376.0 million	RMB4.0 million *(estimated)*	Cash generated from operations and bank borrowings
Second phase	RMB168.0 million *(estimated)*	RMB134.3 million	RMB33.7 million *(estimated)*	Cash generated from operations and bank borrowings
Third phase	RMB195.0 million *(estimated)*	RMB4.5 million	RMB190.5 million *(estimated)*	Cash generated from operations, bank borrowings and proceeds from the Global Offering (approximately RMB100 million)

Besides the new Dinghu campus, we plan to further upgrade the Gaoyao campus of Guangdong Polytechnic College, with focus on the expansion and upgrade of: (i) the practical training building and (ii) dormitories and supporting facilities. The construction of the practical training building has commenced in the second quarter of 2018 and is expected to be completed in mid-2019, and the construction of the dormitories with a capacity of approximately 7,000 students is expected to commence in the third quarter of 2019 and complete in the second quarter of 2020. The expansion and renovation of Gaoyao campus is expected to require an investment of approximately RMB200.0 million. We plan to use proceeds from the Global Offering, supplemented by our working capital and bank borrowings, to fund such expansion and upgrade.

Reasons for Expansion

We intend to expand our school network by acquiring private higher education institutions from Independent Third Parties for the following principal reasons:

- our continuous growth requires the expansion of our school network;
- laws and regulations in the PRC relating to private education are becoming clearer; and
- we expect to benefit from the economy of scale.

Cost and Feasibility of Expansion

Our expansion plan requires a significant amount of capital. Furthermore, the acquisition price of private higher education institutions would generally include the market price of the properties they own and occupy, which we believe is significant. Thus, if we aim to acquire one or more schools in the future as part of our expansion plan, additional funding will be required.

Expansion Strategies

We have conducted nationwide research to look for suitable target schools. When selecting targets, we consider a variety of factors, including education level, geographic location, local government support, potential market demand and existing market competition. Junior college-level education institutions with potential to upgrade to an undergraduate institution are our primary targets, as these junior colleges could be acquired at more reasonable price and typically possess high growth potential. We further believe that our experience and know-how in the upgrade of junior college to undergraduate institutions will enable us to better fulfill the potential of the junior colleges that we may acquire and realize synergies within our school network. We consider South China to be the focus of our potential markets. According to the Frost & Sullivan Report, there were 45 private junior colleges in South China as of December 31, 2017. As of the Latest Practicable Date, we have not identified any potential acquisition target or initiated negotiations for any merger and acquisition.

Potential Difficulties in Our Expansion Plans

See "Risk Factors—Risks Relating to Our Business and Industry—We may not be able to successfully increase student enrollment at our schools, which may hinder our ability to expand our business", "Risk Factors—Risks Relating to Our Business and Industry—We are subject to all necessary approvals, licenses and permits and all necessary registrations and filings for our education and other services in the PRC" and "Regulatory Overview—Regulations on Private Education in the PRC."

THE DECISION ON AMENDING THE PRIVATE SCHOOLS PROMOTION LAW

Pursuant to the 2016 Amendments, the school sponsors of a private school which provides education services other than compulsory education may choose for the school to be a for-profit private school or a non-profit private school with effect from September 1, 2017. The following table sets forth the key differences between a for-profit private school and a non-profit private school under the 2016 Amendments:

Item	For-profit Private School	Non-profit Private School
Receipt of operating profits	The school sponsors may obtain operation profits, and the balance of such private school shall be allocated in accordance with relevant laws and regulations, such as the Company Law of the PRC	The school sponsors may not obtain any profits from the school's operation, and all the balance of such private school shall be used on its operation
Fees to be charged	Determined by the for-profit schools themselves based on school operating costs and market demand	Determined pursuant to the standards stipulated by the people's government of the province, autonomous region, or municipality directly under the PRC central government
Tax treatment	Preferential tax treatment as stipulated by the State	Same preferential tax treatment as public schools
Land	Acquired according to the 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 unutilized State-owned assets	Public funding in the form of purchase of services, student loans, scholarships, lease or acquisition of unutilized State-owned assets, and government grants, incentive funds and donations

Item	For-profit Private School	Non-profit Private School
Liquidation	The remaining assets of a for-profit private school after debt retirement shall be disposed in accordance with relevant provisions of the Company Law of the PRC	The schools' remaining assets after debt retirement shall be used for the operation of other non-profit schools. For schools established before the promulgation of the Decision, prior to the remaining assets being used as such, school sponsors may apply for compensation or awards from the school's remaining assets after the settlement of the school's indebtedness

In addition to the 2016 Amendments, certain implementing rules were jointly promulgated by certain governmental departments at state level. The Implementing Measures on Classification Registration of Private Schools was issued on January 5, 2017, specifying measures for the establishment and classification registration of private schools, procedures to be followed for existing private schools to register as for-profit or non-profit private schools pursuant to provincial rules to be promulgated by local provincial governments. The Implementing Measures for the Supervision and Administration of For-profit Private Schools was issued on January 5, 2017, specifying measures regarding the establishment, modification and termination of a for-profit private school, and the educational and teaching related activities and financial management conducted by a for-profit private school. The Several Opinions on Encouraging Private Entities and Individuals to Operate Schools and Promote the Healthy Development of Private Education was issued on January 18, 2017, specifying policies to be followed to promote private education. The Registration and Administration of the Name of For-Profit Private Schools was issued on August 31, 2017 and became effective on September 1, 2017, specifying policies for the name registration of for-profit private school. In addition, the Implementation Opinions on Encouraging Private Entities and Individuals to Operate Schools and Promote the Healthy Development of Private Education issued on May 7, 2018, specifies that the private schools should be classified registered according to the Implementing Measures on Classification Registration of Private Schools and the relevant regulations of the province. As advised by our PRC Legal Advisors, the 2016 Amendments and the implementing rules as disclosed in "Regulatory Overview—Regulations on Private Education in the PRC—The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education" do not expressly stipulate the detailed procedures as to how the existing private schools may choose to be registered as a for-profit or non-profit school. See "Regulatory Overview—Regulations on Private Education in the PRC—The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education."

According to the Classification Register Rules, a private school approved to be established shall apply for a registration certificate or business license in accordance with relevant regulations after being granted with an operating license by competent government authorities. There is no difference in the application process for operating license for for-profit private schools and non-profit private schools. However, the application for registration certificates or a business license, as the case may be, from for-profit private schools and non-profit private schools shall be submitted with different authorities according to the Classification Register Rules: (i) non-profit private schools which meet the requirements under the Interim Administrative Regulations on the Registration of Private Non-enterprise Entities (民辦非企業單位登記管理暫行條例) and other relevant regulations need to apply to the civil affairs department for registration as private non-enterprise entities, and (ii) non-profit private schools which meet the requirements under the Interim Regulations on the Administration of the Registration of Public Institutions (事業單位登記管理暫行條例) and other relevant regulations need to apply to the relevant administrative authority for registration as public institutions, while (iii) for-profit private schools need to apply to the industry and commerce department for registration in accordance with the jurisdiction provisions set out by relevant laws and regulations.

On June 27, 2018, we, together with our PRC Legal Advisors, had an interview with the Guangdong Provincial Department of Education (廣東省教育廳), the competent authority to give such confirmation as advised by our PRC Legal Advisors, during which the official of the Policy and Regulation Division confirmed that: (1) no timeline had been fixed for selection of registration as for-profit or a non-profit private schools in Guangdong Province as at the date of the interview; and (2) Guangdong Polytechnic College and Zhaoqing School are not required to choose to be registered as a for-profit or a non-profit private school before (a) the promulgation of the detailed measures implementing in the 2016 Amendments and (b) the renewal of their operating licenses. In addition, it was confirmed that before the selection of registration as a for-profit or a non-profit private school, Guangdong Polytechnic College and Zhaoqing School would continue to enjoy the current benefits and preferential policies on the basis that all schools will continue to be treated as non-profit schools before they choose to register as for-profit schools. Guangdong Polytechnic College and Zhaoqing School are required to renew their licenses in December 2019 and 2020, respectively. As advised by our PRC Legal Advisors, the Law for Promoting Private Education of the PRC does not restrict Guangdong Polytechnic College's and Zhaoqing School's ability to enter into, and perform their respective obligations under, the Structured Contracts, and therefore Guangdong Polytechnic College and Zhaoqing School may pay service fees to Tibet Kepei according to the Structured Contracts under the existing relevant laws and regulations.

Although the 2016 Amendments took effect on September 1, 2017, according to the 2016 Amendments, the detailed rules and regulations regarding the conversion of existing private schools into for-profit or non-profit schools shall be promulgated by the local provincial government authorities. However, as such detailed rules and regulations have not been promulgated by the local provincial government authorities in Guangdong Province, there are uncertainties involved in interpreting and implementing the 2016 Amendments with respect to various aspects of the operations of a private school, such as (i) timing of notification to the relevant authorities regarding our decision for our schools to be for-profit or non-profit schools; (ii) procedures to be undergone for a school to become a for-profit school or non-profit school; (iii) respective preferential tax treatment which may be enjoyed by a for-profit school and a non-profit school; and (iv) respective public funding that can be obtained by a for-profit school and a non-profit school.

Under the existing regulatory environment and based on the current interpretation of the 2016 Amendments and the relevant implementing measures, we are unable to fully evaluate at this stage the potential impact of such regulatory charges on our operations, such as tax liabilities our schools may be exposed to if we choose for our schools to be for-profit private schools, and public funding our schools may be able to receive. Therefore we do not yet have any intention on the choices to be made for our schools. We will establish and assign the responsibility to our management team, who shall pay close attention to rules and regulations to be promulgated by relevant authorities at all levels regarding interpreting and implementing the 2016 Amendments. We will consult our PRC Legal Advisors when relevant rules and regulations are promulgated regarding the potential impact on all aspects of operation of our school and make relevant public announcements when appropriate.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing formal education services are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not 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, no separate regulations or policies have been promulgated in this regard. The school sponsor of Zhaoqing School has elected to require reasonable returns, while the school sponsor of the Guangdong Polytechnic College has elected not to require reasonable returns. In accordance with the historical tax returns we filed with the relevant tax authorities and the tax compliance confirmations we obtained from such authorities, which are competent tax authorities in respect of such confirmations as confirmed by our PRC Legal Advisors, both of our schools did not pay and were not required to pay EIT in respect of income from rendering formal education services during the Track Record Period, and they were not found to be in default in tax payments or in violation of the PRC tax laws. Relevant tax authorities further confirmed that the preferential tax treatment we currently enjoy will not change before we choose to convert our schools into for-profit or non-profit schools. See "Financial Information—Key Components of our Results of Operations—Income Tax Expenses" and note 10 of the Accountants' Report in Appendix I to this prospectus for details of historical preferential tax treatment.

Our PRC Legal Advisors are 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 whether our schools will lose the preferential tax treatment currently enjoyed by them going forward. 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. 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."

If in the future all of our schools became no longer entitled to preferential tax treatment under the 2016 Amendments, our corporate tax rate would be 25.0% in the worst case scenario and our net profit is expected to decrease by approximately 28.2% compared to that of 2017, and by 23.3% compared to that of the eight months ended August 31, 2018 without taking any other variables into account.

The MOJ Draft for Comments may have certain implications on our expansion plans. See "Risk Factors—Risks Relating to Our Business and Industry—We may not be able to successfully execute our growth strategies or effectively manage our growth, which may hinder our ability to operate efficiently and capitalize on new business opportunities, or 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."

POTENTIAL IMPLICATIONS OF THE MOJ DRAFT FOR COMMENTS

Overview

On April 20, 2018, the MOE issued the MOE Draft for Comments, namely the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the

MOE 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)》), to seek public comments, and on August 10, 2018, the MOJ issued the MOJ Draft for Comments based on a revised version of the MOE Draft for Comments, namely, the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》), to seek public comments.

Among others, the major difference between the MOJ Draft for Comments and the MOE Draft for Comments includes Clause 5, Clause 12 and Clause 45 of the MOJ Draft for Comments details of which are set out in the section headed "Regulatory Overview—Notice on the Registration and Administration of the Name of For-Profit Private Schools" in this prospectus.

The MOJ Draft for Comments further promotes the development of private education by providing that a private school shall enjoy rights or preferential policies stipulated by laws equivalent to those applicable to a public school, which shall primarily include: (i) a non-profit private school shall enjoy the same tax policies and the relevant tax concession as that enjoyed by a public school, and a for-profit private school shall enjoy tax preferential treatments and other preferential policies applied to industries encouraged by the state for development, of which the specific provisions shall be formulated jointly by the administrative department for finance, taxation and other relevant administrative departments of the State Council; and (ii) the local people's governments shall grant preferential treatments in the form of land-use right by means of allocation, in accordance with the principle of treating non-profit private schools and public schools equally. For schools that provide education for academic credentials, the local governments may provide lands by means of auction, assignment, long-term lease or combination of sale and lease, and may give appropriate preferential treatment on charges for the assignment or lease of land, and may permit payment in installments.

The MOJ Draft for Comments stipulates further provisions for the operation and management of private schools, such as our PRC Operating Schools. Among other things, (i) a non-profit private school shall use the accounts filed with the competent authorities for transactions of fees collection and other activities, and a for-profit private school shall deposit all of the school's income into a designated settlement account of its own; (ii) a private school shall conduct any connected transactions in a transparent, fair and reasonable manner. The school shall establish relevant disclosure mechanisms for connected transactions. Any material, long-term or recurring agreement entered into between a non-profit private school and its connected party shall be reviewed and audited by the relevant government authorities to assess its necessity, legitimacy and compliance; (iii) the registered capital of a for-profit private school providing higher diploma education shall be no less than RMB200 million; (iv) social organizations that operate or control multiple private schools simultaneously or adopt centralized school management models shall have sufficient resources and capacities and undertake the management and supervisory responsibilities of those private schools that they operate. Social organizations those adopt centralized school management models are not allowed to acquire non-profit private schools or control them through ways such as franchising or "contractual arrangements."; (v) private schools are required to establish information disclosure mechanisms on related party transactions; and (vi) for any change of school sponsor of a non-profit privately school, an alteration agreement shall be entered into. No gain shall be obtained from the school sponsorship alteration; the existing school sponsor may, in accordance with its lawful rights and interests, enter into agreements with the successional school sponsor to stipulate the income from the alteration but not for profit making purpose and shall not involve the legal property of the school.

Implications on our PRC Operating Schools

Based on our current understanding and interpretation of the MOJ Draft for Comments, we may be required to increase the registered capital of the Guangdong Polytechnic College and Zhaoqing School to no less than RMB200 million and RMB10 million, respectively, should we register them as for-profit private schools. As of the Latest Practicable Date, Guangdong Polytechnic College and Zhaoqing School had registered capital of RMB90.0 million and RMB2.0 million, respectively. We currently do not have any intention on the choices to be made for both schools as to whether they will be registered as for-profit private schools or non-profit private schools. If we choose for our schools to be registered as for-profit private schools in the future, it is estimated that an amount of RMB110.0 million and an amount of RMB8.0 million would be required for Guangdong Polytechnic College and Zhaoqing School, respectively, to meet the requirements of registered capital under the MOJ Draft for Comments. We plan to use our working capital, including the proceeds from the Pre-IPO Investment, to fund such capital increases. See "History, Reorganization and Corporate Structure—Pre-IPO Investment." We consider that the amount required to increase the registered capital of the Guangdong Polytechnic College to RMB200 million and Zhaoqing School to RMB10 million, respectively, would not adversely affect the financial position of our Group.

Implications on our expansion strategy

The MOJ Draft for Comments may have certain implications on our expansion strategy through acquisition. Our acquisition may be limited to for-profit private schools only. See "Business—Overview—Our Business Strategies—Expand our school network through strategic mergers and acquisitions."

Current status of the MOJ Draft for Comments

The MOJ asked for comments from the general public on the MOJ Draft for Comments, if any, to be submitted prior to September 10, 2018. Although the deadline for the public consultation has passed, the MOJ has not provided 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 document, no implementation rules on the Law for Promoting Private Education of the PRC have been promulgated. Uncertainties exist with respect to the interpretation of the MOJ Draft for Comments and the implementation of the MOJ Draft for Comments by the competent authorities may deviate from our current understanding and interpretation of them. We will pay close attention to the MOJ Draft for Comments and consult with our PRC Legal Adviser for the developments of the MOJ Draft for Comments and other related publications and promulgations.

Special committee to monitor development

As of the Latest Practicable Date, we were not in a position to accurately assess the potential impact of the election of registering as for-profit private schools or non-profit private schools for our PRC Operating Schools, and in turn our Group as a whole and make any informed decision in relation to the MOJ Draft for Comments. Therefore, as of the Latest Practicable Date, we had not elected nor decided as to whether our PRC Operation Schools will be registered as for-profit private schools or non-profit private schools. As part of our measures to mitigate any compliance risk in relation to the 2016 Amendments, the MOJ Draft for Comments and other relevant developments, including our decision to register our PRC Operating Schools as for-profit private school or non-profit private school in the future, we have established and assigned the responsibility to a regulatory risk committee. The committee, chaired by Mr. Ye Nianqiao, comprises Mr. Ye Nianqiao, Mr. Zhao Yuhong, head of the teacher development center of Guangdong Polytechnic College and responsible for compliance and personnel management, and Ms. Liu Xiangping, director and vice principal of Guangdong Polytechnic College and responsible for teaching management. It pays close attention to the developments of the relevant policies and regulations, including the 2016 Amendments and the MOJ Draft for Comments and the operations of our PRC Operating Schools. We will also promptly consult with our PRC Legal Advisors as and when required. We will assess whether the MOJ Draft for Comments or other relevant implementation rules and regulations in the future will present practical challenges or compliance issues to any future acquisition. See "Business—Overview—Our Business Strategies—Expand our school network through strategic mergers and acquisitions." Such special committee will ensure that our acquisitions in the future fully complies with the relevant rules and regulations in effect from time to time. We will ensure that any decision will be made on a fully informed basis by our Board taking into account the findings of such special committee and will update our Shareholders and investors in this regard by way of disclosure in announcements and/or annual/interim reports, as and when appropriate.

COMPETITION

The private higher education services markets in China and South China are rapidly evolving, highly fragmented and competitive. We face competition primarily from public schools and other private higher education institutions in South China with 61 private higher education institutions and approximately 70 private specialized secondary schools. We also compete directly with public and other private higher education institutions in Guangdong Province, where both of our schools are located. We primarily compete on the basis of:

- the reputation of schools;
- the quality of education and students' initial employment rate;
- geographical location;
- recruitment capability; and
- the scope and quality of education programs, services and major offering.

We expect competition in the private higher education market to persist and intensify. We believe we are able to compete effectively due to our strong recruitment capacity, our focus on high-quality profession-oriented education, and a favorable local environment. However, some of our existing and potential competitors, especially public universities, generally benefit more from 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 admission, campus development and market recognition 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 Industry—We face intense competition in the PRC education industry, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departure of qualified teachers and increased capital expenditures."

CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students. We had no single customer who accounted for more than 10% of our revenue for each of 2015, 2016, 2017 and the eight months ended August 31,

2018. See "—Our Schools—Tuition Fees and Boarding Fees" for our terms and conditions regarding the tuition fees and boarding fees with students.

Our suppliers primarily comprise construction and decoration service providers, furniture vendors and teaching equipment vendors. For 2015, 2016, 2017 and the eight months ended August 31, 2018, purchases from our five largest suppliers were RMB39.6 million, RMB73.6 million, RMB281.8 million and RMB211.2 million, respectively, accounting for 50.9%, 56.2%, 62.4% and 75.7% of our total purchase amount. While purchases from our largest supplier were RMB18.7 million, RMB50.2 million, RMB239.5 million and RMB184.2 million, accounting for 24.1%, 38.3%, 53.0% and 66.0% of our total purchase amount respectively. For routine purchases of teaching equipment, we maintain a stable relationship with relevant suppliers. Typically, we sign separate agreements for each purchase.

None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in any of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date.

INTELLECTUAL PROPERTY

We recognize the importance of intellectual property rights to our business and are committed to their development and protection. We rely on a combination of patents and trade secrets, as well as employee and third party confidentiality agreements, to safeguard our intellectual property. As of the Latest Practicable Date, we owned 37 patents and 16 copyrights in the PRC. See "C. Further Information about Our Business—2. Intellectual property rights" in Appendix VI to this prospectus for more information.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to any intellectual property infringement claims which had any material impact on us. See "Risk Factors—Risks Relating to Our Business and Industry—We may face disputes from time to time relating to the intellectual property rights of third parties."

AWARDS AND RECOGNITIONS

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

Year	Award / Accreditation	Awarding Organization	Awarded Entity
2012-2014	Top Ten Competitive Unit in Guangdong Provincial (Private) Higher Education Institutions (廣東高等職業教育院校（民辦）競爭力十強單位)	Guangdong Provincial Academy of Social Sciences and Guangdong Provincial Situation Investigation Center (廣東省社會科學院、廣東省省情調查研究中心)	Zhaoqing School, Guangdong Polytechnic College
2015	National Training Base for Application-oriented Talents (全國應用型人才培養工程培養基地)	School-Enterprise Corporation Committee, College Graduates Employment Association, MOE (教育部高校畢業生就業協會校企合作委員會)	Guangdong Polytechnic College
2016	Zhaoqing Civilized Campus (肇慶市文明校園)	Zhaoqing Spiritual Civilization Construction Committee (肇慶市精神文明建設委員會)	Guangdong Polytechnic College
2016	Guangdong Provincial Maker Space Pilot Unit (廣東省衆創空間試點單位)	Guangdong Provincial Science and Technology Department (廣東省科技廳)	Guangdong Polytechnic College
2017	Excellent Organization Award in Guangdong Provincial Tournament, The Third China "Internet +" College Students' Innovation and Entrepreneurship Competition (第三屆中國"互聯網+"大學生創新創業大賽"建行盃"廣東省分賽優秀組織高校獎)	Guangdong Provincial Department of Education (廣東省教育廳)	Guangdong Polytechnic College

EMPLOYEES

As of September 30, 2014, 2015, 2016, 2017 and 2018, we had 982, 1,339, 1,647, 1,830 and 2,276 employees, respectively. The following table sets out the total numbers of employees by function as of the Latest Practicable Date:

Function	Number of Employees	% of Total Employees
Teachers[1]	2,024	88.9
Other staff	252	11.1
Total	2,276	100.0

Note:

(1) 157 of our teachers also undertake administrative assignment.

As required by PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including housing provident fund, pension, medical, maternity insurance, work-related injury insurance and unemployment insurance.

During the Track Record Period, we did not pay social insurance and housing provident fund in full for certain of our employees as the payment basis of social security of such employees were not determined with reference to the actual salary level of such employees as prescribed by relevant PRC laws and regulations. This was primarily caused by administrative oversight, our human resources staff being unfamiliar with relevant regulatory requirements and inconsistent implementation or interpretation by local authorities in the PRC of the relevant regulations. The aggregate amount of provision for such unpaid amount were RMB12.4 million, RMB15.4 million, RMB18.5 million and RMB20.2 million as of December 31, 2015, 2016 and 2017 and August 31, 2018, respectively. We have further strengthened our internal control procedures relating to social insurance and housing provident fund contributions. We have also consulted our PRC Legal Advisors, on the requirements under the relevant PRC laws and regulations in relation to social insurance and housing provident fund.

Zhaoqing Social Insurance Administration Bureau has confirmed in its compliance certificates issued in September 2017 and March 2018 that: (i) we contributed social insurance for our employees; and (ii) we did not have any record of administrative penalties or disputes due to violation of relevant laws and regulations relating to social insurance contribution. Zhaoqing Social Insurance Administration Bureau further confirmed on June 7, 2018 that we may continue to make contributions for social insurance on the current basis. As advised by our PRC Legal Advisors, Zhaoqing Social Insurance Administration Bureau is competent to issue such confirmations and the risk is relatively low that we will be subject to administrative penalty by the relevant government authorities as a result of our failure to determine the payment basis of the social insurance contribution in accordance with applicable laws and therefore fail to fully make such contributions for our employees. Zhaoqing Housing Provident Fund Management Center has confirmed in its compliance certificates issued in October 2017 and March 2018 that: (i) we contributed housing provident fund for our employees; (ii) it accepted the basis on which our schools had made contributions to the housing provident fund plan; and (iii) we did not have any record of administrative penalties or disputes due to violation of relevant laws and regulations relating to housing provident fund contribution. Based on the foregoing confirmations and views from our PRC Legal Advisors, our Directors believe that the risk of us being ordered to make up the underpayments, pay any late fees or be subject to fines for the social insurance and housing fund-related non-compliance by the relevant government authorities is relatively low. As of the Latest Practicable Date, we had not received any notice from the local authorities or any claim from our current and former employees regarding our non-compliance in this regard.

See "Risk Factors — Risks Relating to Our Business and Industry — Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties."

Both Guangdong Polytechnic College and Zhaoqing School have established labor unions. We believe we maintain a good working relationship with our employees. During the Track Record Period, we did not experience any material labor disputes.

PROPERTIES

Owned Properties

As of October 31, 2018, we owned 86 buildings in China with a gross floor area of 591,894.37 square meters and owned nine parcels of land with a total site area of 979,919.6 square meters. 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 October 31, 2018 was RMB856.9 million, according to the property valuation report prepared by Asia-Pacific Consulting and Appraisal Limited as set out in Appendix IV to this prospectus. As of October 31, 2018, we had no leased properties.

Land

As of October 31, 2018, we owned nine parcels of land with an aggregate gross site area of 979,919.6 square meters, including:

Land used by	No. of parcels of land	Gross Site Area (sq.m.)	Location	Existing Use	Expiry Date
Guangdong Polytechnic College	6	918,617.0	69 District of Dinghu District, Zhaoqing City (D-69-01-01)	Land for teaching (083)	November 24, 2065
			69 District of Xin Cheng, Dinghu District, Zhaoqing City (D-69-01-02)	Land for teaching (083)	November 24, 2065
			69 District of Kengkou, Dinghu District, Zhaoqing City (D-69-01-03)	Land for teaching (083)	November 9, 2066
			Tanchang, Nanan, Gaoyao City	Land for general use	February 27, 2056
			Tanchang, Nanan, Gaoyao City	Land for general use	October 15, 2058
			Tanchang, Nanan, Gaoyao City	Land for general use	October 15, 2058
Zhaoqing School	3	61,302.6	South of Xinbu Street of 32 District of Duanzhou District	Land for teaching (083)	March 25, 2047
			East side of Jidong Road, Duanzhou District	Land for teaching (083)	August 28, 2050
			32 District and East side of Jidong Road of Duanzhou District, Zhaoqing City	Land for teaching (083)	April 5, 2048
Total	9	979,919.6			

Our PRC Legal Advisors are of the view that we have the legal right to use these nine parcels of land and thus have the right to occupy, use, transfer, lease or otherwise dispose of such lands in accordance with applicable PRC laws and regulations.

Buildings

As of October 31, 2018, we owned and occupied 86 buildings in the PRC with an aggregate gross floor area of 591,894.37 square meters. The following table sets out a summary of the buildings we occupied as of October 31, 2018:

Building used by	No. of Buildings/ Units	Gross Floor Area (sq.m.)	Location	Existing Use
Guangdong Polytechnic College	70	511,825.8	Tanchang, Nanan, Gaoyao City (Training Building 2)	Training building
			Tanchang, Nanan, Gaoyao City (Training Building)	Training building
			Tanchang, Nanan, Gaoyao City (No.10 Apartment Building for experts)	Apartment for experts

Building used by	No. of Buildings/ Units	Gross Floor Area (sq.m.)	Location	Existing Use
			Tanchang, Nanan, Gaoyao City (No.9 Building of Apartment for experts)	Apartment for experts
			Tanchang, Nanan, Gaoyao City (No.8 Building of Apartment for experts)	Apartment for experts
			Tanchang, Nanan, Gaoyao City (No.7 Building of Apartment for experts)	Apartment for experts
			Tanchang, Nanan, Gaoyao City (No.6 Building of Apartment for experts)	Apartment for experts
			Tanchang, Nanan, Gaoyao City (No.5 Building of Apartment for experts)	Apartment for experts
			Tanchang, Nanan, Gaoyao City (No.4 Building of Apartment for experts)	Apartment for experts
			Tanchang, Nanan, Gaoyao City (No.3 Building of Apartment for experts)	Apartment for experts
			Tanchang, Nanan, Gaoyao City (No.2 Building of Apartment for experts)	Apartment for experts
			Tanchang, Nanan, Gaoyao City (No.1 Building of Apartment for experts)	Apartment for experts
			Tanchang, Nanan, Gaoyao City (Building B of No.2 dormitory area)	Dormitory
			Tanchang, Nanan, Gaoyao City (Building A of No.2 dormitory area)	Dormitory
			Tanchang, Nanan, Gaoyao City (Building D of No.1 dormitory area)	Dormitory
			Tanchang, Nanan, Gaoyao City (Building C of No.1 dormitory area)	Dormitory
			Tanchang, Nanan, Gaoyao City (Building B of No.1 dormitory area)	Dormitory
			Tanchang, Nanan, Gaoyao City (Building A of No.1 dormitory area)	Dormitory
			Tanchang, Nanan, Gaoyao City (Complex building 7)	Complex building
			Tanchang, Nanan, Gaoyao City (Complex building 6)	Complex building
			Tanchang, Nanan, Gaoyao City (Complex building 5)	Complex building
			Tanchang, Nanan, Gaoyao City (Complex building 4)	Complex building
			Tanchang, Nanan, Gaoyao City (Complex building 3)	Complex building
			Tanchang, Nanan, Gaoyao City (Complex building 2)	Complex building

Building used by	No. of Buildings/ Units	Gross Floor Area (sq.m.)	Location	Existing Use
			Tanchang, Nanan, Gaoyao City (Complex building 1)	Complex building
			Tanchang, Nanan, Gaoyao City (Teaching building 5)	Teaching building
			Tanchang, Nanan, Gaoyao City (Teaching building 4)	Teaching building
			Tanchang, Nanan, Gaoyao City (Teaching building 3)	Teaching building
			Tanchang, Nanan, Gaoyao City (Teaching building 2)	Teaching building
			Tanchang, Nanan, Gaoyao City (Teaching building 1)	Teaching building
			Tanchang, Nanan, Gaoyao City (Sport court)	Sport court
			Tanchang, Nanan, Gaoyao City (Office building)	Office building
			Tanchang, Nanan, Gaoyao City (Library)	Library
			Tanchang, Nanan, Gaoyao City (Art building)	Art building
			Tanchang, Nanan, Gaoyao City (Admissions office)	Office building
			Tanchang, Nanan, Gaoyao City (Teachers apartment D)	Teachers apartment
			Tanchang, Nanan, Gaoyao City (Teachers apartment C)	Teachers apartment
			Tanchang, Nanan, Gaoyao City (Teachers apartment B)	Teachers apartment
			Tanchang, Nanan, Gaoyao City (Teachers apartment A)	Teachers apartment
			Tanchang, Nanan, Gaoyao City (Canteen)	Canteen
			Tanchang, Urban area, Gaoyao	Reception center
			Tanchang, Urban area, Gaoyao	Fitness club of Guangdong Polytechnic
			Tanchang, Urban area, Gaoyao City (Training building 7)	Training building
			Tanchang, Nanan, Gaoyao City	Auditorium
			Tanchang, Nanan, Gaoyao City	Teaching building 1
			Tanchang, Nanan, Gaoyao City	Teaching building 2
			Tanchang, Nanan, Gaoyao City	Teachers apartment E
			Tanchang, Nanan, Gaoyao City	Teachers apartment G
			Tanchang, Nanan, Gaoyao City	Dormitory 04
			Tanchang, Nanan, Gaoyao City	Dormitory 05
			Tanchang, Nanan, Gaoyao City	Dormitory 06
			Tanchang, Nanan, Gaoyao City	Canteen
			Tanchang, Nanan, Gaoyao City	Administration office building

Building used by	No. of Buildings/ Units	Gross Floor Area (sq.m.)	Location	Existing Use
			Tanchang, Nanan, Gaoyao City	Student dormitory 01
			Tanchang, Nanan, Gaoyao City	Student dormitory 02
			69 District of Dinghu District, Zhaoqing City (D-69-01-01), (D-69-01-02)	Canteen
			69 District of Dinghu District, Zhaoqing City (D-69-01-01), (D-69-01-02)	Student apartment 01
			69 District of Dinghu District, Zhaoqing City (D-69-01-01), (D-69-01-02)	Student apartment 02
			69 District of Dinghu District, Zhaoqing City (D-69-01-01), (D-69-01-02)	Student apartment 03
			69 District of Dinghu District, Zhaoqing City (D-69-01-01), (D-69-01-02)	Student apartment 06
			69 District of Dinghu District (D-69-01-03)	Administration office building
			69 District of Dinghu District	Teaching building 3
			69 District of Dinghu District	Teaching building 4
			69 District of Dinghu District	Teaching building 5
			69 District of Dinghu District (D-69-01-03)	Student innovation and entrepreneurship center
			69 District of Dinghu District	Duty building
			Teaching building 01 of School of Tourism, Guangdong Polytechnic College, 69 District of Dinghu District	Teaching building
			Teaching building 02 of School of Tourism, Guangdong Polytechnic College, 69 District of Dinghu District	Teaching building
			Student apartment 04 of School of Tourism, Guangdong Polytechnic College, 69 District of Dinghu District	Student apartment
			Student apartment 05 of School of Tourism, Guangdong Polytechnic College, 69 District of Dinghu District	Student apartment
Zhaoqing School	16	80,068.57	No.13 Student dormitory building of Guangdong Polytechnic College, East side of Jidong road, Zhaoqing City	Student dormitory building
			Guangdong Polytechnic College (Student training building), 32 District of Duanzhou District, East side of Jidong road, Zhaoqing City	Student training building
			Art building of Guangdong Polytechnic College, East side of Jidong road, Zhaoqing City	Comprehensive art building

Building used by	No. of Buildings/ Units	Gross Floor Area (sq.m.)	Location	Existing Use
			Laboratory building, Guangdong Polytechnic College, East side of Jidong road, Zhaoqing City	Integrated laboratory building
			Teaching building, Guangdong Polytechnic College, East side of Jidong road, Zhaoqing City	Teaching building
			Dormitory building, Guangdong Polytechnic College, East side of Jidong road, Zhaoqing City	Student dormitory building
			Dormitory building, Guangdong Polytechnic College, East side of Jidong road, Zhaoqing City	Student dormitory building
			Dormitory building, Guangdong Polytechnic College, East side of Jidong road, Zhaoqing City	Dormitory building
			Student Canteen, Guangdong Polytechnic College, 32 District of Duanzhou District, East side of Jidong road, Zhaoqing City	Canteen
			Guangdong Polytechnic College Training building, East side of Jidong road, Zhaoqing City	Training building
			Guangdong Polytechnic College Teaching building 3, East side of Jidong road, Zhaoqing City	Teaching building
			Administration library of Guangdong Polytechnic College, East side of Jidong road, Zhaoqing City	Administration library
			No.9 Student dormitory building of Guangdong Polytechnic College, East side of Jidong road, Zhaoqing City	Student dormitory building
			No.6 Student dormitory building of Guangdong Polytechnic College, 32 District of Duanzhou District, East side of Jidong road, Zhaoqing City	Student dormitory building
			No.8 Student dormitory building of Guangdong Polytechnic College, 32 District of Duanzhou District, East side of Jidong road, Zhaoqing City	Student dormitory building
			No.7 Student dormitory building of Guangdong Polytechnic College, 32 District of Duanzhou District, East side of Jidong road, Zhaoqing City	Student dormitory building
Total	86	591,894.37		

Of the 86 buildings that we owned, we have obtained building ownership certificates for 56 buildings with a gross floor area of 251,715.02 square meters, representing 42.5% of the gross floor area of the buildings that we owned. Our PRC Legal Advisors are of the view that we have the legal ownership of these 56 buildings and thus have the right to occupy, use, transfer, lease or otherwise dispose of such buildings in accordance with applicable PRC laws and regulations. We are in the process of building ownership certificate application for 11 buildings which are primarily student dormitories and teaching buildings with a gross floor area of 125,203.16 square meters representing 21.2% of the gross floor area of the buildings that we owned. We expect that, barring unforeseen circumstances, we shall be able to obtain the building ownership certificates for these 11 buildings around the end of 2018. Our PRC Legal Advisors are of the view that we have the legal ownership of these 11 buildings and thus have the right to occupy and use such buildings in accordance with applicable PRC laws and regulations. As these 11 buildings have passed the completion inspection, we believe that there is no safety condition concern.

As of October 31, 2018, Guangdong Polytechnic College had one buildings under development with an aggregate gross floor area of 13,451.62 square meters. As advised by our PRC Legal Advisors, such constructions under development have duly obtained relevant licenses and permits for construction.

As of the same date, Guangdong Polytechnic College had certain temporary constructions which were ancillary facilities including garbage stations, transformer rooms and mailrooms. As advised by our PRC Legal Advisors, such temporary constructions will be demolished after two years, unless their temporary construction status is renewed. We believe that such properties are not essential to the operation of our schools, and our Directors believe that this will not affect us materially and adversely.

Non-compliance of certain buildings owned by us

As of October 31, 2018, we have 19 buildings with an aggregate gross floor area of 214,975.75 square meters representing approximately 36.3% of the total gross floor area of the buildings we occupied, which have defective titles as follows:

(i) 12 buildings occupied by Guangdong Polytechnic College, including teaching buildings, dormitories, canteen, auditorium and administrative building, with a total gross floor area of 146,389.86 square meters had not been granted with building ownership certificates. These 12 buildings did not complete the environmental assessment, and seven of which did not complete the acceptance inspection. The title defects of the aforesaid seven buildings resulted from our dispute with the general construction service contractor of these buildings. In August 2015, one of the sub-contractors was dissolved and its responsible person absconded, without providing us with assistance to complete the required assessments and inspections or repaying the advance payment we made. See "Financial Information— Current Assets and Current Liabilities—Prepayments, deposits and other receivables." Subsequently we were involved in a dispute with the general construction service contractor regarding the unrecovered advance payment and the construction services. As a result, the progress of completing the assessments and inspections was delayed. The title defects of the other five buildings were caused by the loss of construction drawings which need to be submitted for the assessments and inspections. As of the Latest Practicable Date, such construction drawings were reproduced and submitted and we are in the process of and do not expect to have material obstacle for obtaining building ownership certificates; and

(ii) three buildings including a training building with a total gross floor area of 1,491.00 square meters, a reception center with a total gross floor area of 1,827.78 square meters and a gym with a total gross floor area of 1,645.15 square meters, two teaching buildings with a total gross floor area of 25,063.53 square meters and two student dormitories with a total gross floor area of 38,558.43 square meters occupied by Guangdong Polytechnic College had not been granted with building ownership certificates as we did not obtain the construction commencement permit and did not complete the fire control assessment, the environmental impact assessment when construction started, and did not complete the acceptance inspections upon completion of construction. Four buildings including two teaching buildings with a total gross floor area of 25,063.53 square meters and two student dormitories with a total gross floor area of 38,558.43 square meters occupied by Guangdong Polytechnic College had not been granted with building ownership certificates as we did not complete the fire control assessment, the environmental impact assessment when construction started, and did not complete the acceptance inspections upon completion of construction. The training building was used for practical training while the reception center and the gym were used for ancillary activities not related to teaching. The non-compliance of these seven buildings was a result of administrative oversight and miscommunications during the work handover of our responsible employees. Our previous asset and infrastructure manager left position, and the successor was not familiar with the relevant laws and regulations at the point of handover and did not actively follow up on this matter subsequently. At present, we are in preparation for the application process for obtaining the building ownership certificates.

According to our PRC Legal Advisors, (i) for construction projects commenced without the construction commencement permit, we may be subject to a rectification order and/or a fine ranging from 1% to 2% of the contract price of constructing the buildings. As of August 31, 2018, the maximum aggregate amount of penalty with respect to such non-compliance is estimated to be approximately RMB0.18 million; (ii) for construction projects delivered for use without passing the relevant completion inspections, the construction entity may be ordered to rectify and may be obliged to pay compensation where any damage has been caused. A fine of not less than 2% but not more than 4% of the contract price of the construction may also be imposed. As of August 31, 2018, the maximum aggregate amount of penalty with respect to such non-compliance is estimated to be approximately RMB0.36 million; (iii) for construction projects commenced without completing the 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; and (iv) for construction projects commenced without completing the environmental impact assessment, we may be subject to a fine between 1% and 5% of the overall investment amount for such construction projects and be ordered to adopt remedial measures, and for construction projects that we have put into use without passing environmental protection inspection assessments, we may be subject to no more than RMB2,000,000 in fines, and/or be required to permanently discontinue our use of the relevant construction projects. As of August 31, 2018, the maximum aggregate amount of penalty with respect to such non-compliance is estimated to be approximately RMB8.82 million.

For the reasons set out below, our Directors consider that the non-compliance issues concerning our buildings will not have any material adverse effect on our operations as a whole:

(i) there have not been any material safety incidents directly attributable to the safety of the school buildings and facilities and no regulatory intervention or concerns relating to the school buildings and facilities have been raised by competent authorities;

(ii) we have not encountered any third party claims in relation to the title defects of our properties; and

(iii) we regularly maintain the buildings and the safety conditions of such buildings are sound.

For risks and uncertainties associated with our failure to obtain the relevant construction planning permits and/or pass the acceptance checks on completion of construction, please see "Risk Factors — Risks Relating to Our Business and Industry — We are subject to extensive governmental approvals and compliance requirements for establishing our campuses and school premises."

Rectification Measures and Improvement of Property-Related Internal Control Measures

We have engaged qualified third-party to perform safety assessment for these 19 buildings, and they have confirmed to us that the safety condition, including the fire safety condition, of the 19 buildings is sound.

In respect of the 12 buildings occupied by Guangdong Polytechnic College that did not complete the environmental assessment upon completion of construction, seven of which did not complete the acceptance inspection, our Directors confirm that, as of the Latest Practicable Date, we are preparing for the application of environmental assessment and inspections in order to obtain the relevant building ownership certificates. As of the Latest Practicable Date, we have completed the acceptance inspections of the other five buildings, and are in the process of obtaining building ownership certificates.

In respect of four buildings including two teaching buildings and two student dormitories occupied by Guangdong Polytechnic College that did not complete the environmental assessment upon completion of construction of the second phase of Dinghu campus, our Directors confirm that, as of the Latest Practicable Date, we are preparing for the application of environmental assessment and inspections to complete the acceptance inspection and obtain the relevant building ownership certificates.

Our PRC Legal Advisors are of the view that the risk of us being ordered to adopt remedial measures for not completing environmental assessment and acceptance inspections upon completion is remote, and if relevant application materials are legally valid and complete, there is no major obstacle in obtaining the relevant building ownership, which is primarily of an administrative and procedural nature.

Based on our Directors' current understanding of the processes involved: (i) barring unforeseen circumstances, we endeavor to obtain the relevant building ownership certificates of the buildings where practicable within the next one to two years; and (ii) we expect that such re-compliance will be primarily administrative and procedural in nature and do not expect to incur substantial costs.

We had ceased using the training building and gym as of the Latest Practicable Date. Until the construction commencement permits are obtained and the fire control assessment, the environmental impact assessment and the acceptance inspections upon completion of construction are completed, these buildings will not be put into use. The reception center was for purpose of recreation. We believe such buildings are not essential to our business. We estimate that we will be able to complete the requisite procedures for obtaining building ownership certificates for these buildings around 2019.

In the unlikely event that we are required to permanently discontinue our use of these buildings, our Directors believe that we will be able to relocate to other buildings on the campus of Guangdong Polytechnic College, which will not affect us adversely in material respect. Barring unforeseen circumstances, we endeavor to obtain the relevant building ownership certificates of these three buildings around early 2019.

We have strengthened our property-related internal control system through the following measures: (i) we have formulated risk assessment management measures to identify various risks associated with our investment development strategies and to monitor and avoid such risks; (ii) we have implemented fixed asset management measures to ensure the safety, integrity and intactness of our properties; and (iii) we have engaged our PRC Legal Advisors to provide internal control training to our Directors and senior management in respect of compliance with applicable laws and regulations. After adopting these property-related internal control measures, our Directors are of the view that we have adequate property-related internal control systems in place for our property-related compliance in the future, and therefore, are able to comply with the internal control requirements under the Listing Rules.

Regulatory Requirements on School Site Area

According to the Basic Condition Indicators for Operating Higher Education Institutions (Trial) (Jiaofa (2004) No. 2) (《普通高等學校基本辦學條件指標(試行)》(教發 (2004)) 2號) promulgated by the MOE in 2004, the standard ratio between a comprehensive higher education institution's teaching and administrative building area and the number of students should be 14 sq.m. per student. In the 2014/2015, 2015/2016, 2016/2017, 2017/2018 and 2018/2019 school year, Guangdong Polytechnic College had complied with the aforesaid regulatory requirements.

The following table sets out the ratio between the teaching and administrative building area and the number of students of Guangdong Polytechnic College in the 2014/2015, 2015/2016, 2016/2017, 2017/2018 and 2018/2019 school year:

School	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Guangdong Polytechnic College	31.4 sq.m./ student	25.5 sq.m./ student	26.1 sq.m./ student	21.5 sq.m./ student	21.1 sq.m./ student

In addition, under the above regulations, the standard ratio between a higher education institution's site area and the number of students should be 54 sq.m. per student. In the 2014/2015, 2015/2016, 2016/2017, 2017/2018 and 2018/2019 school year, the ratio between the site area and the number of students of Guangdong Polytechnic College was lower than the aforesaid standard ratio. The following table sets out the ratio between the site area and the number of students of Guangdong Polytechnic College in the 2014/2015, 2015/2016, 2016/2017, 2017/2018 and 2018/2019 school year:

School	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Guangdong Polytechnic College	50.1 sq.m./ student	52.1 sq.m./ student	47.0 sq.m./ student	38.0 sq.m./ student	34.4 sq.m./ student

On July 2, 2018, we, together with our PRC Legal Advisors, had an interview with the Guangdong Provincial Department of Education (廣東省教育廳), being the competent authority for supervising Guangdong Polytechnic College, during which the official of the Development and Planning Division explained to us that the prescribed ratio between the school's site area and number of students is only a monitoring index, being one of the monitoring standards for operating higher education institutions, as opposed to the basic conditions for operating higher education institutions. While the failure to meet the basic conditions, such as the prescribed ratio between comprehensive higher education institution's teaching and administrative building area and number of students, may result in restrictions or suspension on student enrollment or other penalties being imposed, a monitoring index aims to provide further guidance for improvement of the higher education conditions and the prevailing PRC laws and regulations do not stipulate any legal consequences for any breach of the monitoring index.

The official of the Development and Planning Division further confirmed that: (1) Guangdong Polytechnic College is subject to the requirement in relation to the prescribed ratio between the school's site area and number of students (i.e. 54 sq.m. per student) and it did not meet such prescribed ratio for the 2014/2015, 2015/2016, 2016/2017, 2017/2018 and 2018/2019 school year; (2) however, given such prescribed ratio is only a monitoring index, the Guangdong Provincial Department of Education had not and will not impose restrictions or suspension on student enrollment or other penalties, or take any unfavorable measures against Guangdong Polytechnic College for the reason of its failure to meet the prescribed ratio between the school's site area and number of students.

According to the Basic Condition Indicators for Operating Higher Education Institutions (Trial) (Jiaofa (2004) No.2) (《普通高等學校基本辦學條件指標（試行）》(教發（2004）)2號), the ratio between a higher education institution's site area and the number of students (54 sq.m. per student) is a monitored school operating condition indicator (監測辦學條件指標). In the 2014/2015, 2015/2016, 2016/2017, 2017/2018 and the 2018/2019 school years, the ratios between the site area and the number of students of Guangdong Polytechnic College under the monitored school operating condition indicators were 50.1 sq.m. per student, 52.1 sq.m. per student, 47 sq.m. per student, 38 sq.m. and 34.4 sq.m. per student, respectively, all of which failed to meet the monitored school operating condition indicator, a standard 54 sq.m. per student, prescribed by the Basic Condition Indicators for Operating Higher Education Institutions (Trial) (Jiaofa (2004) No.2).

On July 2, 2018, our PRC Legal Advisors had interviewed the Guangdong Provincial Department of Education, which confirmed that: (1) the ratio between a higher education institution's site area and the number of students is a monitored school operating indicator, and there is no provision that the schools which failed to meet such monitored school operating indicator are subject to legal consequences; (2) Guangdong Provincial Department of Education had not imposed any restriction, suspension regarding student enrollment or other penalties on Guangdong Polytechnic College, and will not apply any restriction, suspension regarding student enrollment or other adverse measures to Guangdong Polytechnic College as the ratios between the site area and the number of students of Guangdong Polytechnic College failed to meet the standard prescribed by the Basic Condition Indicators for Operating Higher Education Institutions (Trial) (Jiaofa (2004) No.2).

Over the last three years, Guangdong Polytechnic College had passed the annual inspections by Guangdong Provincial Department of Education.

In view of the above, our PRC Legal Advisors are of the view that (1) the Guangdong Provincial Department of Education is the competent authority of Guangdong Polytechnic College and is entitled to provide feedback and guidance on matters regarding the ratio between the school's site area and number of students; (2) the risk of Guangdong Polytechnic College being subject to restrictions, suspension regarding student enrollment or other penalties for the above matters regarding the ratio between the school's site area and number of students is remote.

According to the Standards of Establishing Secondary Vocational Schools (《中等職業學校設置標準》) promulgated by the MOE in 2010, the ratio between a secondary school's teaching and administrative building area and the number of students should be 20 sq.m., and the ratio between a secondary school's site area and the number of students should be 33 sq.m. per student. The following tables set out, respectively, the ratio between the teaching and administrative building area and the number of students and the ratio between the site area and the number of students of Zhaoqing School in the 2014/2015, 2015/2016, 2016/2017, 2017/2018 and 2018/2019 school year:

School	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Zhaoqing School	25.4 sq.m./ student	18.2 sq.m./ student	20.2 sq.m./ student	21.0 sq.m./ student	20.2 sq.m./ student

School	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Zhaoqing School	18.5 sq.m./ student	13.3 sq.m./ student	36.3 sq.m./ student	37.7 sq.m./ student	36.0 sq.m./ student

In the 2014/2015, 2016/2017, 2017/2018 and 2018/2019 school year, the ratio between Zhaoqing School's teaching and administrative building area and number of students had complied with the regulatory requirement, while such ratio in the 2015/2016 school year was below the regulatory requirement. In the 2016/2017, 2017/2018 and 2018/2019 school year, the ratio between Zhaoqing School's site area and number of students had complied with the regulatory requirement, while such ratio in the 2014/2015 and 2015/2016 school year was below the regulatory requirement.

On April 29, 2018, we, together with our PRC Legal Advisors, had an interview with the Zhaoqing Education Department (肇慶教育局), being the competent authority for supervising Zhaoqing School, during which the official of Zhaoqing Education Department confirmed that: (i) the requirements in relation to the ratio between a secondary school's building area and the number of students and the ratio between a secondary school's site area and number of students under the Standards of Establishing Secondary Vocational Schools shall apply to Zhaoqing School; (ii) the Standards of Establishing Secondary Vocational Schools do not stipulate any administrative penalties for any breach of the aforesaid requirements; (iii) no restrictions or suspension on student enrollment or administrative penalties has been imposed against Zhaoqing School due to any historical failure to fulfill the regulatory requirements under the Standards of Establishing Secondary Vocational Schools. In light of the above, our PRC Legal Advisors are of the view that the risk of Zhaoqing School being subject to any administrative penalties for the aforesaid historical non-compliance on the ratio between its site area and number of students and the ratio between its building area and number of students is remote.

INSURANCE

We maintain various insurance policies, such as school liability insurance, to safeguard against risks and unexpected events. We do not maintain business interruption insurance, product liability insurance or key-man life insurance. We consider our insurance coverage to be in line with what we believe to be customary practice in the PRC. We believe that our insurance coverage is generally consistent with 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 Industry—We maintain limited insurance coverage."

LICENSES AND PERMITS

Our PRC Legal Advisors have advised that, during the Track Record Period and up to the Latest Practicable Date, except for certain non-compliance matters as disclosed in "—Properties—Owned Properties—Buildings—Non-compliance of certain buildings owned by us", we 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 out details of our material licenses and permits:

Holder	License/Permit[1]	Granting Authority	Grant Date	Expiry Date
Guangdong Polytechnic College	Private School Operation Permit	MOE	2016	2019
	Certificate of Registration for Private Non-Enterprise Unit	Department of Civil Affairs of Guangdong Province	July 25, 2018	July 24, 2022
	Food Business License	The Food and Drug Administration of Gaoyao District, Zhaoqing City	—	September 6, 2022
	Food Business License	The Food and Drug Administration of Dinghu District Zhaoqing City	—	September 14, 2022
	Food Business License	The Food and Drug Administration of Gaoyao District, Zhaoqing City		June 7, 2023
	Medical Institution Practice License	The Bureau of Health and Family Planning of Gaoyao District, Zhaoqing City	January 11, 2016	January 10, 2021
	Hygiene License	The Bureau of Health and Family Planning of Gaoyao District, Zhaoqing City	January 10, 2018	January 9, 2022
Zhaoqing School	Private School Operation Permit	Education Bureau of Zhaoqing City	January 2016	December 2020
	Certificate of Registration for Private Non-Enterprise Unit	Bureau of Civil Affairs of Zhaoqing City	June 24, 2016	June 23, 2020
	Medical Institution Practice License	The Bureau of Health and Family Planning of Zhaoqing City	January 16, 2017	January 16, 2022
	Food Business License	The Food and Drug Administration of Zhaoqing City	November 22, 2016	November 21, 2021

Note:

(1) Both schools are required to pass an annual inspection regardless of whether such license bears an expiry date. As of the Latest Practicable Date, both of our two schools had passed the latest local annual inspection.

HEALTH AND SAFETY MATTERS

We are dedicated to protecting the health and safety of our students. Both of our schools have adopted and implemented student health and safety measures and procedures to protect their students from bodily harm and other health and safety risks. We provide routine medical services for our students and faculty by outsourcing such services to qualified third party medical care providers. According to our PRC Legal Advisors, both our own campus clinics have obtained the required licenses. In the event of any serious and emergency medical situations, we will promptly send our students to local hospitals for treatment. For details of the routine medical care services we provide, See "—Centralized Management System—Campus Services." With respect to school safety, we promote the security of our schools by employing our own security personnel or by engaging third party security companies to provide a routine security service.

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

LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we may be subject to various claims and legal actions arising in the ordinary course of our business. Our Directors and PRC Legal Advisors have confirmed that, as of the Latest Practicable Date, there is no legal proceeding pending or threatened against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

During the Track Record Period and up to the Latest Practicable Date, except for those disclosed in "—Properties—Owned Properties—Buildings—Non-compliance of certain buildings owned by us" and "—Employees", we did not experience any material non-compliance or systemic non-compliance incidents, which, taken as a whole, in the opinion of our Directors, are likely to have a material and adverse effect on our business, financial condition or results of operations. During the same periods, we also did not experience any non-compliance with the laws or regulations, which, taken as a whole, in the opinion of the Directors, reflects negatively on the ability or tendency of our Company, the Directors or our senior management to operate our business in a compliant manner. Our PRC Legal Advisors are of the opinion that, except for those disclosed in "—Properties—Owned Properties—Buildings—Non-compliance of certain buildings owned by us" and "—Employees" in this prospectus, we have complied with all relevant PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

We engaged an independent consulting firm (the "Internal Control Consultant") in August 2017 to conduct an independent review of 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 these major business processes to our management for consideration. We accepted the recommendations and have implemented relevant control measures. The Internal Control Consultant performed a follow-up review on our rectified controls in January 2018. We have implemented all of the major recommendations provided by the Internal Control Consultant to address our internal control deficiencies and weaknesses.

We have a set of internal rules and policies in place to provide our faculty and employees with behavioral guidance. We have set up a monitoring system to implement anti-bribery and anti-corruption measures so as to ensure that our faculty and employees comply with our internal rules and policies as well as the applicable laws and regulations. We have formulated internal anti-bribery and anti-corruption policies to prohibit, among others: (i) accepting or paying bribes or rebates; (ii) illegally use our assets, embezzlement or misappropriation of our assets; and (iii) forgery or altering of our accounting records. We will offer mandatory training courses to our existing and new employees to enhance their knowledge and awareness of the relevant rules and regulations, as well as their own personal and professional conduct. Moreover, we have set up a remediation program specifying the emergency plan, remedial actions and economic and administrative punishments to be applied in the event of non-compliance incidents. During the Track Record Period, we were not aware of any corruption involving, or any other material misconduct committed by, our employees.

We have an amount due from related parties of the Company, including Mr. Ye and his associates, during the Track Record Period. See "Financial Information—Current Assets and Current Liabilities—Amount Due from Related Parties." Further, we identified certain internal control deficiencies and weaknesses related to the cash payment and receipt management of our PRC Operating Schools during the Track Record Period, including late booking of payments to related parties and inadequate controls over approval process for cash advances and loans to related parties. With a view to rectifying such deficiencies and further strengthening our internal controls over cash management and related party transactions, we have set up new rules and internal policies designed to: (i) discouraging cash payment and cash settlement and ensure timely booking of any payment received; (ii) requiring any related-party loan to be approved by our Board (including the independent non-executive Directors). Such internal policies have been in place since January 2018. The amounts due from Mr. Ye and Ms. Shu Jun have been repaid in full. We intend to settle all balances with other related parties prior to the Listing. All loans to connected persons in the future will be subject to the requirements under Chapter 14A of the Listing Rules.

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 to oversee the implementation of any necessary measures. Our Chairman, Mr. Ye Nianqiao, and our Board are responsible for ensuring our overall ongoing compliance, with focus on corporate governance, anti-bribery, anti-corruption and conflict of interest matters. Our senior management (including the principals and vice principals of our schools) is responsible for the enforcement and oversight of our internal rules and policies at school level.

In addition, we plan to provide our Directors, senior management and employees with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identifying any concerns and issues relating to any potential non-compliance.

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, market recognition of the reputation of our schools and the Group, our ability to attract and retain our senior management and other dedicated and qualified teachers and school personnel, our ability to increase student enrollment at our schools, our ability to promptly and adequately respond to the changes in market demand, and new legislation or changes in the PRC regulatory requirements regarding private higher education which may affect our business operations and prospects. See "Risk Factors" for disclosures of various risks we face. In addition, we also face numerous market risks, such as interest rate, credit, liquidity and currency risks that arise in the ordinary course of our business. For a discussion on these market risks, 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 is generally responsible for making strategic decisions for both of our schools on matters such as school budgets, investments, acquisitions and future development. Our Board further appoints boards of directors of our schools, which are the decision-making bodies of the schools led by the respective principals. Under the guidance of the school boards, the principal's offices are responsible for the ongoing risk management of each school. Serious incidents and violations to our internal control policies are reported to our Board, which shall make the decisions regarding the remedial measures. Information related to the incidents will be archived for record. Such archives generally consist of incident reports, monitoring and inspection records, inspection reports, inspection recommendations, inspection decisions and other material. We would also carefully learn from our experiences of such incidents, understand the weaknesses discovered and use this information as guidance for our future work;
- 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 that we are able to obtain credit to support our business operation and expansion.

CONTROLLING SHAREHOLDERS

Immediately following the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering, our Controlling Shareholders will together hold approximately 52.5% of the Shares (assuming the Over-allotment Option is not exercised) and will remain as our Controlling Shareholders.

BUSINESS RETAINED BY OUR CONTROLLING SHAREHOLDERS IN THE PRIVATE EDUCATION INDUSTRIES

We are primarily engaged in the provision of (i) undergraduate, junior college and adult education programs through Guangdong Polytechnic College, a degree-granting undergraduate-level education institution and (ii) secondary vocational education through Zhaoqing School, a private secondary vocational education institution (collectively, the "**Group Businesses**").

As of the Latest Practicable Date, Mr. Ye and Ms. Shu indirectly held interest in companies outside of our Group which are principally engaged in private higher vocational education through Zhaoqing Qiaoli. As part of the Corporate Reorganization, Zhaoqing Kepei disposed of certain non-core business of our Group to Zhaoqing Qiaoli through demerger, including 49.0% equity interest in Jiangxi Kepei. As of the Latest Practicable Date, the Controlling Shareholders did not intend to inject their 49.0% equity interest in Jiangxi Kepei into our Group. Please see "History, Reorganization and Corporate Structure—Corporate Reorganization" for further details on the Corporate Reorganization.

Jiangxi Kepei is the sole school sponsor which holds the entire school sponsor interest in Jiangxi Hongzhou Vocational College (江西洪州職業技術學院) ("**Jiangxi Vocational College**"). Established in 2014, Jiangxi Vocational College is a private higher vocational college providing higher vocational education in 26 majors in subject areas including, among others, pre-school education, accounting, hotel management, electronic commerce, marketing, computer science and technology, mechatronic engineering and automation, construction engineering and interior design. According to Jiangxi Vocational College's internal business record, it has approximately 2,300 students as at September 30, 2017. Based on the unaudited management account of Jiangxi Vocational College, it had a total asset of approximately RMB262.1 million as of December 31, 2017 and recorded a net profit of RMB4.6 million for the year ended December 31, 2017. To the best knowledge of our Directors and based on publicly available information, our Directors are not aware of any material non-compliance, dispute or litigation of Jiangxi Kepei or Jiangxi Vocational College.

DELINEATION OF BUSINESS

Our Directors, including our independent non-executive Directors, are of the view that our Group Businesses are clearly delineated from that of Jiangxi Vocational College and there is no material competition between our PRC Operating Schools and Jiangxi Vocational College for the following reasons:

- ***Different location and student base.*** Our Guangdong Polytechnic College and Zhaoqing School are located in Guangdong Province, whereas Jiangxi Vocational College is located in Jiangxi Province and primarily targets a different group of students from that of our Group due to the geographical locations of the schools. According to the Frost & Sullivan Report, the higher education institutions in each provincial administrative regions mainly enroll the students from the local region. During the Track Record Period, the majority of our students come from Guangdong Province. In the future, our schools will not target students from Jiangxi Province.

- ***Different business models and qualifications offered.*** The qualifications offered by the PRC Operating Schools of our Group differ from those offered by Jiangxi Vocational College. Following Guangdong Polytechnic College's enhancement of school qualification from its former qualification as a higher vocational education provider in May 2014, Guangdong Polytechnic College became the first private institution of our Group qualified for provision of undergraduate education and is currently granting undergraduate degree for 27 majors. As of the Latest Practicable Date, Guangdong Polytechnic College was in a transitional period to accrediting its remaining 19 junior college majors with an undergraduate qualification. Upon completion of the accrediting process, Guangdong Polytechnic College will only offer full-time undergraduate courses and no longer provide any junior college courses to its students. The other school of our Group, Zhaoqing School, is only qualified for providing secondary vocational education and granting secondary vocational school diploma certificate.

Save as disclosed above, none of our Controlling Shareholders and/or Directors was, as of the Latest Practicable Date, interested in any business which competes, or is likely to compete, directly or indirectly, with the Group Businesses and would otherwise require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION DEED

In order to limit the potential competition between our Group and our Controlling Shareholders, our Company and our Controlling Shareholders entered into a non- competition deed on January 11, 2019 (the "**Non-competition Deed**"), pursuant to the Non-competition Deed, subject to certain exceptions and save as disclosed in this section, our Controlling Shareholders shall not, and shall procure that their respective close associates (except for any members of our Group) will not, engage in any business which directly or indirectly competes with the Group Businesses (the "**Restrained Businesses**") within the period that (i) the Shares of our Group are listed on the Stock Exchange, and (ii) our Controlling Shareholders and their respective close associates are entitled to exercise no less than 30% voting rights of our Company or are deemed to be the controlling shareholder of our Group.

The Non-competition Deed does not apply to (i) our Controlling Shareholders holding shares in any member of our Group and (ii) our Controlling Shareholders holding securities in a company that is engaged in the Restrained Business and whose securities are listed on any stock exchange, provided that our Controlling Shareholders or their respective close associates do not individually and/or in aggregate hold or control more than 10% of the voting rights in the issued share capital of such company.

Rights for New Business Opportunities

Our Controlling Shareholders have undertaken in the Non-competition Deed that if our Controlling Shareholders and their respective close associates (except for any members of our Group) become aware of, notice, are recommended or provided with, a new business opportunity which will directly or indirectly compete or may compete with the Restrained Businesses, including but not limited to the opportunities which are the same with or similar to the Restrained Businesses (the "**New Business Opportunities**"), our Controlling Shareholders shall and shall procure their respective close associates (except for any members of our Group) to refer or recommend the New Business

Opportunities to our Group subject to relevant laws, requirements or prior legally binding contractual arrangements with third parties:

(i) our Controlling Shareholders shall provide our Group with a written notification which includes all reasonable and necessary information known by our Controlling Shareholders and/or their respective close associates (including the nature of the New Business Opportunities and necessary information relating to the cost of relevant investment or acquisition) for our Company to consider whether the New Business Opportunities constitute competition or potential competition to the Group Businesses; and whether engaging in such New Business Opportunities would be in the best interests of our Company (the "**Offer Notice**"); and

(ii) our Company shall respond to our Controlling Shareholders and/or its their respective close associates (except for any members of our Company) within 30 days upon receipt of the Offer Notice. If our Company fails to reply to our Controlling Shareholders and/or its their respective close associates (except for any members of our Company) within the above period, it shall be deemed to have abandoned the New Business Opportunities. If our Company determines to take up the New Business Opportunities, our Controlling Shareholders and/or its their respective close associates (except for any members of our Company) would be obligated to refer such New Business Opportunities to our Company.

Pre-emptive Rights

Our Controlling Shareholders have undertaken that if our Controlling Shareholders and/or their respective close associates (except for any members of our Company) intend(s) to transfer, sell, lease or license for royalties to a third party any businesses engaged by our Controlling Shareholders and/or their respective close associates (except for any members of our Company) which competes or potentially competes with the Group Businesses or any other businesses which would cause direct or indirect competition with the Group Businesses, they shall offer our Company the pre-emptive right for such opportunity subject to relevant laws, requirements or prior legally binding contractual arrangements with third parties:

(i) our Controlling Shareholders and/or their respective close associates (except for any members of our Company) shall provide our Company with written notice no later than the time of any such disposals (the "**Disposal Notice**"). For the avoidance of doubt, Controlling Shareholders and/or their respective close associates (except for any members of our Company) is entitled to provide information and/or Disposal Notice to any third parties at the same time or after providing the Disposal Notice to our Company;

(ii) our Company shall reply to our Controlling Shareholders and/or their respective close associates in writing within, whichever the later of, (i) the 30th day after receipt of the Disposal Notice and (ii) expiration of the period offered to third parties for them to reply by Controlling Shareholders and/or their respective close associates before exercising its pre-emptive rights;

(iii) if our Company intends to take up such pre-emptive rights, the terms shall be determined with reference to fair market price; and

(iv) our Controlling Shareholders and/or their respective close associates (except for any members of our Company) shall not dispose of such businesses and interests to any third parties unless (a) our Company declines to purchase such businesses and interests in writing; (b) the notice of exercising such pre-emptive rights has not been received by our Controlling Shareholders and/or their respective close associates from our Company within, whichever the later of, (i) the 30th day after receipt of the Disposal Notice and (ii) expiration of the period offered to third parties for them to reply by our Controlling Shareholders and/or their respective close associates; or (c) our Company fails to offer the same or more favorable terms of acquisitions/lease/license than those offered by any third parties to our Controlling Shareholders and/or their respective close associates (except for any members of our Company).

For the avoidance of doubt, the terms of disposal offered by our Controlling Shareholders and/or their respective close associates (except for any members of our Company) to any third parties shall not be more favorable than those offered to our Company.

Option for Purchase

On the condition that no relevant laws and regulations are breached and pre-existing legally binding agreements with third parties are complied with, our Company is entitled to acquire any businesses operated by our Controlling Shareholders and/or their respective close associates (except for any members of our Company) which compete or potentially compete with our Group Businesses (including the Restrained Business) or any businesses or any interests of our Controlling Shareholders and/or their respective close associates (except for any members of our Company) which are gained through the New Business Opportunities (the "**Option for Purchase**"). Our Company is entitled to exercise the Option for Purchase at any time, and our Controlling Shareholders and/or their respective close associates (except for any members of our Company) shall offer the Option for Purchase to our Company based on the condition that the commercial terms of the proposed acquisition shall be formed solely by the committee consisting of our independent non-executive Directors after consulting the views of independent experts. Furthermore, such commercial terms shall be based on negotiations between the parties in line with normal commercial practice which is fair, reasonable and in compliance with the interests of our Company and our Shareholders as a whole.

However, if a third party has the pre-emptive rights in accordance with applicable laws and regulations and/or a pre-existing legally binding document (including, but not limited to, articles of association and/or shareholders' agreements), the Options for Purchase of our Company shall be subject to such third-party rights. In such a case, our Controlling Shareholders and/or their respective close associates (except for any members of our Company) will use their best efforts to persuade the third party to waive its pre-emptive rights.

Further Undertaking

Our Controlling Shareholders have further undertaken that, subject to relevant laws, requirements or contractual arrangements with third parties:

(i) upon the request of our Company, then shall, and shall procure their respective close associates (except for any members of our Company) to, provide any necessary information for the implementation of the Non-competition Deed;

(ii) it would allow the authorized representatives or auditors of our Company to have reasonable access to the financial and corporate information necessary to its transactions with third parties, which would assist with the assessments of our Company in respect of whether our Controlling Shareholders and/or their respective close associates have complied with this Non-competition Deed; and

(iii) it would ensure that, within 10 days of receipt of the written request from our Company, necessary confirmation from each Controlling Shareholder shall be made in writing as to the relevant Controlling Shareholder's and its close associates' performance under the Non-competition Deed and our Controlling Shareholders and their respective close associates shall allow such confirmation to be included into the annual reports of our Company.

Corporate Measures for the Implementation of the Non-competition Deed

Our Company will also adopt the following procedures to ensure that the undertakings under the Non-competition Deed are observed.

(i) *Review by independent non-executive Directors*. Our independent non-executive Directors will be responsible for reviewing the options for New Business Opportunities, pre-emptive rights and Option for Purchase granted by our Controlling Shareholders, and deciding whether or not to take up business opportunities as referred to in the Offer Notice, Disposal Notice and/or the Option for Purchase. In deciding whether to take up such business opportunities, our independent non-executive Directors will consider various factors including the due diligence to be conducted towards the target businesses, the purchase prices, the benefits that it will bring to our Company as well as whether we have adequate management and resources to manage and operate the business operations of such businesses.

(ii) *Increased transparency*. our Controlling Shareholders have undertaken to provide all information necessary for the enforcement of the rights for New Business Opportunities, pre-emptive rights and Option for Purchase. We will provide our independent non-executive Directors with the Offer Notice and Disposal Notice (as the case may be) on any New Business Opportunity or pre-emptive rights given to us by our Controlling Shareholders within seven days of receipt, and our independent non-executive Directors will be allowed to propose the exercise of the Option for Purchase at any time.

(iii) *Public disclosure of decisions*. Our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to the exercise or non-exercise of rights for New Business Opportunities, pre-emptive rights and Option for Purchase either through our annual report, or by way of announcements to the public. Our independent non-executive Directors will report in our annual report (a) their findings on the compliance of the Non-competition Deed and (b) any decision made pursuant to the options and pre-emptive rights granted to the Company, and the basis of such decision.

Our Directors are of the view that our independent non-executive Directors have sufficient experience in assessing whether or not to take up New Business Opportunities or exercise our pre-emptive rights and Option for Purchase. In any event, our independent non-executive Directors may appoint a financial adviser or professional expert to provide advice, at the cost of the Company, in connection with the exercise or non-exercise of the rights, options or pre-emptive rights under the Non-competition Deed.

Termination of the Non-competition Deed

The Non-competition Deed will become effective upon Listing and remain in full force. It will be terminated upon the earlier of:

(i) our Controlling Shareholders and their respective close associates (except for any members of our Company), individually or, directly and/or indirectly in aggregation, holding less than 30% of the voting rights or control of exercising voting rights in our shareholders' meeting; or

(ii) our Shares no longer being listed on the Stock Exchange (except for the circumstances under which our Shares are temporarily suspended to be listed in accordance with the Listing Rules).

Based on the legally binding obligations of our Controlling Shareholders as set out in the Non-competition Deed and the related grant of the rights for New Business Opportunities, pre-emptive rights and Option for Purchase, and the information sharing and other mechanisms in place as described above to monitor compliance by our Controlling Shareholders, our Directors are of the view that our Company has taken all appropriate and practicable measures to ensure compliance by our Controlling Shareholders with its obligations under the Non-competition Deed.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering:

Management Independence

Our Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Ye, one of our Controlling Shareholders, is our chairman of our Board, executive Director and chief executive officer of our Company.

Each of our Directors is aware of his or her fiduciary duties as a director of our Company which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders and their respective close associates after the Listing.

Operational Independence

Our Group holds all the relevant licenses, qualifications and permits required for conducting the Group's business. Our Group has sufficient capital, facilities and employees to operate our business independently from our Controlling Shareholders and their close associates. Our Group also has independent access to our students and an independent management team to operate our business. We have also established a set of internal control procedures and adopted corporate governance practices to facilitate the effective operation of our business.

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and/or their respective associates. Our Directors confirmed that our Group will be able to operate independently from our Controlling Shareholders and their respective close associates after the Listing.

Financial Independence

Our Group has an independent internal control, accounting and financial management system as well as an independent finance department which makes financial decisions according to our Group's own business needs. Our Group's accounting and finance functions are independent of our Controlling Shareholders. During the Track Record Period, there were certain non-trade amount due to/from our Controlling Shareholders and their close associates. Please see "Financial Information—Related Party Transactions" and Note 32 of the Accountants' Report as set out in Appendix I to this prospectus for more details. We plan to repay these amount in full prior to the Listing. Other than the above, our source of funding was independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective close associates, financed our operations during the Track Record Period.

Based on the aforesaid, our Directors believe that we have the ability to conduct our business independently from our Controlling Shareholders and their respective close associates from a financial perspective and are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholders:

(a) where a Shareholders' meeting is held for considering proposed transactions in which the Controlling Shareholders have a material interest, the Controlling Shareholders shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

(b) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

(c) our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors, to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They will review whether there is any conflict of interests between the Group and the Controlling Shareholders and are committed to providing impartial and professional advice to protect the interest of our minority Shareholders;

(d) our independent non-executive Director will review, on an annual basis, compliance with the non-competition undertaking given by our Controlling Shareholders. Our Company will disclose decisions relating to compliance and enforcement of the non-competition undertaking of our Controlling Shareholders (including our independent non-executive Directors' views for such decision) in its annual reports;

(e) our Directors will be responsible for reviewing, considering and deciding whether or not to take up any New Business Opportunity or pre-emptive right under the Non-Competition Deed. Any Directors who have a material interest in such decision shall abstain from voting. Our Company will disclose such decision (including our independent non-executive Directors' views for such decision) in its annual reports;

(f) in the event that our independent non-executive Directors are requested to review any conflict of interests between our Group and the Controlling Shareholders, the Controlling Shareholders shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual reports or by way of announcements; and

(g) we have appointed First Shanghai Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders and/or Directors to protect minority Shareholders' rights after the Listing.

CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of continuing agreements and arrangements with our connected persons in our ordinary and usual course of business. Upon the listing of the Shares on the Stock Exchange, the transactions disclosed in this section will constitute continuing connected transactions under the Listing Rules.

No.	Transactions	Applicable Listing Rules	Waiver Sought	Proposed annual cap (in RMB) for the year ending December 31,		
				2019	2020	2021
	Non-exempt continuing connected transactions					
1.	Structured Contracts	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 to 59 and 14A.71	Requirements as to announcement, circular, shareholders' approval, annual cap, and terms not more than three years under Chapter 14A of the Listing Rules	N/A	N/A	N/A

Non-exempt Continuing Connected Transactions

(1) Structured Contracts

As disclosed in "Structured Contracts—Background of the Structured Contracts" in this prospectus, the PRC laws and regulations currently restrict the operation of higher education and secondary vocational education to Sino-foreign ownership, in addition to imposing a qualification requirement on the foreign owners. As a result, our Group, through our wholly-owned subsidiary, Tibet Kepei, our PRC Consolidated Affiliated Entities and the Registered Shareholders have entered into the Structured Contracts such that we can conduct our business operations indirectly in the PRC through our PRC Operating Schools and our School Sponsor while complying with applicable PRC laws and regulations. The Structured Contracts, as a whole, are designed to provide our Group with effective control over the financial and operational policies of our PRC Operating Schools and our School Sponsor, and to the extent permitted by PRC laws and regulations, the right to acquire the equity interest in and/or the assets of our PRC Operating Schools and our School Sponsor after the Listing through Tibet Kepei. As we operate our education business through our PRC Operating Schools, which are controlled by our School Sponsor and we do not hold any direct equity interest in our PRC Operating Schools or our School Sponsor, the Structured Contracts were entered into on July 10, 2018 pursuant to which all material business activities of our PRC Operating Schools and our School Sponsor are instructed and supervised by our Group, through Tibet Kepei, and all economic benefits arising from such business of our PRC Operating Schools and our School Sponsor are transferred to our Group.

The Structured Contracts consist of a series of agreements, including the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreement, the School Sponsor's and Directors' Rights Entrustment Agreement, the Registered Shareholders' Rights Entrustment Agreement, the School Sponsor's Powers of Attorney, the Directors' Powers of Attorney, the Registered Shareholders' Powers of Attorney, the Loan Agreement and the Spouse Undertakings, each of which is an integral part of the Structured Contracts. Please see "Structured Contracts" in this prospectus for details of these agreements.

Listing Rules Implications

The table below sets forth the connected persons of our Company involved in the Structured Contracts and the nature of their connection with our Group. The transactions contemplated under the Structured Contracts, as a whole, constitute continuing connected transactions of our Company under the Listing Rules upon the Listing.

Name	Connected Relationships
Mr. Ye	Mr. Ye is our Director and one of our Controlling Shareholders, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Ms. Shu	Ms. Shu is one of our Controlling Shareholders of our Company (being the spouse of Mr. Ye, she is deemed or taken to be interested in all the Shares which are beneficially owned by Mr. Ye for the purpose of Part XV of the SFO), and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Mr. Ye Xun	Mr. Ye Xun is our Director and a substantial shareholder of our company, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Mr. Ye Nianjiu	Mr. Ye Nianjiu is the brother of Mr. Ye and therefore a connected person of our Company under Rule 14A.07(4) of the Listing Rules.
Zhaoqing Kepei	As the above connected persons, namely Mr. Ye, Ms. Shu, Mr. Ye Xun and Mr. Ye Nianjiu, hold the entire equity interest of Zhaoqing Kepei, Zhaoqing Kepei is therefore a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

Our Directors (including the independent non-executive Directors) are of the view that the Structured Contracts and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Structured Contracts and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between any of our PRC Operating Schools and/or our School Sponsor and any member of our Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Structured Contracts, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders' approval requirements.

Application for Waiver

In view of the Structured Contracts, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Structured Contracts pursuant to Rule 14A.105 of the Listing

Rules, (ii) the requirement of setting an annual cap for the transactions under the Structured Contracts under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Structured Contracts to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Structured Contracts will be made without the approval of the independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the Structured Contracts will be made without the approval of our Company's independent shareholders.

Once independent shareholders' approval of any change has been obtained, no further announcement or approval of the independent shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Structured Contracts in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Structured Contracts shall continue to enable our Group to receive the economic benefits derived by our PRC Operating Schools and/or our School Sponsor through (i) our Group's option, to the extent permitted under PRC laws and regulations, to acquire all or part of our PRC Consolidated Affiliated Entities' direct and indirect interest held by our Registered Shareholders at the lowest possible amount permissible under the applicable PRC laws and regulations, (ii) the business structure under which the net profit generated by our PRC Operating Schools and our School Sponsor is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Tibet Kepei by our PRC Operating Schools and/or our School Sponsor under the Exclusive Technical Service and Management Consultancy Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of our PRC Operating Schools held by our School Sponsor in our PRC Operating Schools.

(d) Renewal and reproduction

On the basis that the Structured Contracts provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and our PRC Operating Schools and our School Sponsor, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (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 Structured Contracts. The directors, chief executives or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Structured Contracts, however be treated as connected persons of our Company and transactions between these connected persons and our

Company other than those under similar Structured Contracts shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

Our Group will disclose details relating to the Structured Contracts on an ongoing basis as follows:

- The Structured Contracts in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Structured Contracts annually and confirm in our Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structured Contracts, and have been operated in a manner so that the profit generated by our PRC Operating Schools and our School Sponsor has been substantially retained by our Group, (ii) no dividends or other distributions have been made by our PRC Operating Schools and/or our School Sponsor to the holders of their equity interest which are not otherwise subsequently assigned or transferred to our Group, and (iii) the Structured Contracts and if any, any new contracts entered into, renewed or reproduced between our Group and our PRC Operating Schools and/or School Sponsor during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.
- Our Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Structured Contracts and will provide a letter to our Directors with a copy to the Stock Exchange at least 10 business days before the bulk printing of its annual report, confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Structured Contracts and that no dividends or other distributions have been made by our PRC Operating Schools and/or our School Sponsor to the holders of their equity interest which are not otherwise subsequently assigned or transferred to our Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of our PRC Operating Schools and our School Sponsor will be treated as our Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of each of our PRC Operating Schools and our School Sponsor and their respective associates will be treated as connected persons of our Company (excluding for this purpose, the PRC Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including for this purpose, the PRC Consolidated Affiliated Entities), other than those under the Structured Contracts, will be subject to the requirements under Chapter 14A of the Listing Rules.
- Each of our PRC Operating Schools and our School Sponsor will undertake that, for so long as our Shares are listed on the Stock Exchange, each of our PRC Operating Schools and our School Sponsor will provide our Group's management and our Company's auditors with full access to its relevant records for the purpose of our Company's auditors' review of the continuing connected transactions.

We will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

New Transactions amongst Our PRC Operating Schools and/or Our School Sponsor and Our Company

Given that the financial results of our PRC Operating Schools and School Sponsor will be consolidated into our financial results and the relationship between our PRC Operating Schools and/or our School Sponsor and our Company under the Structured Contracts, all agreements other than the Structured Contracts that may be entered into between each of our PRC Operating Schools and/or our School Sponsor and our Company in the future will also be exempted from the "continuing connected transactions" provisions of the Listing Rules.

Confirmation from Directors and the Joint Sponsors

Our Directors (including the independent non-executive Directors) are of the view and the Joint Sponsors concur that the transactions contemplated under the Structured Contracts have been and will be entered into in the ordinary and usual course of business of our Group, on normal commercial terms, and are fair and reasonable, fundamental to our Group' s legal structure and business operations, as well as in the interests of our Company and the Shareholders as a whole. The Joint Sponsors have reviewed the relevant documents and information provided by our Group, have obtained necessary representations and confirmations from our Company and our Directors and have participated in the due diligence and discussions with our management and our PRC Legal Counsel in support of their aforesaid concurred view.

With respect to the term of the relevant agreements underlying the Structured Contracts which is of a duration longer than three years, the Joint Sponsors are of the view that it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of our PRC Consolidated Affiliated Entities can be effectively controlled by Tibet Kepei or its designee, (ii) Tibet Kepei or its designee can obtain the economic benefits derived from the PRC Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of the PRC Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

OUR DIRECTORS AND SENIOR MANAGEMENT

Our Board is responsible for and has general authority for the management and operations of our business. As at the Latest Practicable Date, our Board consists of nine Directors, among which, five of them are executive Directors, one of them is a non-executive Director and three of them are independent non-executive Directors. The table below sets forth certain information regarding members of our Board:

Name	Age	Date of joining our Group	Date of appointment as Director of our Company	Position(s) in our Group	Roles and Responsibilities	Relationship with other Director(s) and the senior management
Mr. Ye Nianqiao (葉念喬)	55	May 2000	August 24, 2017	Chairman, chief executive officer, executive Director and chairman of the nomination committee	Strategic development, overall operational management and major decision making	Father of Mr. Ye Xun and brother of Mr. Ye Nianjiu
Dr. Zhang Xiangwei (張湘偉)	68	November 2010	November 26, 2017	Executive Director and chief operating officer	Strategic development and daily management and operations	None
Mr. Zha Donghui (查東輝)	50	September 2001	August 24, 2017	Executive Director and member of the remuneration committee	Strategic development and daily management and operations	None
Ms. Li Yan (李艷)	38	September 2004	August 24, 2017	Executive Director and chief financial officer	Strategic development and daily management and operations	None
Mr. Ye Xun (葉潯)	29	September 2011	August 24, 2017	Executive Director	Strategic development and daily management and operations	Son of Mr. Ye Nianqiao
Mr. Wang Chuanwu (王傳武)	72	September 2001	August 24, 2017	Non-executive Director and member of the audit committee	Providing advice on our strategic development and risk management	None

Name	Age	Date of joining our Group	Date of appointment as Director of our Company	Position(s) in our Group	Roles and Responsibilities	Relationship with other Director(s) and the senior management
Dr. Xu Ming (徐明)	47	November 2017	November 26, 2017	Independent non-executive Director and chairman of the audit committee	Providing independent opinion and judgment to our Board	None
Dr. Deng Feiqi (鄧飛其)	57	November 2017	November 26, 2017	Independent non-executive Director, chairman of the remuneration committee, member of the nomination committee and member of the audit committee	Providing independent opinion and judgment to our Board	None
Dr. Li Xiaolu (李小魯)	66	November 2017	November 26, 2017	Independent non-executive Director, member of the nomination committee and member of the remuneration committee	Providing independent opinion and judgment to our Board	None

Our senior management is responsible for the day-to-day management and operations of our business. The table below sets forth certain information regarding senior management of our Company:

Name	Age	Date of joining our Group	Date of appointment as senior management of our Company	Position(s) in our Group	Roles and Responsibilities	Relationship with other Director(s) and the senior management
Mr. Ye Nianqiao (葉念喬)	55	May 2000	November 26, 2017	Chief executive officer and general manager	Strategic development, overall operational management and major decision making	Father of Mr. Ye Xun and brother of Mr. Ye Nianjiu
Dr. Zhang Xiangwei (張湘偉)	68	November 2010	November 26, 2017	Chief operating officer	In charge of day-to-day management and overall operations of our Group	None

Name	Age	Date of joining our Group	Date of appointment as senior management of our Company	Position(s) in our Group	Roles and Responsibilities	Relationship with other Director(s) and the senior management
Mr. Ye Nianjiu (葉念廄)	45	July 2001	November 26, 2017	Dean of Zhaoqing School	In charge of the day-to-day management of student affairs relating to student admission and graduate employment	Brother of Mr. Ye Nianqiao
Mr. Ye Xun (葉潯)	29	September 2011	August 30, 2017	Deputy general manager	In charge of day-to-day procurement and logistic services and operations	Son of Mr. Ye Nianqiao
Ms. Li Yan (李艷)	38	September 2004	November 26, 2017	Chief financial officer and deputy general manager	In charge of financial management and budget	None
Mr. Zha Donghui (查東輝)	50	September 2001	August 30, 2017	Deputy general manager	In charge of the design, planning, development and construction of buildings and infrastructure of our Group	None

BOARD OF DIRECTORS

Executive Directors

Mr. Ye Nianqiao (葉念喬), aged 55, is the founder of our Group. He has been an executive Director, the chairman of the Board and the general manager of our Company since its establishment in August 2017, and the chief executive officer of our Company since November 26, 2017. He is primarily responsible for the overall management, strategic planning, business development and cooperation of our Group. Mr. Ye has over 34 years of experience in the education industry.

From September 1984 to July 1992, he served as a teacher at No. 2 Middle School of Jiujiang County, Jiangxi Province (江西省九江縣第二中學) (which was renamed as No. 2 Middle School of Chaisang District, Jiujiang City, Jiangxi Province (江西省九江市柴桑區第二中學) in October 2017). From June 1992 to July 1995, he served as a teacher at Zhaoqing Gaoyao Normal School of

Guangdong Province (廣東省肇慶市高要師範學校). From July 1995 to May 2000, Mr. Ye served as the chairman of the board of Zhaoqing Technology Training School (肇慶科技培訓學校). Mr. Ye founded Zhaoqing School (formerly known as Zhaoqing Technology School (肇慶科技學校)) and served as the chairman of its board from May 2000 to July 2010. Mr. Ye founded Guangdong Polytechnic College (formerly known as Zhaoqing Technology Vocational Technical College (肇慶科技職業技術學院)) and has been serving as the chairman of its board since May 2004. Since September 2016, he has also been the chairman of the board of Zhaoqing Kepei.

Mr. Ye obtained his bachelor's degree in Mathematics from Jiangxi Normal University (江西師範大學) in March 1987. He graduated with a master's degree in Business Management from Sun Yat-Sen University (中山大學) in December 2008. Mr. Ye is a member of the Standing Committee of Guangdong Province of the China Democratic League (中國民主同盟). He was also a committee member of the 11th Chinese People's Political Consultative Conference of Zhaoqing City (中國人民政治協商會議肇慶市第十一屆委員會).

Dr. Zhang Xiangwei (張湘偉), aged 68, has been an executive Director and the chief operating officer of our Company since November 26, 2017. He is primarily responsible for the daily management and overall operations of our Group. He has over 31 years of experience in the education industry.

From December 1987 to January 1997, Dr. Zhang successively held various positions at Chongqing University (重慶大學), including an associate professor of Mechanical Engineering, professor of Mechanical Engineering, head of the faculty of Mechanics, director of the Scientific Technology Research Office (科學技術研究處), vice principal and doctoral tutor. From February 1997 to May 2001, Dr. Zhang served as the principal at Shantou University (汕頭大學). From June 2001 to November 2010, Dr. Zhang served as the principal of Guangdong University of Technology (廣東工業大學). Dr. Zhang has held various positions at Guangdong Polytechnic College (formerly known as Zhaoqing Technology Vocational Technical College (肇慶科技職業技術學院)), including the acting dean from November 2010 to September 2013, a director since December 2011, the dean since September 2013 and the vice chairman of the board since September 2016.

Dr. Zhang obtained his doctor's degree in Engineering from the University of Tokyo in March 1987.

Mr. Zha Donghui (查東輝), aged 50, has been an executive Director and the deputy general manager of our Company since its establishment. He is primarily responsible for the designing, planning, development and construction of buildings and infrastructure of our Group. Mr. Zha has over 21 years of experience in the education industry.

From September 1996 to August 2001, Mr. Zha served as the vice principal of Zhaoqing Technology Training School (肇慶科技培訓學校). From September 2001 to August 2004, he served as the vice president of Zhaoqing School (formerly known as Zhaoqing Technology College (肇慶科技學校)). From June 2005 to September 2016, Mr. Zha was a director of Zhaoqing School. Since September 2004, Mr. Zha has been serving as a director and an associate dean of Guangdong Polytechnic College (formerly known as Zhaoqing Technology Vocational Technical College (肇慶科技職業技術學院)), and has been primarily responsible for management of infrastructure and equipment of Guangdong Polytechnic College.

Mr. Zha obtained his master's degree in Computer Science from Guangzhou University of Technology in June 2009.

Ms. Li Yan (李艷), aged 38, has been an executive Director and the deputy general manager of our Company since its establishment and the chief financial officer of our Company since November 26, 2017. She is primarily responsible for the financial management and budget of our Group. Ms. Li has over 13 years of experience in the education industry.

From September 2004 to May 2014, Ms. Li held various positions at Guangdong Polytechnic College (formerly known as Zhaoqing Technology Vocational Technical College (肇慶科技職業技術學院)), including an accounting teacher, the deputy head of the Department of Accounting, and the secretary to the Party General Branch (黨總支書記) of the Department of Accounting, and was mainly responsible for teaching activities, student management, student admission and graduate employment. Ms. Li has been appointed as the head of the Department of Accounting of Guangdong Polytechnic College since June 2014, a director of Guangdong Polytechnic College since November 2015, and a member of the College Party Committee (黨委委員) of Guangdong Polytechnic College since March 2017. Ms. Li has been appointed as a director and the financial manager of Zhaoqing Kepei since September 2016, and has been responsible for its financial management and budget.

Ms. Li obtained her master's degree in Accounting from Sun Yat-Sen University (中山大學) in June 2011 and obtained the qualification of associate professor of accounting issued by Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳) in December 2014.

Mr. Ye Xun (葉潯), aged 29, has been an executive Director and the deputy general manager of our Company since its establishment. He is primarily responsible for the day-to-day procurement and logistic services and operations of our Group.

From September 2011 to July 2012, Mr. Ye Xun served as an assistant to the dean of Guangdong Polytechnic College (formerly known as Zhaoqing Technology Vocational Technical College (肇慶科技職業技術學院)). Since October 2016, he has been a director and the head of procurement and logistic services of Guangdong Polytechnic College.

Mr. Ye Xun obtained his master's degree in Business Administration from Northwestern Polytechnic University in April 2015.

Non-executive Director

Mr. Wang Chuanwu (王傳武), aged 72, has been a non-executive Director of our Company since its establishment in August 2017. He is primarily responsible for providing advice on our strategic development and risk management of our Group. Mr. Wang has over 32 years of experience in the education industry.

From February 1986 to July 1991, Mr. Wang served as the deputy principal and the principal of Zhaoqing No.5 Middle School of Guangdong Province (廣東省肇慶市第五中學). From August 1991 to November 2000, he held various positions at the Education Bureau of Duanzhou District, Zhaoqing City (肇慶市端州區教育局), including the deputy director (副局長) from August 1991 to December 1997, the director (局長) from December 1997 to November 2000 and the secretary to the Party Group (黨組書記) from October 1998 to November 2000, and was primarily responsible for the education system of Duanzhou District. From December 2000 to August 2001, Mr. Wang served as a consultant of Zhaoqing Technology Training School (肇慶科技培訓學校). From September 2001 to August 2004, Mr. Wang served as a consultant of Zhaoqing School (formerly known as Zhaoqing Technology School (肇慶科技學校)). From September 2004 to September 2016, he served as a director and the vice chairman of the board of Guangdong Polytechnic College (formerly known as Zhaoqing Technology Vocational Technical College (肇慶科技職業技術學院)). Since September 2016, he has been serving as a consultant of Guangdong Polytechnic College.

Mr. Wang obtained his bachelor's degree in Politics Education from South China Normal University (華南師範大學) in July 1985.

Independent non-executive Directors

Dr. Xu Ming (徐明), aged 47, has been an independent non-executive Director of our Company since November 26, 2017 and is primarily responsible for providing independent opinion and judgment to our Board. Dr. Xu has over 20 years of experience in business management.

From January 2002 to April 2010, Dr. Xu served as the manager of the finance department, the chief financial officer and a director of Chuancai Securities Brokerage Company Limited (川財證券經紀有限公司), and was responsible for the Company's operation and financial management. Mr. Xu Ming joined Chengdu Fangyu Industrial Investment Management Company Limited (成都方輿產業投資管理有限公司) in December 2011 and served as an executive director from November 2013 to September 2014, responsible for the operation and strategy development of the company. Since August 2015, Dr. Xu has been an executive director and the chief executive officer of Virscend Education Company Limited, a company listed on the Stock Exchange (Stock Code: 1565). Since August 2015, Dr. Xu has also been a director of Tibet Huatai Education Management Consulting Co., Ltd. (西藏華泰教育管理有限公司), a subsidiary of Virscend Education Company Limited. Since February 2016, Dr. Xu has been an external director of Sichuan Agricultural Credit Guarantee Company Limited (四川省農業信貸擔保有限公司).

Dr. Xu obtained his doctor's degree in Economics from Sichuan University in China in June 2009. In August 1997, Dr. Xu was qualified as a Certified Public Accountant by the Certified Public Accountants Committee of the Ministry of Finance of the PRC. In June 1998, he was qualified as a Certified Public Valuer by the Ministry of Finance of the PRC. In February 1999, he was qualified as a Certified Tax Adviser by the State Administration of Taxation of the PRC. In December 2003, he was qualified as a Senior Accountant by the Chengdu Competency Reform Working Group. He is also a member of the Second Session of Financial Accounting Committee of the Securities Association of China.

Dr. Deng Feiqi (鄧飛其), aged 57, has been an independent non-executive Director of our Company since November 26, 2017 and is primarily responsible for providing independent opinion and judgment to our Board.

From September 1991 to July 1995, Dr. Deng served as a secretary of foundation education division (基礎部教學秘書) at the Northeast Heavy Machinery Institute (東北重型機械學院). Dr. Deng has held various positions at South China University of Technology (華南理工大學), including a professor since May 2000 and a doctoral tutor since December 2000. From March 2000 to November 2000, he served as a research associate at the Chinese University of Hong Kong. From January 2008 to

January 2013, he served as the dean of Industrial Technology Institute at South China University of Technology (華南理工大學工業研究總院).

Dr. Deng was a member of the Control Systems Simulation Committee of China Systems Simulation Federation (中國系統仿真學會控制系統仿真專業委員會委員) from June 1998 to May 2003. He was a member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference Standing Committee (中國人民政治協商會議廣東省委員會常委) from January 2008 to January 2013. He was also a member of the Technical Committee on Control Theory (TCCT) under Chinese Association of Automation (中國自動化學會控制理論專業委員會委員) from January 2013 to December 2017.

Dr. Deng has been a member of the editorial committee of publications including Theory and Application of Control (控制理論與應用) since May 2008, Journal of Systems Engineering (系統工程學報) since August 2011, Systems and Controls (系統與控制縱橫) since January 2014 and Systems Engineering and Electronics (系統工程與電子技術) since April 2016. He has been the associate editor of IEEE Access since February 2018. Dr. Deng has published more than 300 papers in academic publications, including IEEE Transactions on Automatic Control, IEEE Transactions on Circuits and Systems as well as IEEE Transactions on Systems.

Dr. Deng obtained his bachelor's degree in Science from the Department of Applied Mathematics of Hunan University in July 1983. He obtained his doctor's degree in Engineering from the Department of Control Theory and Application of South China University of Technology in July 1997.

Dr. Li Xiaolu (李小魯), aged 66, has been an independent non-executive Director of our Company since November 26, 2017 and is primarily responsible for providing independent opinion and judgment to our Board.

From June 1992 to November 1994, he served as the director of the Office of Guangzhou Academy of Social Sciences (廣州市社會科學院辦公室). From November 1994 to November 1997, he served as the research director of the Office of Guangzhou Chinese People's Political Consultative Conference (廣州市政協辦公廳). From December 1997 to March 2012, he served as a deputy director at the Guangdong Provincial Department of Education (廣東省教育廳). Since March 2010, he has served as a professor at South China University of Technology (華南理工大學) and a doctoral tutor since July 2010.

Dr. Li assumes managerial roles in various associations involving education. Since November 2010, he has been the president of the Research Association for Ideological and Political Education of Higher Education in Guangdong Province (廣東省高等教育思想政治教育研究會). Since May 2012, he has been the president of the Moral Education Research Association of Primary and Secondary Schools in the Guangdong Province (廣東省中小學德育研究會). Since November 2013, he has been the president of the Guangdong Society of Technical and Vocational Education (廣東省職業技術教育學會). From June 2010 to June 2015, Dr. Li served as a deputy head member of the Ideological and Political Theories Teaching Steering Committee for "Situation and Policy" and "Contemporary World Economy and Politics" under the Ministry of Education (教育部高校思想政治理論課"形勢與政策"和"當代世界經濟與政治"分教學指導委員會副主任委員). Since June 2016, he has been the vice president of the Chinese Society of Vocational and Technical Education (中國職業技術教育學會).

Dr. Li obtained his master's degree in Philosophy from South China Normal University (華南師範大學) in July 1988. He obtained his doctor's degree in Philosophy from Sun Yat-Sen University (中山大學) in December 2004.

Save as disclosed above, none of our Directors held any directorship in any public companies the shares of which are listed in Hong Kong or overseas stock markets during the three years prior to the date of this prospectus.

SENIOR MANAGEMENT

Mr. Ye Nianqiao (葉念喬), Dr. Zhang Xiangwei (張湘偉), Mr. Ye Nianjiu (葉念廄), Mr. Ye Xun (葉潯), Ms. Li Yan (李艷) and Mr. Zha Donghui (查東輝) serve as members of the senior management of our Company and hold positions with Guangdong Polytechnic College and Zhaoqing School of our Group. For further details of Mr. Ye Nianqiao (葉念喬), Dr. Zhang Xiangwei (張湘偉), Mr. Ye Xun (葉潯), Ms. Li Yan (李艷) and Mr. Zha Donghui (查東輝), please see "Directors and Senior Management—Board of Directors" in this prospectus.

Mr. Ye Nianjiu (葉念廄), aged 45, has been the chairman of the board of Zhaoqing School since July 2010, and the dean of Zhaoqing School since September 2016, a director of Guangdong Polytechnic College since June 2014, and a director of Zhaoqing Kepei since March 2000. He is primarily responsible for the day-to-day management of student affairs relating to student admission and graduate employment. Mr. Ye has over 23 years of experience in the education industry.

From July 1995 to June 2001, Mr. Ye Nianjiu served as the head of student admission and graduate employment of Zhaoqing Technology Training School (肇慶科技培訓學校) and was primarily responsible for student admission and graduate employment. From July 2001 to February 2004, he served as the head of student admission and graduate employment of Zhaoqing School (formerly known as Zhaoqing Technology School (肇慶科技學校)) and was primarily responsible for student admission and graduate employment. From March 2004 to May 2014, Mr. Ye Nianjiu served as the vice chairman of the board of Guangdong Polytechnic College (formerly known as Zhaoqing Technology Vocational Technical College (肇慶科技職業技術學院)). Since June 2014, he has also been serving as the dean of the College of Continuing Education, within Guangdong Polytechnic College and has been primarily responsible for student admission and graduate employment.

Mr. Ye Nianjiu obtained his junior college diploma in Computer Applications Technology from Guangdong Polytechnic College in January 2011 and obtained his undergraduate diploma in human resource management from Zhaoqing College (肇慶學院) in January 2015.

Save as disclosed above, none of our senior management held any directorship in any public companies the shares of which are listed in Hong Kong or overseas stock markets during the three years prior to the date of this prospectus.

JOINT COMPANY SECRETARIES

Ms. Li Yan (李艷), aged 38, has been one of our joint company secretaries since April 23, 2018. Please see "Directors and Senior Management—Board of Directors" in this prospectus for details of Ms. Li's biography.

Ms. Leung Suet Wing (梁雪穎), has been one of our joint company secretaries since April 23, 2018. Ms. Leung has over six years of experience in company secretarial profession and currently works at TMF Hong Kong Limited. Ms. Leung obtained her master's degree of Science in Professional Accounting and Corporate Governance from City University of Hong Kong in July 2016. Ms. Leung is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom since December 2016.

We have also applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 3.28 and Rule 8.17 of the Listing Rules in relation to the qualification of joint company secretaries. For details of the waiver, please see "Waivers from Strict Compliance with the Listing Rules and Exemption from Compliance with the Companies (WUMP) Ordinance—Joint Company Secretaries" in this prospectus.

BOARD COMMITTEES

Audit Committee

We established an audit committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control of the Group, oversee the audit process, risk management process and external audit functions. The audit committee consists of three members, namely, Dr. Xu Ming, Mr. Wang Chuanwu and Dr. Deng Feiqi. The chairman of the audit committee is Dr. Xu Ming.

Remuneration Committee

We established a remuneration committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee include, among others, (i) making recommendations to the Board on our Company's policy and structure concerning the remuneration of our Directors and senior management; (ii) making recommendations on the establishment of a formal and transparent procedure for developing remuneration policy; (iii) review and approve performance based remuneration by reference to corporate goals and objectives, to determine the terms of the specific remuneration package of each Director and senior management and to ensure none of our Directors determine their own remuneration. The remuneration committee consists of three members, namely, Dr. Deng Feiqi, Mr. Zha Donghui and Dr. Li Xiaolu. The chairman of the remuneration committee is Dr. Deng Feiqi.

Nomination Committee

We established a nomination committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of members of the Board. The nomination committee consists of three members, namely, Mr. Ye Nianqiao, Dr. Li Xiaolu and Dr. Deng Feiqi. The chairman of the nomination committee is Mr. Ye Nianqiao.

REMUNERATION POLICY

For the three years ended December 31, 2015, 2016 and 2017 and for the eight months ended August 31, 2018 the aggregate amount of fees, salaries, allowances, discretionary bonus, pension schemes contributions paid and benefits in kind granted to our Directors and senior management by us and our subsidiaries was RMB1.2 million, RMB1.3 million, RMB1.4 million and RMB0.9 million respectively. For further details on the remuneration of each Director during the Track Record Period, please refer to the information set out in the Accountant's Report in Appendix I to this document.

For the three years ended December 31, 2015, 2016 and 2017, and for the eight months ended August 31, 2018 the five highest paid individuals of our Group included three, three, three and four Directors, respectively, whose remunerations are included in the aggregate amount of fees, salaries, allowances, discretionary bonus, pension scheme contributions paid and benefits in kind granted to the relevant Directors set out above. For the three years ended December 31, 2015, 2016 and 2017, and for the eight months ended August 31, 2018 the aggregate amount of fees, salaries, allowances, discretionary bonus, pension scheme contributions paid and benefits in kind granted to the remaining two, two, two and one highest paid individuals who are neither a Director nor chief executive of our Group were RMB0.5 million, RMB0.5 million, RMB0.5 million and RMB0.2 million respectively. For further details on the remuneration of the five highest paid individuals during the Track Record Period, please refer to the information set out in the Accountant's Report in Appendix I to this document.

During the Track Record Period, no emoluments were paid out by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. None of our Directors had waived any remuneration during the Track Record Period.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending December 31, 2019, will be approximately RMB3.40 million.

In order to incentivize our Directors, senior management and other employees for their contribution to the Group and to retain suitable personnel in our Group, we adopted the Share Option Scheme on January 10, 2019. For further details, please see "F. Share Option Scheme" in Appendix VI to this prospectus.

Save as disclosed in this prospectus, no other payments have been made, or are payable, by any member of the Group to the Directors during the Track Record Period.

CORPORATE GOVERNANCE

Our Directors recognize the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules with the exception for code provision A.2.1, which requires the roles of chairman and chief executive officer be in different individuals.

Under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ye currently serves as the chairman of the Board, executive Director and chief executive officer and general manager of our Company. Throughout our business history, Mr. Ye has been the key leadership figure of our Group who has been primarily involved in the strategic development, overall operational management and major decision making of our Group. Taking into account the continuation of the implementation of our business plans, our Directors consider Mr. Ye is the best candidate for both positions and the present arrangements are beneficial and in the interests of our Company and our Shareholders as a whole.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon Listing.

Board Diversity Policy

We have adopted a diversity policy of the Board which sets out the objective and provides that all appointments of the members of the Board should be made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective. Our nomination committee will review and assesses the composition of the Board and make recommendations to the Board on appointment of members of the Board. Meanwhile, our nomination committee will consider the benefits of all aspects of diversity, including without limitation, professional experience, skills, knowledge, education background, age, gender, cultural and ethnicity and length of service, in order to maintain an appropriate range and balance of talents, skills, experience and diversity of perspectives on the Board. Upon Listing, our nomination committee will review our diversity policy of the Board and compliance with the Corporate Governance Code to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the diversity policy of the Board on annual basis.

MANAGEMENT PRESENCE

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, please see "Waivers from Strict Compliance with Listing Rules and Exemption from Compliance with the Companies (WUMP) Ordinance— Management Presence in Hong Kong" in this prospectus.

COMPLIANCE ADVISER

Our Company has appointed First Shanghai Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company on the following matters:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(iii) where we propose to use the proceeds of the initial public offering in a manner different from that detailed in this prospectus or where our business activities, developments or results materially deviate from any forecast, estimate, or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

The terms of the appointment of First Shanghai Capital Limited will commence from (and including) the Listing Date and end on (and including) the date on which we comply with Rules 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

So far as is known to our Directors or chief executive officer as of the Latest Practicable Date, the following persons will, immediately following the completion of the Capitalization Issue and the Global Offering (not taking into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

		As of the Latest Practicable Date		Immediately following the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering[1]	
Name of Shareholder	**Nature of Interest**	**Number of shares**	**Percentage (approximate)**	**Number of shares**	**Percentage (approximate)**
Mr. Ye	Interest in a controlled corporation	450 (L)[5]	45%	675,000,000 (L)	33.75%
	Interest of spouse	250 (L)	25%	375,000,000 (L)	18.755%
Qiaoge Company[2]	Beneficial owner	450 (L)[5]	45%	675,000,000 (L)	33.75%
Mr. Ye Xun	Interest in a controlled corporation	200 (L)	20%	300,000,000 (L)	15%
Chenye Company[3]	Beneficial owner	200 (L)	20%	300,000,000 (L)	15%
Ms. Shu	Interest in a controlled corporation	250 (L)	25%	375,000,000 (L)	18.75%
	Interest of spouse	450 (L)	45%	675,000,000 (L)	33.75%
Shuye Company[4]	Beneficial owner	250 (L)	25%	375,000,000 (L)	18.75%

Notes:

(1) The letter "L" denotes the person's long position in our Shares and the letter "S" denotes the person's short position in our Shares.

(2) Qiaoge Company is wholly-owned by Mr. Ye and is therefore deemed to be interested in our Shares held by Qiaoge Company.

(3) Chenye Company is wholly-owned by Mr. Ye Xun. and is therefore deemed to be interested in our Shares held by Chenye Company.

(4) Shuye Company is wholly-owned by Ms. Shu and is therefore deemed to be interested in our Shares held by Shuye Company.

(5) Qiaoge Company has pledged 250 Shares to the Pre-IPO Investor, which will be automatically released immediately prior to Listing. Please see "History, Reorganization and Corporate Structure—Pre-IPO Investment—The Pre-IPO Investor" of this prospectus.

Except as disclosed in this prospectus, our Directors and our chief executive officer are not aware of any person will, immediately prior to and following the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in any Shares or underlying Shares, which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of any member of our Group.

SHARE CAPITAL

As of the Latest Practicable Date, the authorized and issued share capital of our Company is as follows:

Authorized Share Capital:	(US$)
5,000,000 Shares	50,000

Issued Share Capital:	(US$)
1,000 Shares	10

Assuming the Over-allotment Option is not exercised at all, the issued share capital of our Company immediately following the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering will be as follows:

Issued Share Capital:		US$	Approximate percentage of issued share capital (%)
1,000,000	Shares in issue immediately before the Capitalization Issue	10.00	0.05
1,499,000,000	Shares to be issued under the Capitalization Issue	14,990.00	74.95
146,666,667	Shares to be issued pursuant to the conversion of the Convertible Bond	1,466.67	7.33
353,334,000	Shares to be issued under the Global Offering (excluding any shares which may be issued under the Over-allotment Option)	3,533.34	17.67
2,000,000,667	Shares in total	20,000.01	100.00

Assuming the Over-allotment Option is exercised in full, the issued share capital of our Company immediately following the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering will be as follows:

Issued Share Capital:		US$	Approximate percentage of issued share capital (%)
1,000,000	Shares in issue immediately before the Capitalization Issue	10.00	0.05
1,499,000,000	Shares to be issued under the Capitalization Issue	14,990.00	73.02
146,666,667	Shares to be issued pursuant to the conversion of the Convertible Bond	1,466.67	7.14
406,334,000	Shares to be issued under the Global Offering and the Over-allotment Option	4,063.34	19.79
2,053,000,667	Shares in total[(2)]	20,530.01	100.00

Notes:

(1) The Shares referred to in the above table have been or will be fully paid or credited as fully paid when issued.

(2) Assuming a total of 406,334,000 Shares will be issued upon exercise of the Over-allotment Option in full.

RANKING

The Offer Shares are ordinary Shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this prospectus.

ALTERATION OF SHARE CAPITAL

Our Company may from time to time by ordinary resolution or special resolution (as the case may be) of shareholders alter the share capital of our Company. For a summary of the provisions in the Articles regarding alterations of share capital, please see "Summary of the Constitution of the Company—2. Articles of Association—2.5 Alteration of Capital" in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Our Company has only one class of Shares, namely ordinary shares, and each ranks pari passu with the other Shares.

Pursuant to the Cayman Companies Law and the terms of the Memorandum and Articles, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For further details, please see "Summary of the Constitution of the Company—2. Articles of Association—2.5 Alteration of Capital" in Appendix V to this prospectus.

Pursuant to the Cayman Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to our Shares or any class of our Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of our Shares of that class. For further details, please see "Summary of the Constitution of the Company—2. Articles of Association—2.4 Variation of rights of existing shares or classes of shares" in Appendix V to this prospectus.

THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on January 10, 2019. The principal terms of the Share Option Scheme are summarized in "F. Share Option Scheme" in Appendix VI to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

(i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering (excluding any Shares which may fall to be issued pursuant to the Over-allotment Option); and

(ii) the aggregate nominal value of share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

The general mandate to issue Shares will remain in effect until the earliest of:

(i) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders at a general meeting, either unconditionally or subject to conditions; or

(ii) the expiration of period within which our Company is required by any applicable laws or Articles to hold its next annual general meeting; or

(iii) the time when the mandate is varied, revoked or renewed by an ordinary resolution of our Company's Shareholders at a general meeting;

Further details of general mandate are set out in "A. Further Information about Our Company, Subsidiaries and Consolidated Affiliated Entities— 4. Written resolutions of the Shareholders of our Company passed on January 10, 2019" in Appendix VI to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general 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 conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering (excluding any Shares which may fall to be issued upon the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements under the Listing Rules. A summary of the relevant Listing Rules is set out in "A. Further Information about Our Company, Subsidiaries and Consolidated Affiliated Entities—5. Repurchase of our Shares" in Appendix VI to the prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

(i) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders at a general meeting, either unconditionally or subject to conditions; or

(ii) the expiration of period within which our Company is required by any applicable laws or Articles to hold its next annual general meeting; or

(iii) the time when the mandate is varied, revoked or renewed by an ordinary resolution of our Company's Shareholders at a general meeting;

For further details of this Share repurchase mandate, please see "A. Further Information about Our Company, Subsidiaries and Consolidated Affiliated Entities— 4. Written resolutions of the Shareholders of our Company passed on January 10, 2019" in Appendix VI to this prospectus.

You should read the following discussion and analysis together 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 HKFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contains 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 "Risk Factors" and "Forward-Looking Statements" in this prospectus.

For the purposes 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 a leading provider of private higher education in South China, focusing on profession-oriented education, according to the Frost & Sullivan Report. As of September 30, 2018, we had an aggregate of 45,118 students enrolled at our schools. We provide private formal higher education to foster engineering and technical talent equipped with the skillsets demanded in the context of industrial upgrading and reforming. During the Track Record Period, we operated two schools in Zhaoqing, Guangdong Province, namely, Guangdong Polytechnic College and Zhaoqing School.

We experienced steady growth in our revenue, gross profit and student enrollment during the Track Record Period. Our revenue increased from RMB256.1 million in 2015 to RMB455.4 million in 2017. For the eight months ended August 31, 2017 and 2018, our revenue increased from RMB227.9 million to RMB284.1 million. Our gross profit increased from RMB163.9 million in 2015 to RMB306.2 million in 2017. For the eight months ended August 31, 2017 and 2018, our gross profit increased from RMB146.9 million to RMB182.5 million. Our total student enrollment also grew from 18,869 in the 2014/2015 school year to 45,118 in the 2018/2019 school year.

BASIS OF PRESENTATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from January 1, 2018, together with the relevant transitional provisions, have been early adopted by us in the preparation of the Historical Financial Information throughout the Track Record Period.

HKFRS 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

HKFRS 15 consistently throughout the Track Record Period. It is considered that the adoption of HKFRS 15 did not have significant impact on financial position and performance of the Group during the Track Record Period.

HKFRS 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 HKFRS 9 consistently throughout the Track Record Period. Certain unlisted equity investments accounted as available for sale ("AFS") at cost under HKAS 39 are presented with fair value changes in profit or loss upon the adoption of HKFRS 9. It is considered that the adoption of HKFRS 9 did not have significant impact on financial position and performance of the Group during the Track Record Period.

The Historical Financial Information has been prepared under the historical cost convention except for certain long-term and short-term investments and Convertible Bond which have been measured at fair value.

The Historical Financial Information has also been prepared in accordance with the disclosure requirements of the Companies Ordinance.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Demand for Private Higher Education in China

Demand for private formal higher education in China is a function of a number of factors, including the levels of economic development and changes in demographics. Our business and our student enrollment have benefited from the growth of China's economy and the increasing demand for private higher education in China. According to the Frost & Sullivan Report, as the PRC's economy has continued to grow over the past five years, its per capita GDP has also increased at a fast pace. The per capita nominal GDP in China has reached RMB59,502 in 2017, and it is predicted to reach RMB84,338 in 2022, growing at a CAGR of 7.2% from 2017. The overall economic growth and the increase in per capita GDP in China have resulted in the increase of average income level of Chinese households from RMB18,311 in 2013 to RMB25,974 in 2017, and the level of per capita annual living expenditure on education in China from RMB578 in 2013 to RMB826 in 2017, representing a CAGR of 9.1% and 9.3%, respectively, according to the Frost & Sullivan Report. In addition, Chinese parents have historically placed high value on their children's education, willing to spend more on high-quality education, which, together with the increasing household income and wealth, has played a significant role in the increase of the demand for private education. According to the Frost & Sullivan Report, total student enrollment in private higher education in China increased from approximately 5.6 million in 2013 to approximately 6.8 million in 2017, representing a CAGR of 4.7%, and is expected to reach approximately 8.3 million in 2022.

Furthermore, China's "One-child Policy" was terminated in 2015, which has since caused China's birth rate to increase from 1.21% in 2015 to 1.24% in 2017, according to the Frost & Sullivan Report. The impact of such relaxation of population control policy on the school-age population will be increasingly significant in the next few years.

According to the Frost & Sullivan Report, with the increase in income and improvement of living conditions, private education is expected to grow rapidly to fill gap between the increasing demand for higher education and the relatively limited public higher educational resources. In addition, due to a significant lack of skilled and well-trained first-line operative workers, there has been a growing demand for private higher education which focuses on the development of professional talent. These factors, together with government support and private education groups' ever-increasing capabilities in resource integration, have played a significant role in the increase in the demand for private higher education in China.

Student Enrollment Levels

Our revenue generally depends on the number of students enrolled at our schools and the level of tuition fees and boarding fees we charge. During the Track Record Period, the total number of students enrolled at our schools increased from 18,869 in the 2014/2015 school year to 45,118 in the 2018/2019 school year. In addition, we are expanding our current campus, and may operate additional schools in the future by means such as acquisition of existing schools, which will likely increase the total number of our student enrollment. According to the Frost & Sullivan Report, the total number of students enrolled at private formal higher education institutions in China is expected to reach approximately 8.3 million in 2022 compared to approximately 6.8 million in 2017, representing a CAGR of 4.3%.

Our student admission largely depends on a number of factors, including, but not limited to: (i) our schools' reputation, which is mainly driven by the quality of education we provide (such as our curricula, the quality of our teachers and the initial employment rate of our graduates); (ii) our student enrollment quota as approved and adjusted by the relevant government authorities from year to year; (iii) our capacity for student enrollment; and (iv) the effectiveness of our student admission work. We believe the educational philosophies of our schools, our high-quality practical education and our high initial employment rates help us attract potential students.

Tuition Fees and Boarding Fees

Our results of operations are also affected by the level of tuition fees and boarding fees we are able to charge. We usually require students to pay tuition fees and boarding fees prior to commencing each new school year. The tuition fees we charge at Guangdong Polytechnic College and Zhaoqing School are typically based on the demand for our education programs, the cost of operations, the tuition charged by our competitors, and general economic development in China and Guangdong Province. In addition, as advised by our PRC Legal Advisors, according to the relevant local regulations in Guangdong Province, we have discretion to adjust the tuition fees and boarding fees charged by our schools, and the tuition fees and boarding fees raised are not subject to regulatory approval or filing requirements. See "Regulatory Overview—Regulations on Private Education in the PRC." In addition, new tuition fee rates will only be applicable to newly admitted students and the tuition levels for existing students remain unchanged.

We generally raise tuition fees for certain majors at our schools as appropriate to reflect our increased operating costs. According to this policy, we have raised tuition fees at Guangdong Polytechnic College for the 2016/2017, 2017/2018 and 2018/2019 school years and at Zhaoqing School for the 2016/2017 and 2017/2018 school years. However, our ability to raise tuition fees is subject to applicable PRC laws and regulations. While we have successfully increased tuition rates our schools during the Track Record Period, there is no guarantee that we will be able to continue to raise tuition fees in the future. See "Risk Factors—Risks Relating to Our Business and Industry—Our business and results of operations mainly depend on the level of tuition fees and boarding fees we are able to charge and ability to maintain and raise tuition and boarding fees." For those students who did not complete their study with us, we also have refund policies in place. See "Business—Our Schools—Tuition Fees and Boarding Fees."

According to the Frost & Sullivan Report, tuition rates at private schools offering private higher education are generally higher than those of public schools in China. However, we believe our tuition rates are at a relatively high or similar level compared to some of our competitors in the private higher education industry with similar scale and quality of education.

Ability to Control Cost of Sales

Our profitability also depends, in part, on our ability to control cost of sales. In 2015, 2016, 2017, and the eight months ended August 31, 2017 and 2018, our cost of sales represented 36.0%, 32.8%, 32.8%, 35.5%, and 35.8% of our total revenue, respectively. Our cost of sales primarily consists of staff cost and depreciation and amortization. In 2015, 2016, 2017, and the eight months ended August 31, 2017 and 2018, our staff costs primarily consist of salaries, social insurance and other compensation paid to our teaching staff, constituting 14.5%, 14.3%, 13.8%, 16.6%, and 15.9% of our total revenue. Depreciation and amortization primarily consists of depreciation of property, plant and equipment and amortization of land use rights and intangible assets. Staff costs increased from RMB37.2 million in 2015 to RMB62.9 million in 2017, mainly reflecting the increase in the number of our teaching staff and the increase in average salaries to make the compensation package of our teaching staff more competitive.

Further, our operating expenses primarily include selling and distribution expenses and administrative expenses. In 2015, 2016, 2017, and the eight months ended August 31, 2017 and 2018, the total amount of selling and distribution expenses and administrative expenses as a percentage of our total revenue was approximately 14.2%, 13.1%, 12.0%, 13.6% and 17.6%, respectively. We have established a centralized management system through which we consistently manage certain aspects of our schools, including school administration, supply procurement and campus services. We believe that such system has strengthened our ability to control our costs and expenses.

SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The Accountants' Report in Appendix I to this prospectus sets forth certain significant accounting policies in Note 2.4, which are important for understanding our financial condition and results of operations.

Some of our accounting policies involve subjective assumptions, estimates and judgments that are discussed in Note 3 of "Appendix I—Accountants' Report." In the application of our accounting policies, our management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Our estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Our estimates and underlying assumptions are reviewed by our management on an ongoing basis. Please see Note 3 of "Appendix I—Accountants' Report."

RESULTS OF OPERATIONS

The following table presents our selected consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	256,097	349,887	455,382	227,921	284,123
Cost of sales	(92,233)	(114,615)	(149,153)	(81,000)	(101,608)
Gross profit	163,864	235,272	306,229	146,921	182,515
Other income and gains	7,741	7,279	8,682	4,749	41,450
Selling and distribution expenses	(11,210)	(13,072)	(8,524)	(6,352)	(10,056)
Administrative expenses	(25,154)	(32,743)	(45,999)	(24,534)	(40,031)
Non-monetary employee benefits provided by the controlling shareholder	—	—	(12,129)	(12,129)	—
Other expenses	(400)	(862)	(988)	(850)	(2,856)
Finance costs	(7,904)	(7,346)	(9,604)	(5,985)	(4,913)
Share of losses of joint ventures	(7,434)	(9,254)	(6,791)	(4,363)	(85)
Profit before tax	119,503	179,274	230,876	97,457	166,024
Income tax expense	—	—	—	—	—
Profit and total comprehensive income for the year/period	119,503	179,274	230,876	97,457	166,024

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Revenue represents the value of services rendered during the Track Record Period. We derive revenue from tuition fees and boarding fees our schools collect from students. In 2015, 2016, 2017, and the eight months ended August 31, 2017 and 2018, we generated total revenue of RMB256.1 million, RMB349.9 million, RMB455.4 million, RMB227.9 million, and RMB284.1 million, respectively.

The table below summarizes the amount of revenue generated from tuition fees and boarding fees charged by our schools for the periods indicated:

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Undergraduate program					
—tuition fees	44,525	117,438	217,585	93,510	153,689
—boarding fees	3,760	9,672	17,688	7,746	12,474
Junior college program					
—tuition fees	139,422	144,310	133,983	79,577	66,952
—boarding fees	17,261	13,821	8,803	5,361	4,323
Adult college					
—tuition fees	10,526	12,486	21,986	11,185	16,698
—boarding fees	1,858	2,094	3,663	1,300	2,057
Upgrade of junior college students to undergraduate students(1)					
—tuition fees	7,010	6,592	5,188	2,911	1,948
—boarding fees	—	—	—	—	—
Secondary vocational education					
—tuition fees	26,373	36,872	40,161	22,269	22,376
—boarding fees	5,362	6,602	6,325	4,062	3,606
Total	256,097	349,887	455,382	227,921	284,123

Note:

(1) This program does not separately charge boarding fees as students enrolled shall pay boarding fees under junior college program.

Tuition Fees

Tuition fees consist of tuition fees from Guangdong Polytechnic College and Zhaoqing School. We raise tuition fees as necessary and appropriate to reflect our increased operating costs and the adjustment of our major offerings. New tuition fee rates are only applicable to newly enrolled students. Students who have already enrolled in our schools continue to pay the tuition fees at the rates in effect when they enrolled in our schools.

Boarding Fees

Boarding fees consist of boarding fees from Guangdong Polytechnic College and Zhaoqing School. Both our schools are boarding schools and charge boarding fees separately.

We generally require tuition fees and boarding fees for a full school year to be paid by students to our schools prior to the commencement of each school year, and we recognize revenue proportionately over the relevant school year, which is generally from September of the current year to June of the following year. In the event that a student leaves school during the school year, we have refund policies in place for our schools. See "Business—Our Schools."

Cost of Sales

Our cost of sales consists primarily of staff costs, depreciation and amortization, utilities, teaching supplies, cost of cooperative education, student study and practice fees, office expenses, training expenses, student subsidies (including primarily subsidies paid to the school canteens and compensation paid to the students with work-study jobs), travel and transportation expenses, cost of repairs property management fees and others. The following table sets forth the components of our cost of sales for the periods indicated:

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Staff costs	37,241	50,075	62,872	37,727	45,114
Depreciation and amortization	16,962	22,215	31,326	16,696	27,643
Utilities	9,585	11,132	11,097	5,438	5,196
Teaching supplies	8,619	6,653	8,154	2,553	2,723
Cost of cooperative education	3,953	5,681	7,214	3,396	2,334
Student study and practice fees	5,061	5,997	6,733	3,482	4,201
Office expenses	3,740	4,551	5,717	2,473	2,124
Training expenses	2,438	2,714	4,117	1,153	1,908
Student subsidies	577	610	3,970	3,201	589
Travel and transportation expenses	1,144	1,119	3,693	1,741	1,764
Cost of repairs	2,202	3,009	3,672	2,337	2,030
Property management fees	—	—	—	—	5,372
Others	711	859	588	803	610
Total	92,233	114,615	149,153	81,000	101,608

Staff costs primarily consist of salaries, social insurance and other compensation paid to our teaching staff including teachers and teaching support staff. Depreciation and amortization primarily consists of depreciation of property, plant and equipment and amortization of land use rights and intangible assets.

Sensitivity Analysis

The following table sets out a sensitivity analysis of: (i) the effect of fluctuations of tuition fees during the Track Record Period; and (ii) the effect of fluctuations of our staff costs during the Track Record Period, assuming no change of depreciation and amortization or any other costs. The sensitivity analysis involving tuition fees and staff costs is hypothetical in nature and we assume that all other variables remain constant. The following sensitivity analysis is for illustrative purposes only, which indicates the potential impact on our profitability during the Track Record Period if the relevant variables increased or decreased to the extent illustrated. To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the potential impact on our profit for the year 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 equal 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 tuition fees and staff costs on our revenue and profitability.

	For the year ended December 31,			For the period ended August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Sensitivity analysis of tuition fees				
Tuition fees income (decrease)/increase	**Impact on our profit for the year/period**			
(10)%	(22,786)	(31,770)	(41,890)	(26,166)
(5)%	(11,393)	(15,885)	(20,945)	(13,083)
5%	11,393	15,885	20,945	13,083
10%	22,786	31,770	41,890	26,166
Sensitivity analysis of staff costs				
Staff costs (decrease)/increase	**Impact on our profit for the year/period**			
(10)%	3,724	5,008	6,287	4,511
(5)%	1,862	2,504	3,144	2,256
5%	(1,862)	(2,504)	(3,144)	(2,256)
10%	(3,724)	(5,008)	(6,287)	(4,511)

Other Income and Gains

Other income and gains consist primarily of bank interest income, dividend income, rental income from lease of campus properties and venues to Independent Third Parties, including telecommunications services providers, test organizers, canteen operator, government grants and exchange gain. The government grants are related to assets and income received from local government for the purposes of compensating the operating expenses arising from expenditures on teaching facilities. There are no unfulfilled conditions or contingencies relating to such government grants income recognized. See "—Significant Accounting Policies, Judgments and Estimates." The table below summarizes the amount of other income and gains for the periods indicated:

	For the year ended December 31,			For the period ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest income on loans to a related party	3,752	4,478	7,855	5,670	—
Interest expense on bank loans	(3,752)	(4,478)	(7,855)	(5,670)	—
Bank interest income	219	632	1,020	600	700
Dividend income	3,906	1,286	—	—	—
Rental income	1,227	1,971	4,584	1,658	9,019
Government grants					
—Related to assets	19	444	731	368	538
—Related to income	2,370	2,946	2,347	2,123	6,738
Exchange gain, net	—	—	—	—	24,455
Total	7,741	7,279	8,682	4,749	41,450

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of advertising and student recruitment expenses, including travel expenses of our schools' admission offices and expenses for advertising materials. During the Track Record Period, more selling and distribution expenses were incurred by Zhaoqing School as its student recruitment campaign required the admission officers to visit middle schools in various cities within Guangdong Province and other provinces to meet with prospective students. Guangdong Polytechnic College managed its student admission through the centralized advertising channels related to the National Higher Education Entrance Examination and therefore incurred less expense than Zhaoqing School.

Administrative Expenses

Administrative expenses primarily consist of administration staff cost, depreciation and amortization, consulting services fees, campus-related expenses and other expenses. The below table summarizes the amount of administrative expenses for the periods indicated:

	For the year ended December 31,			For the period ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Administration staff costs	10,350	12,384	14,791	10,248	11,982
Depreciation and amortization	6,123	8,012	11,009	6,851	11,996
Consulting services fees	—	—	9,558	1,329	9,780
Campus-related expenses	3,644	10,872	6,616	3,960	2,797
Other expenses	5,037	1,475	4,025	2,146	3,476
Total	25,154	32,743	45,999	24,534	40,031

Non-Monetary Employee Benefits Provided by the Controlling Shareholder

On January 13, 2016, in recognition of the contributions of the capable and loyal employees and to motivate our employees to continue to work with us and deliver high-quality performance, Mr. Ye determined to grant subsidized subscription options of 300 units of housing property with a total gross floor area of 33,417 square meters to eligible employees selected primarily on the basis of work performance. On January 10, 2017, we communicated with these employees on the terms and conditions of subscription. The fair value of these units was RMB129.7 million while the aggregate consideration payable by the employees was RMB117.5 million. The difference between the consideration and fair value of these properties, or RMB12.1 million, was recorded pursuant to the HKFRSs as non-monetary employee benefits in 2017. This was considered as a one-off event.

Other Expenses

Other expenses primarily consist of expenses relating to change in fair value of Convertible Bond, one-off donations to Independent Third Parties, disposal of fixed assets and other costs.

Finance Costs

Finance costs primarily consist of interest on bank loans.

Share of Losses of Joint Ventures

Share of losses of joint ventures represents the losses we incurred in connection with our investment in Jiangxi Kepei, which held the Jiangxi Vocational College, and the Research Institute, under the equity method. We incurred losses at Jiangxi Kepei during the Track Record Period primarily due to low revenue generated by Jiangxi Vocational College mainly as a result of insufficient student enrollment due to its relatively short operation history. Taking into consideration that: (i) we expect Jiangxi Vocational College to generate higher revenue and become profitable in the coming years as it continues to build its reputation and expand enrollment; and (ii) Jiangxi Kepei has properties and land use rights with a carrying amount exceeding our investment cost in it, we believe that our investment in Jiangxi Kepei has not depreciated and therefore there is no need for impairment recognition during the Track Record Period.

Income Tax Expenses

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax of the Cayman Islands.

According to the Implementation Rules for the Law for Promoting Private Education, private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatment. Private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools.

In accordance with the confirmation obtained from the relevant tax authorities, Guangdong Polytechnic College has complied with relevant tax laws and regulations since its establishment. In accordance with the confirmation obtained from the relevant tax authorities, Zhaoqing School has enjoyed the preferential corporate income tax exempt treatment and complied with relevant tax laws and regulations since its establishment.

During the Track Record Period, none of our schools elected to make any profit distribution to their respective school sponsor, incurring no relevant income tax expense. For potential changes of tax treatment pursuant to the 2016 Amendments, see "Business—The Decision on Amending the Private Schools Promotion Law."

No income tax expense was recognized for our schools in 2015, 2016, 2017, and the eight months ended August 31, 2018. In accordance with the historical tax returns we filed with the relevant tax authorities and the tax compliance confirmations we obtained from such authorities, which are competent tax authorities in respect of such confirmations as confirmed by our PRC Legal Advisors, our schools did not pay and were not required to pay EIT in respect of income from rendering formal education services during the Track Record Period, and they were not found to be in default in tax payments or in violation of the PRC tax laws. Relevant tax authorities further confirmed that the preferential tax treatment we currently enjoy will not change before we choose to convert our schools into for-profit or non-profit schools. Therefore, the Directors are of the view that our historical tax filings and the fact that we did not pay income tax for our schools in respect of income from formal education services during the Track Record Period were not found in violation of PRC tax laws.

Following the implementation of the VIE structure with the execution of the Structured Contracts on July 10, 2018, we are subject to additional amounts of PRC income tax and value-added tax. If such structure had been in effect during the Track Record Period, 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 13.0%, 13.0%, 12.8%, 12.8%, and 13.5% for 2015, 2016, 2017 and the eight months ended August 31, 2017 and 2018, respectively, after taking into consideration the following major factors: (i) at least 25% of our schools' net profit should be retained for the schools' working capital; (ii) Tibet Kepei is subject to a 12% enterprise income tax and 6% value-added tax and surcharges; and (iii) the financial results of various entities within our Group. However, such impact is estimated without taking into consideration potential tax reductions with respect to factors such as the costs and expenses that would incur by Tibet Kepei as such mitigating factors cannot be estimated accurately at present. The actual impact on our financial results during the Track Record Period, therefore, may not have been as significant as set out above.

Pursuant to the PRC Corporate Income Tax Law and the respective regulations, our non-school subsidiaries are generally subject to EIT at a rate of 25% on taxable income.

As of December 31, 2015, 2016 and 2017 and August 31, 2017 and 2018, we had tax losses arising in the PRC of RMB4.7 million, RMB6.9 million, RMB14.4 million, RMB10.7 million, and RMB16.7 million, respectively, that will expire in one to five years for offsetting against future taxable profits. Such tax losses arise from Zhaoqing Kepei, the School Sponsor which was loss-making as it did not generate revenue by itself and incurred basic operational expenses during the Track Record Period. Deferred tax assets have not been recognized in respect of these losses as Zhaoqing Kepei has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

Profit and total comprehensive income for the Year/Period

In 2015, 2016, 2017, and the eight months ended August 31, 2017 and 2018, our profit for the year was RMB119.5 million, RMB179.3 million, RMB230.9 million, RMB97.5 million and RMB166.0 million, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Eight Months Ended August 31, 2017 Compared to Eight Months Ended August 31, 2018

Revenue

Our revenue increased by 24.7% from RMB227.9 million for the eight months ended August 31, 2017 to RMB284.1 million for the eight months ended August 31, 2018. This increase was primarily a result of: (i) revenue from tuition fees increasing by 24.9% from RMB209.4 million for the eight months ended August 31, 2017 to RMB261.6 million for the eight months ended August 31, 2018; and (ii) revenue from boarding fees increasing by 21.6% from RMB18.5 million for the eight months ended August 31, 2017 to RMB22.5 million for the eight months ended August 31, 2018. The tuition fees we received increased mainly because: (i) we further optimized our program mix and size, while enrollment at other programs remained stable, the number of undergraduate students of Guangdong Polytechnic College increased from 9,448 in the 2016/2017 school year to 14,900 in the 2017/2018 school year, and (ii) we raised tuition fees for programs of both schools for the 2017/2018 school year. The boarding fees we received increased as a result of the expansion of our student enrollment. See "Business—Our Schools—Student Enrollment and Capacity" and "Business—Our Schools—Tuition Fees and Boarding Fees."

Cost of Sales

Cost of sales increased by 25.4% from RMB81.0 million for the eight months ended August 31, 2017 to RMB101.6 million for the eight months ended August 31, 2018. This increase was primarily due to: (i) a 65.3% increase in depreciation and amortization from RMB16.7 million for the eight months ended August 31, 2017 to RMB27.6 million for the eight months ended August 31, 2018 resulting from the increase in school buildings and equipment after the first phase of the construction of Guangdong Polytechnic College Dinghu campus in 2017; and (ii) a 19.6% increase in staff cost from RMB37.7 million for the eight months ended August 31, 2017 to RMB45.1 million for the eight months ended August 31, 2018 resulting from the increase in number of teaching staff and increase in overall salary level. Such increase was partially offset by a decrease in student subsidies from RMB3.2 million for the eight months ended August 31, 2017 to RMB0.6 million for the eight months ended August 31, 2018 as we stopped subsidizing the canteens.

Gross Profit

Gross profit increased by 24.2% from RMB146.9 million for the eight months ended August 31, 2017 to RMB182.5 million for the eight months ended August 31, 2018, which was in line with the growth of our business. Our gross profit margin remained relatively stable for the eight months ended August 31, 2018 compared to the eight months ended August 31, 2017.

Other Income and Gains

Other income and gains increased significantly from RMB4.7 million for the eight months ended August 31, 2017 to RMB41.5 million for the eight months ended August 31, 2018. This increase was primarily due to: (i) an exchange gain of RMB24.5 million resulting from the depreciation of Renminbi against U.S. dollar in relation to our deposits denominated in U.S. dollars; (ii) an increase in rental income from RMB1.7 million for the eight months ended August 31, 2017 to RMB9.0 million for the eight months ended August 31, 2018 as a result of lease income from new campus properties available for rental to campus service providers; and (iii) an increase in governmental subsidy from RMB2.5 million for the eight months ended August 31, 2017 to RMB7.3 million for the eight months ended August 31, 2018 due to new subsidies from local governments to incentivize local enterprises and education sector.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 57.8% from RMB6.4 million for the eight months ended August 31, 2017 to RMB10.1 million for the eight months ended August 31, 2018, due to the increase in advertising and student recruitment expenses after the establishment of Guangdong Polytechnic College Dinghu campus as well as for the increase in student enrollment of Zhaoqing School in the 2018/2019 school year.

Administrative Expenses

Our administrative expense increased by 63.3% from RMB24.5 million for the eight months ended August 31, 2017 to RMB40.0 million for the eight months ended August 31, 2018. This increase was primarily due to: (i) an increase in depreciation and amortization of school building and equipment by 73.9% from RMB6.9 million for the eight months ended August 31, 2017 to RMB12.0 million for the eight months ended August 31, 2018 resulting from the increase in school buildings and equipment after the first phase of the construction of Guangdong Polytechnic College Dinghu campus in 2017; (ii) listing expenses of RMB9.8 million; and (iii) other expenses of RMB1.5 million which primarily consisted of professional expenses, auditors' fees and legal and consulting fees incurred in connection with the issuance of convertible bonds in April, 2018.

Other Expense

Other expense increased significantly from RMB0.9 million for the eight months ended August 31, 2017 to RMB2.9 million for the eight months ended August 31, 2018. This increase was primarily due to a change in fair value of the Convertible Bond.

Finance Costs

Finance costs decreased by 18.3% from RMB6.0 million for the eight months ended August 31, 2017 to RMB4.9 million for the eight months ended August 31, 2018, as we paid down the balance of the interest-bearing bank loans carried out for the development of school premises of both Guangdong Polytechnic College and Zhaoqing School.

Share of Losses of Joint Ventures

Share of losses of joint ventures decreased by 97.7% from RMB4.4 million for the eight months ended August 31, 2017 to approximately RMB0.1 million for the eight months ended August 31, 2018. Such decrease was primarily due to Jiangxi Kepei's separation from us in September 2017.

Profit before Tax

As a result of foregoing, our profit before tax increased by 70.3% from RMB97.5 million for the eight months ended August 31, 2017 to RMB166.0 million for the eight months ended August 31, 2018. Our profit before tax as a percentage of revenue was 42.8% for the eight months ended August 31, 2017, while our profit before tax as a percentage of revenue was 58.4% for the eight months ended August 31, 2018.

Income Tax Expense

We did not have tax expenses for the eight months ended August 31, 2017 and 2018. See "—Key Components of Our Results of Operations–Income Tax Expenses."

Profit and total comprehensive income for the Period

As a result of the above factors, our profit increased by 70.3% from RMB97.5 million for the eight months ended August 31, 2017 to RMB166.0 million for the eight months ended August 31, 2018.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Our revenue increased by 30.2% from RMB349.9 million in 2016 to RMB455.4 million in 2017. This increase was primarily the result of revenue from tuition fees increasing by 31.9% from RMB317.7 million in 2016 to RMB418.9 million in 2017. The tuition fees we received increased, mainly because of the increase in the number of undergraduate students of Guangdong Polytechnic College from 9,448 in the 2016/2017 school year to 14,900 in the 2017/2018 school year. Guangdong Polytechnic College also raised tuition fees for certain majors for the 2017/2018 school year, and the number of students enrolled in other programs remained stable in the meantime, resulting in an increasing proportion of undergraduate students in the whole student mix. The tuition fees for the undergraduate program are generally higher than other programs. The revenue from boarding fees we received increased by 13.3% from RMB32.2 million in 2016 to RMB36.5 million in 2017 due to an expansion of student enrollment and boarding students.

Cost of Sales

Cost of sales increased by 30.1% from RMB114.6 million in 2016 to RMB149.2 million in 2017. This increase was primarily due to: (i) an increase in staff costs by 25.6% from RMB50.1 million in 2016 to RMB62.9 million in 2017 as a result of an increase in the number of our staff which was in line with the expansion of our student enrollment and the increase in average salaries to make the compensation package of our staff more competitive; and (ii) an increase in depreciation and amortization due to the increase in school building and equipment after the completion of the first phase of the construction of Guangdong Polytechnic College Dinghu campus.

Gross Profit

Gross profit increased by 30.2% from RMB235.3 million in 2016 to RMB306.2 million in 2017, which was in line with the growth of our business. Our gross profit margin remained relatively stable, which is 67.2% for both 2016 and 2017.

Other Income and Gains

Other income and gains increased by 19.3% from RMB7.3 million in 2016 to RMB8.7 million in 2017. This increase was primarily due to an increase in rental income from the leasing of newly-established canteens and stores at Guangdong Polytechnic College.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 34.8% from RMB13.1 million in 2016 to RMB8.5 million in 2017. This decrease was primarily due to the decrease in advertising and student recruitment expenses, which was consistent with the decrease in student enrollment of Zhaoqing School.

Administrative Expenses

Our administrative expenses increased by 40.5% from RMB32.7 million in 2016 to RMB46.0 million in 2017. This increase was primarily due to: (i) consulting services fees of RMB9.6 million which primarily consisted of professional expenses, auditors' fees and legal and consulting services fees, incurred in connection with the work related to the Global Offering during 2017; (ii) an increase of RMB3.0 million in depreciation and amortization due to the completion of new office premises at the Guangdong Polytechnic College Dinghu campus since the end of 2016; and (iii) an increase of RMB2.4 million in administration staff cost due to an increase in the headcount of administrative staff at the newly established Guangdong Polytechnic College Dinghu campus, and an increase in the general salary level.

Other Expenses

Other expenses increased by 14.6% from RMB0.9 million in 2016 to RMB1.0 million in 2017. This increase was primarily due to losses from disposal of used vehicles.

Finance Costs

Finance costs increased by 30.7% from RMB7.3 million in 2016 to RMB9.6 million in 2017. This increase was primarily due to the increase in interest-bearing bank loans for the construction of school premises at the Guangdong Polytechnic College Dinghu campus.

Share of Losses of Joint Ventures

Share of losses of joint ventures decreased by 26.6% from RMB9.3 million in 2016 to RMB6.8 million in 2017. Such decrease was primarily due to an increase in revenue of Jiangxi Vocational College as a result of an increase in its student enrollment for the 2016/2017 school year.

Profit before Tax

As a result of the foregoing, our profit before tax increased by 28.8% from RMB179.3 million in 2016 to RMB230.9 million in 2017. Our profit before tax as a percentage of revenue was 51.2% and 50.7% in 2016 and 2017, respectively.

Income Tax Expense

We did not have tax expenses in 2016 and 2017. See "—Key Components of Our Results of Operations—Income Tax Expenses."

Profit and total comprehensive income for the Year

As a result of the above factors, our profit increased by 28.8% from RMB179.3 million in 2016 to RMB230.9 million in 2017.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue

Our revenue increased by 36.6% from RMB256.1 million in 2015 to RMB349.9 million in 2016. This increase was the result of: (i) revenue from tuition fees increasing by 39.4% from RMB227.9 million in 2015 to RMB317.7 million in 2016; and (ii) revenue from boarding fees increasing by 14.0% from RMB28.2 million in 2015 to RMB32.2 million in 2016. The tuition fees we received increased primarily due to optimized student structure as the number of undergraduate students increased from 4,318 in the 2015/2016 school year to 9,448 in the 2016/2017 school year since Guangdong Polytechnic College successfully upgraded to an undergraduate institution in 2014. The tuition fees for the undergraduate program are generally higher than other programs. Guangdong Polytechnic College also raised tuition rates for certain majors in the 2016/2017 school year. The boarding fees we received also increased as a result of the expansion of our student enrollment and boarding students.

Cost of Sales

Cost of sales increased by 24.3% from RMB92.2 million in 2015 to RMB114.6 million in 2016. This increase was primarily due to: (i) a 34.5% increase in staff costs from RMB37.2 million in 2015 to RMB50.1 million in 2016, which was primarily a result of an increase in the number of our staff which was in line with our student enrollment and the increase in average salaries to make the compensation package of our staff more competitive; and (ii) a 31.0% increase in depreciation and amortization from RMB17.0 million in 2015 to RMB22.2 million in 2016 as a result of newly completed school premises and newly purchased facilities and equipment at the Guangdong Polytechnic College Gaoyao campus.

Gross Profit

Gross profit increased by 43.6% from RMB163.9 million in 2015 to RMB235.3 million in 2016, which was in line with the growth of our business. Our gross profit margin increased from 64.0% in 2015 to 67.2% in 2016. This increase was mainly attributable to a larger increase in our revenue from tuition fees due to the above mentioned optimization of student structure and the expansion of student enrollment compared to the increase in our cost of sales.

Other Income and Gains

Other income and gains decreased by 6.0% from RMB7.7 million in 2015 to RMB7.3 million in 2016. This decrease was primarily due to a decrease in dividend income.

Selling and Distribution Expenses

Selling and distribution expenses increased by 16.6% from RMB11.2 million in 2015 to RMB13.1 million in 2016. The increase was primarily due to an increase in advertising and student recruitment expenses incurred by both Guangdong Polytechnic College and Zhaoqing School, which was consistent with the expansion of our student enrollment.

Administrative Expenses

Our administrative expenses increased by 30.2% from RMB25.2 million in 2015 to RMB32.7 million in 2016, which was primarily due to: (i) an increase of RMB5.7 million in sanitation and hygiene expenses incurred in relation to the overall renovation of campus landscape at Zhaoqing School; (ii) an increase of RMB2.0 million in administration staff costs, which was in line with the growth of our business; and (iii) an increase of RMB1.9 million in depreciation and amortization as a result of office decoration and equipment purchased during the year.

Other Expenses

Other expenses increased by 115.5% from RMB0.4 million in 2015 to RMB0.9 million in 2016, which was primarily a result of the payment of the surcharge for overdue land transferring fee for the Guangdong Polytechnic College Dinghu campus.

Finance Costs

Finance costs decreased from RMB7.9 million in 2015 to RMB7.3 million in 2016 as a result of the lower interest rate on the bank loans we obtained in 2016 compared to 2015.

Share of Losses of Joint Ventures

Share of losses of joint ventures increased from RMB7.4 million in 2015 to RMB9.3 million in 2016, mainly reflecting an increase of loss of Jiangxi Vocational College. Jiangxi Vocational College recorded a larger loss in 2016 mainly because more marketing expense was incurred in the student recruitment campaign.

Profit before Tax

As a result of the foregoing, our profit before income tax increased by 50.0% from RMB119.5 million in 2015 to RMB179.3 million in 2016. Our profit before tax as a percentage of revenue was 51.2 % in 2016, while our profit before tax as a percentage of revenue was 46.7% in 2015.

Income Tax Expenses

We did not have any tax expenses in 2015 and 2016. See "—Key Components of Our Results of Operations—Income Tax Expenses."

Profit and total comprehensive income for the Year

As a result of the above factors, we recorded a profit of RMB179.3 million in 2016, as compared to a profit of RMB119.5 million in 2015.

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 August 31,	As of November 30,
	2015	2016	2017	2018	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
CURRENT ASSETS					
Prepayments, deposits and other receivables	93,667	96,088	56,375	25,839	18,486
Amount due from a Director	167,249	207,066	178,110	—	—
Amount due from a joint venture	137,716	250,716	—	—	—
Amounts due from related parties	10,679	80,387	144,566	36,158	—
Trade receivables	11,351	15,374	18,128	10,195	14,425
Short-term investments measured at fair value through profit or loss	—	30,000	500	—	—
Cash and cash equivalents	82,951	86,279	369,058	631,907	726,156
Non-current assets classified as held for distribution on demerger	—	—	78,000	—	—
Total current assets	503,613	765,910	844,737	704,099	759,067
CURRENT LIABILITIES					
Other payables and accruals	83,028	160,331	220,159	100,004	94,522
Interest-bearing bank loans	93,000	117,730	30,000	87,000	17,000
Convertible Bond	—	—	—	332,650	332,650
Contract liabilities	157,813	213,433	258,395	226,975	402,194
Amount due to a related party	1,524	1,238	400	—	—
Deferred income	160	651	808	808	808
Total current liabilities	335,525	493,383	509,762	747,437	847,174
NET CURRENT ASSETS/ (LIABILITIES)	168,088	272,527	334,975	(43,338)	(88,107)

As of December 31, 2015, 2016 and 2017, we had net current assets of RMB168.1 million, RMB272.5 million and RMB335.0 million, respectively. As of August 31, 2018, we had net current liabilities of RMB43.3 million.

Our net current liabilities increased from RMB43.3 million as of August 31, 2018 to RMB88.1 million as of November 30, 2018, which is the indebtedness date for the purpose of the indebtedness statement. This increase in net current liabilities was primarily due to a larger increase in contract liabilities which represent the tuition and boarding payments received from students but not yet earned at the commencement of the school year, than the increase in cash and cash equivalents, which were utilized primarily for (i) the repayment for our bank loans, and (ii) payment and prepayment for construction services for the Guangdong Polytechnic College Dinghu campus which were classified as non-current assets.

As of August 31, 2018, we had net current liabilities of RMB43.3 million, as compared to net current assets of RMB335.0 million as of December 31, 2017. This increase in net current liabilities was primarily due to utilization of cash and cash equivalents for the payment and prepayment for construction services for the Guangdong Polytechnic College Dinghu campus which were classified as non-current assets, partially offset by a decrease in other payables and accruals primarily due to the settlements of construction fees in connection with the first phase of Guangdong Polytechnic College Dinghu campus. See "—Current Assets and Current Liabilities—Cash and cash equivalent."

As of December 31, 2017, we had net current assets of RMB335.0 million, representing an increase of RMB62.4 million compared to our net current assets as of December 31, 2016, or 22.9%. This increase was primarily due to an increase in cash and cash equivalents as a result of an increase in long-term bank loans and a decrease in amounts due from related parties.

As of December 31, 2016, we had net current assets of RMB272.5 million, representing an increase of RMB104.4 million compared to our net current assets as of December 31, 2015, or 62.1%. This increase was primarily due to: (i) an increase of RMB113.0 million in amount due from a joint venture consisting mainly of the loan from Guangdong Polytechnic College to Jiangxi Kepei; (ii) an increase of RMB39.8 million in amount due from a Director; and (iii) an increase of RMB69.7 million in amounts due from related parties consisting mainly of amounts due from Zhaoqing Huameida Decoration Limited. Such increase in current assets was partially offset by an RMB77.3 million increase in other payables and accruals, mainly due to increased amounts required for the purchase of property, plant and equipment in relation to the construction of Guangdong Polytechnic College Dinghu campus.

Amount due from related parties

	As of December 31,			As of August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Ye Nianqiao	167,249	207,066	178,110	—
Jiangxi Kepei	137,716	250,716	141,916	36,158
Zhaoqing Huameida Decoration Limited	—	67,737	—	—
Jiangxi Xinercheng Animal Pharmaceutical Industry Limited	500	500	500	—
Mr. Ye Nianqing	10,000	10,000	—	—
Ms. Shu Jun	179	2,150	2,150	—
Total	315,644	538,169	322,676	36,158

As of December 31, 2015, 2016 and 2017 and August 31, 2018, amounts due from related parties were RMB315.6 million, RMB538.2 million, RMB322.7 million and RMB36.2 million, respectively. Amounts due from related parties were primarily: (i) advances to Jiangxi Kepei that are non-trade in nature, unsecured and were interest-bearing prior to January 1, 2018. Since January 1, 2018, the amount due from Jiangxi Kepei is non-interest-bearing; and (ii) other non-interest-bearing borrowings which are non-trade in nature and unsecured, including those to Mr. Ye and others. For more information, see "—Related Party Transactions." Further, we identified certain internal control deficiencies and weaknesses related to the cash payment and receipt management of our PRC Operating Schools during the Track Record Period, including late booking of payments to related parties and inadequate controls over approval process for cash advances and loans to related parties. With a view to rectifying such deficiencies and further strengthening our internal controls over cash management and related party transactions, we have set up new rules and internal policies designed to: (i) discourage cash payment and cash settlement and ensure timely booking of any payment received; and (ii) require any related-party loan to be approved by our Board (including the independent non-executive Directors). See "Business—Internal Control and Risk Management." The amounts due from Mr. Ye Nianqiao and Ms. Shu Jun have been repaid in full. As of November 30, 2018, all balances with other related parties were settled.

As advised by our PRC Legal Advisors, these advances to related parties are valid private loans and comply with all applicable PRC laws and administrative regulations. Further, according to the Lending General Provisions promulgated by the PBOC, a loan means the currency fund which is provided by a lender to a borrower and shall be paid back, both principal and interests, according to the interest rate and duration as contracted. Enterprises are prohibited to engage in borrowing and lending or borrowing and lending in a disguised manner in violation of State regulations. In a case where enterprises engage in borrowing and lending or borrowing and lending in a disguised manner without authorization, the PBOC may impose a fine on the lending party in an amount equal to one to five times of the illegal proceeds generated from the lending activity, and concurrently, invalidate such lending activity. All of our advances to related parties have been non-interest-bearing since January 1, 2018, and therefore the capital lent out do not constitute currency funds which bears interest. According to the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定), "For private lending contracts concluded between legal persons or other social organizations and between legal persons and other social organizations for the need of production and operation, except for the existence of the circumstances stipulated in Article 52 of the Contract Law and Article 14 of the Provisions, where the parties concerned claim that the private lending contract is effective, the people's court shall uphold such claim."

In addition, pursuant to the Supreme People's Court's Reply to Reporters' Questions in relation to the Provisions (最高人民法院負責人就《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》答記者問), the General Lending Provisions are department rules rather than compulsory laws or administrative regulations. The Property Rights Law of the PRC (the "Property Rights Law") (中華人民共和國物權法) and the Contract Law preempt the General Lending Provisions. A contract can only be invalidated by laws or administrative regulations in accordance with the Contract Law. The Property Rights Law with effect on October 1, 2007 states that property right holders have the right to freely dispose of their properties (including monetary funds) in accordance with the law. Our PRC Legal Advisors are of the view that these advances to related parties are valid private loans and comply with all laws and administrative regulations.

During the Track Record Period, the loans granted by Zhaoqing Kepei to Jiangxi Kepei preceding January 1, 2018 were interest-bearing. According to the Lending General Provisions promulgated by the PBOC, a loan refers to fund provided by a lender to a borrower which shall be repaid in both principal and interests, according to the interest rate and duration as contracted. Enterprises are prohibited from carrying out borrowing and lending or financial activities relating to borrowing and lending in a disguised manner in violation of State regulations. In a case where enterprises engage in borrowing and lending or borrowing and lending in a disguised manner without authorization, the PBOC may impose a fine on the lending party in an amount equal to one to five times of the illegal proceeds generated from the lending activity, and such activities shall be banned by the PBOC. During the Track Record Period, Guangdong Polytechnic College received the interest income of RMB16.1 million in total from Jiangxi Kepei, and accordingly, we may be subject to a fine ranging between one to five times of the interest, that is, from RMB16.1 million to RMB80.4 million. Our PRC Legal Advisors are of the opinion that, in respect of such borrowings provided by Guangdong Polytechnic College, as (i) interest income from Jiangxi Kepei received by Guangdong Polytechnic College has been applied to repayment of interests on bank loans, and we did not receive any proceeds from the lending activity; (ii) Jiangxi Kepei has repaid all borrowings provided by Guangdong Polytechnic College and such lending-borrowing relationship has been terminated as at the Latest Practicable Date; and (iii) borrowings provided by Guangdong Polytechnic College constituted valid private lending-borrowing relationship, the risk of Guangdong Polytechnic College being subject to a fine in an amount equal to one to five times of the illegal proceeds is remote. Therefore, we have not made any provision in respect to the potential fine. Even though such loans violated the above provision under the Lending General Provisions, such loan contracts remain effective and enforceable.

Although the amount due from Zhaoqing Kepei used to be interest-bearing prior to January 1, 2018, our PRC Legal Advisors are of the view that as such amount is currently non-interest bearing, and the risk of us being fined by the PBOC for an amount equal to one to five times of the illegal proceeds generated from the lending activities pursuant to the Lending General Provision is remote. Based on the foregoing and as advised by our PRC Legal Advisors, we believe that such non-compliance incident is immaterial and non-systemic.

Contract Liabilities

Contract liabilities consists of tuition fees and boarding fees that we typically collect from our students prior to the commencement of the upcoming school year. It represents the tuition and boarding payments received from students but not yet earned. Our students are entitled, however, to a refund of a portion of their tuition and boarding payments pursuant to our refund policy. See "Business—Our Schools—Student Withdrawals and Refund." The following table sets forth the balance of our contract liabilities as of the dates indicated:

	As of December 31,			As of August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Tuition fees	140,501	195,138	236,985	206,482
Boarding fees	17,312	18,295	21,410	20,493
Total	157,813	213,433	258,395	226,975

The amount of contract liabilities as of December 31 generally represents the amount of tuition fees and boarding fees received from all of our students for the entire school year, but has yet to be recognized as revenue for the remainder of the school year (generally from January to June). Our contract liabilities decreased from RMB258.4 million as of December 31, 2017 to RMB227.0 million as of August 2018, primarily because towards the end of a school year, most of the tuition fees and boarding fees for the preceding semester have been recognized as revenue and are no longer recorded as contract liabilities.

Other payables and accruals

Other payables and accruals consist mainly of payables for purchase of property, plant and equipment, taxes from the disposal of properties, miscellaneous expenses received from students, payables of social insurance and housing fund and payables for scholarship. The following table sets forth the components of our other payables and accruals as of the dates indicated:

	As of December 31,			As of August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Payables for purchase of property, plant and equipment	112	63,232	107,375	584
Taxes recorded from disposal of properties[(1)]	31,066	31,066	31,066	—
Miscellaneous expenses received from students[(2)]	12,497	22,966	26,607	23,596
Payables of social insurance and housing fund	12,407	15,370	18,473	20,184
Payables of scholarship	13,016	8,625	12,128	30,336
Payables of salary	5,016	6,050	7,437	8,541
Payables for cooperative education fees	4,661	6,974	5,521	1,329
Interest payable	—	—	—	2,923
Accrued listing expense	—	—	4,585	2,767
Other tax payable	1,003	1,990	3,913	3,368
Others	3,250	4,058	3,054	6,376
Total	83,028	160,331	220,159	100,004

Notes:

(1) Such amount represents taxes borne by an Independent Third Party in relation to certain properties disposed by us in 2012. We have the obligation to settle related taxes amounting to RMB31.1 million which would be borne by the buyer. On April 28, 2018, the transfer of ownership of the properties was completed and such amount was set off against the taxes receivable from the buyer on the same date.

(2) The amount represents the miscellaneous expenses received from students which will be paid out on behalf of students.

Our other payables and accruals increased from RMB83.0 million as of December 31, 2015 to RMB160.3 million as of December 31, 2016 mainly due to an increase in the payables for purchase of property, plant and equipment in relation to the establishment of the Guangdong Polytechnic College Dinghu campus. Other payables and accruals increased from RMB160.3 million as of December 31, 2016 to RMB220.2 million as of December 31, 2017, mainly due to an increase in the payables for purchase of property, plant and equipment in relation to the establishment of the Guangdong Polytechnic College Dinghu campus. Our other payables and accruals decreased from RMB220.2 million as of December 31, 2017 to RMB100.0 million as of August 31, 2018. This decrease was mainly a result of: (i) taxes recorded from disposal of properties decreased from RMB31.1 million as of December 31, 2017 to nil as of August 31, 2018 because on April 28, 2018, the transfer of ownership of certain properties from us to an Independent Third Party was completed and such amount was set off against the tax payable for disposal of properties on the same date; and (ii) payables for purchase of property, plant and equipment decreased from RMB107.4 million as of December 31, 2017 to RMB0.6 million as of August 31, 2018 mainly due to a decrease of RMB106.8 million payables for purchase of property, plant and equipment in relation to the completion of the second phase of the Guangdong Polytechnic College Dinghu campus.

As of November 30, 2018 approximately 57.2% of our other payables and accruals as of August 31, 2018 was settled, and our other payables and accruals was RMB94.5 million, consisting primarily of miscellaneous expenses received from students to be paid out on behalf of students and payables of social insurance and housing fund.

Cash and cash equivalent

Cash and cash equivalent consist of cash and bank balances. Cash and cash equivalent remained relatively stable as of December 31, 2015 and 2016, amounting to RMB83.0 million, RMB86.3 million, respectively. Cash and cash equivalent increased to RMB369.1 million as of December 31, 2017 as a result of an increase in cash generated from operating activities. Cash and cash equivalent further increased to RMB631.9 million as of August 31, 2018, representing an increase of RMB262.8 million compared to cash and cash equivalent as of December 31, 2017, or 71.2%. This increase was primarily generated from financing activities, that is, the issuance of convertible bond, and from operating activities from tuition fees and boarding fees for the 2018/2019 school year, which was partially offset by cash used in investing activities for the school construction.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables mainly represented loans to third parties that are interest-free, unsecured and repayable on demand, and tax from disposal of properties. All of the prepayments are expected to be settled or recognized as profit or loss within one year.

The following table sets forth our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,			As of August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Taxes recorded from disposal of properties[1]	31,066	31,066	31,066	—
Loans to third parties[2]	44,000	60,000	10,200	—
Other receivables	4,036	1,518	4,948	8,918
Prepaid land lease payments (current portion)	2,794	3,582	3,582	4,594
Listing expenses	—	—	3,120	6,446
Prepaid expenses	2,421	4,820	1,987	2,881
Deposits	220	1,472	1,472	3,000
Receivable for disposal of properties	19,930	4,430	—	—
Provision for expected credit losses	(10,800)	(10,800)	—	—
Total	93,667	96,088	56,375	25,839

Notes:

(1) Such amount represents taxes borne by an Independent Third Party in relation to certain properties disposed by us in 2012. On April 28, 2018 the transfer of ownership was completed and such amount was set off against the tax payable for disposal of properties on the same date.

(2) Loans to third parties are interest-free, unsecured and repayable on demand. As of the Latest Practicable Date, all loans to third parties were repaid. Our PRC Legal Advisors are of the view that the third-party loans are valid private loan and comply with all relevant laws and administrative regulations. This is an one-off arrangement which we do not expect to recur.

Our prepayments, deposits and other receivables remained relatively stable as of December 31, 2015 and 2016. Prepayments, deposits and other receivables decreased from RMB96.1 million as of December 2016 to RMB56.4 million as of December 2017 mainly due to a decrease in loans to third parties. Prepayments, deposits and other receivables decreased from RMB56.4 million as of December 31, 2017 to RMB25.8 million as of August 31, 2018, primarily because taxes recorded from disposal of properties decreased from RMB31.1 million as of December 31, 2017 to nil as of August 31, 2018. This decrease was because on April 28, 2018, the transfer of ownership of certain properties from us to an Independent Third Party was completed and such amount was set off against the tax payable for disposal of properties on the same date, such decrease was partially offset by an increase in other receivables which is primarily due to an increase in accrued rental income receivable.

The movements in the allowance for expected credit losses of deposits and other receivables are as follows:

	As of December 31,			As of August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	7,800	10,800	10,800	—
Provision for expected credit losses	3,000	—	—	—
Amount written off as uncollectible	—	—	(10,800)	—
Total	10,800	10,800	—	—

The individually impaired other receivables relate to counterparties that were in financial difficulties or were in default in payments and no receivable is expected to be recovered. These counterparties were: (i) a civil construction company, which is an Independent Third party we engaged in part of the construction of Guangdong Polytechnic College Gaoyao campus for which a prepayment of RMB7.8 million was made. However, the construction company was dissolved in August 2015 due to financial difficulties and its responsible person absconded. We wrote off such amounts in 2017 since we were unable to recover such sum despite various collection attempts; and (ii) an education equipment provider, an Independent Third Party, to which we made a prepayment of RMB3.0 million for the purchase of education equipment in 2015. It did not fulfill its delivery obligation under the purchase, while its responsible person absconded in 2015 despite our repeated attempts to contact. This company was listed on the List of Enterprises with Abnormal Operations issued by administrative department for industry and commerce in July 2017. As a result, we recognized impairment loss in 2015 for such payment and wrote off the corresponding amount as uncollectible in 2017.

Trade receivables

Our trade receivables represented amounts related to students who have applied for the delayed payment of tuition fees and boarding fees. As of December 31, 2015, 2016 and 2017 and August 31, 2018, our trade receivables were RMB11.4 million, RMB15.4 million, RMB18.1 million and RMB10.2 million, respectively. During the Track Record Period, our trade receivables increased steadily from December 2015 to December 2017, which was in line with the expansion of our student enrollment. Our trade receivables decreased from December 31, 2017 to August 31, 2018, primarily because students usually settle late tuition fees and boarding fees in May and June each year, prior to their graduation. As of November 30, 2018, RMB3.6 million, being 35.7% of trade receivables as of August 31, 2018, had been settled and our trade receivables were RMB14.4 million.

An aged analysis of the trade receivables as of December 31, 2015, 2016 and 2017 and August 31, 2018, based on the transaction date and net of provisions, is as follows:

	As of December 31,			As of August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	11,174	15,037	16,095	7,424
One to two years	105	199	1,726	2,285
Two to three years	34	81	193	282
Over three years	38	57	114	204
	11,351	15,374	18,128	10,195

The movements in the allowance for expected credit losses of trade receivables are as follows:

	As of December 31,			As of August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	9	32	840	621
Provision for expected credit losses	38	885	1,253	255
Amount written off as uncollectible	(15)	(77)	(1,472)	—
Total	32	840	621	876

We apply the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. We overall consider the credit risk and days past due of the trade receivables to measure the expected credit losses. During the Relevant Periods, the expected losses rate for students are determined as follows:

		As at December 31,						As at August 31,	
		2015	2015	2016	2016	2017	2017	2018	2018
	Expected credit loss rate	Estimated total gross carrying amount at default	Expected credit losses	Estimated total gross carrying amount at default	Expected credit losses	Estimated total gross carrying amount at default	Expected credit losses	Estimated total gross carrying amount at default	Expected credit losses
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Category 1	0	11,330	—	15,037	—	17,771	—	9,663	—
Category 2	25	8	2	16	4	44	11	80	20
Category 3	50	16	8	138	69	362	181	560	280
Category 4	75	29	22	1,023	767	572	429	768	576
		11,383	32	16,214	840	18,749	621	11,071	876

As of November 30, 2018, RMB3.6 million, being 35.7% of trade receivables as of August 31, 2018, had been settled and our trade receivables was RMB14.4 million.

Short-term investments measured at fair value through profit or loss

Short-term investments measured at fair value through profit or loss recognized as current assets represent the bank-issued wealth management products. These bank-issued wealth management products were principal-guaranteed with floating income. As of December 31, 2015, 2016 and 2017 and August 31, 2018, such short-term investments measured at fair value through profit or loss were nil, RMB30.0 million, RMB0.5 million and nil, respectively. The following table sets out a summary of the wealth management products we subscribed during the Track Record Period:

Issuing Bank	Amount Subscribed	Risk Level	Annualized Interest Rate	Term
Gaoyao Rural Commercial Bank	RMB30,000,000	Principal guaranteed. Floating income (after deducting certain administration fees).	3.50% (expected)	RMB10,000,000 from November 24, 2016 to February 9, 2017; RMB20,000,000 from December 5, 2016 to February 14, 2017
Shanghai Pudong Development Bank Co., Ltd., Zhaoqing Branch	RMB500,000	Principal and income guaranteed (after deducting certain administration fees).	2.20%	October 31, 2017 to January 26, 2018

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 require us to continuously monitor the market value of our investment as well as the market risks, in order to achieve reasonable returns on our investment while mitigating our exposure to high investment risks. These policies and measures require, among other things, the following:

- Investments in short-term investments measured at fair value through profit or loss shall be made when we have surplus cash that is not required for our short-term working capital purposes;
- We shall purchase financial products issued by licensed banks with established relationship with us;
- The types of investments shall be generally low-risk wealth management products issued by licensed banks in the PRC which are either principal and interest guaranteed or principal-guaranteed with floating income. We evaluate the risks associated with the underlying financial instruments based on the risk classification provided by the issuing licensed commercial banks;
- Investments shall generally be short-term (which refers to a period of not more than one year) and of non-speculative nature in order to maintain our liquidity and financial flexibility.

In order to further reduce risks associated with our short-term investments measured at fair value through profit or loss, we have in the past, and may continue in the future, including after the

Listing, to seek investments in wealth management products that are principal-guaranteed, which we believe will provide higher investment returns than fixed rate returns from cash deposits at banks. We may also update our investment policies from time to time in accordance with our development, the financial market and the macroeconomic environment in China.

Going forward, our finance department, under the supervision of Ms. Li Yan, our chief financial officer, is responsible for managing our investment activities. Before making a proposal to invest in any investment products, our finance 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 finance 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 finance department may begin to negotiate the investment terms under the supervision of our chief financial officer. We plan to continue to make discretional investment in the wealth management products in the future in order to achieve efficient use of our cash.

NON-CURRENT ASSETS

	As of December 31,			As of August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	505,877	639,230	1,001,518	1,220,511
Prepaid land lease payments	122,755	158,504	154,922	199,636
Investments in joint ventures	21,710	14,906	1,915	1,830
Long-term investments measured at fair value through profit or loss	78,000	78,000	—	—
Prepayments for non-current assets	—	4,672	5,056	146,354
Total non-current assets	728,342	895,312	1,163,411	1,568,331

Our non-current assets primarily consist of property, plant and equipment, prepaid land lease payments, investments in joint ventures, long-term investments measured at fair value through profit or loss, and prepayments for non-current assets. As of December 31, 2015, 2016 and 2017 and August 31, 2018, we had total non-current assets of RMB728.3 million, RMB895.3 million, RMB1,163.4 million and RMB1,568.3 million, respectively. Our total non-current assets increased during the years 2015, 2016, and 2017 mainly due to the expansion of our schools involving additional properties, plants and equipment. Our total non-current assets increased from 2017 to August 31, 2018 mainly due to increase in prepayment for construction service fee related to the second-phase construction for the Dinghu campus of Guangdong Polytechnic College.

Property, plant and equipment

Property, plant and equipment consist of property and buildings, electronic devices, motor vehicles, furniture and fixtures and construction in progress. As of December 31, 2015, 2016 and 2017 and August 31, 2018, property, plant and equipment were RMB505.9 million, RMB639.2 million, RMB1,001.5 million and RMB1,220.5 million, respectively. The increase was in line with our business expansion and the construction of our new campuses.

	As of December 31,			As of August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Property and buildings	393,677	473,691	852,629	892,987
Electronic devices	39,424	49,991	82,936	84,499
Motor vehicles	3,040	4,653	5,358	4,252
Furniture and fixtures	18,315	15,190	33,029	38,925
Construction in progress	51,421	95,705	27,566	199,848
Total	505,877	639,230	1,001,518	1,220,511

Long-term investments measured at fair value through profit or loss

Long-term investments measured at fair value through profit or loss recognized as non-current asset consist of equity investments in Dinghu Rural Credit Association of Zhaoqing, Gaoyao Rural Commercial Bank and Duanzhou Rural Commercial Bank of Zhaoqing held by Zhaoqing Kepei. As of December 31, 2015, 2016 and 2017 and August 31, 2018, such long-term investments measured at fair value through profit or loss were RMB78.0 million, RMB78.0 million, nil and nil, respectively.

	As of December 31,			As of August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Dinghu Rural Credit Association	46,000	46,000	—	—
Gaoyao Rural Commercial Bank	30,000	30,000	—	—
Duanzhou Rural Commercial Bank	2,000	2,000	—	—
Total	78,000	78,000	—	—

In September 2017, the Group underwent a demerger as part of the Corporate Reorganization and Zhaoqing Qiaoli was established to hold the non-core business disposed by the Group. As of December 31, 2017, the transfer of all the long-term investments measured at fair value through profit or loss held by Zhaoqing Kepei was still subject to the pre-approval procedures of China Banking Regulatory Commission and was therefore not completed. Accordingly, the book value of all the long-term investments measured at fair value through profit or loss held by Zhaoqing Kepei was reclassified as non-current assets held for distribution on demerger as of December 31, 2017. The transfer of the investments were subsequently completed on January 22, 2018, January 23, 2018 and January 25, 2018, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund our working capital requirements and our purchase of property, plant and equipment. We have funded our operations principally with cash generated from our operations, bank loans and other borrowings. As of August 31, 2018 and November 30, 2018, we had net current liabilities of RMB43.3 million and RMB88.1 million, respectively, primarily due to utilization of cash and cash equivalents primarily for: (i) the repayment for our bank loans, and (ii) the payment and prepayment for construction services for the Guangdong Polytechnic College Dinghu campus which were classified as non-current assets. See "—Current Assets and Current Liabilities."

In view of the net current liabilities position as of August 31, 2018 and November 30, 2018, we have given careful consideration to our future liquidity and performance and our available sources of finance in assessing whether we will have sufficient financial resources going forward. 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, our tuition fees and boarding fees, or the availability of bank loans or other financing may adversely impact our liquidity. To mitigate any potential liquidity issues, we have obtained adequate banking facilities from reputable financial institutions. As of November 30, 2018, we had unutilized banking facilities of RMB128.9 million. As of December 31, 2015, 2016 and 2017 and August 31, 2018, we had cash and bank balances of RMB83.0 million, RMB86.3 million, RMB369.1 million and RMB631.9 million, respectively.

Cash Flow

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,			Eight months ended August 31,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Net cash from operating activities	258,453	288,232	398,496	108,443	179,697
Net cash used in investing activities	(311,521)	(385,380)	(170,958)	(116,780)	(260,628)
Net cash from financing activities	67,344	100,476	55,241	111,045	319,325
Net increase in cash and cash equivalents	14,276	3,328	282,779	102,708	238,394
Cash and cash equivalents at beginning of the year/period	68,675	82,951	86,279	86,279	369,058
Cash and cash equivalents at the end of the year/period	82,951	86,279	369,058	188,987	631,907

Cash Flows from Operating Activities

We generate cash from operating activities primarily from tuition fees and boarding fees, all of which are typically paid in advance before the respective services are rendered. Tuition fees and boarding fees are initially recorded under contract liabilities. We recognize such amounts received as revenue proportionately over each school year.

Net cash from operating activities was RMB179.7 million for the eight months ended August 31, 2018, consisting primarily of RMB187.9 million of cash generated from operations before working capital adjustments and negative net working capital adjustments of RMB8.2 million. Our negative net working capital adjustments primarily consisted of: (i) decrease in contract liabilities of RMB31.4 million; and (ii) increase in other payables of RMB14.8 million.

Net cash from operating activities was RMB398.5 million in 2017, consisting primarily of RMB302.2 million of cash generated from operations before working capital adjustments and positive net working capital adjustments of RMB96.3 million. Our positive net working capital adjustments primarily consisted of: (i) increase in contract liabilities of RMB45.0 million; and (ii) decrease in prepayments, deposits and other receivables of RMB39.7 million.

Net cash from operating activities was RMB288.2 million in 2016, consisting primarily of RMB224.6 million of cash generated from operations before working capital adjustments and positive net working capital adjustments of RMB63.6 million. Our positive net working capital adjustments primarily consisted of: (i) increase in other payables and accruals of RMB14.2 million; and (ii) increase in contract liabilities of RMB55.6 million.

Net cash from operating activities was RMB258.5 million in 2015, consisting of primarily RMB156.8 million of cash generated from operations before working capital adjustments and positive net working capital adjustments of RMB101.7 million. Our positive net working capital adjustments primarily consisted of: (i) decrease in prepayments, deposits and other receivables of RMB47.1 million; and (ii) increase in contract liabilities of RMB37.9 million.

Cash Flows from Investing Activities

Our expenditures for investing activities were primarily for the purchase of property, plant and equipment, increase in the amount due from related parties and increase in prepaid land lease payments.

Net cash used in investing activities was RMB260.6 million for the eight months ended August 31, 2018, which primarily attributable to: (i) purchases of items of property, plant and equipment of RMB357.9 million; and (ii) prepayment for purchase of non-current assets of RMB141.3 million in relation to prepayment to construction contractors for the development of the Guangdong Polytechnic College Dinghu campus, partially offset by: (i) decrease in amounts due from related parties of RMB108.4 million; and (ii) decrease in amount due from the controlling shareholder of RMB178.1 million.

Net cash used in investing activities was RMB171.0 million in 2017, which was primarily attributable to purchases of items of property, plant and equipment of RMB358.3 million, partially offset by: (i) decrease in amounts due from related parties of RMB77.7 million; and (ii) decrease in amount due from a joint venture of RMB43.0 million.

Net cash used in investing activities was RMB385.4 million in 2016, which was primarily attributable to: (i) purchases of items of property, plant and equipment of RMB97.6 million; (ii) increase in amount due from a joint venture of RMB113.0 million; and (iii) increase in amounts due from related parties of RMB69.7 million.

Net cash used in investing activities was RMB311.5 million in 2015, primarily attributable to: (i) increase in amount due from a joint venture of RMB106.0 million; (ii) purchases of items of property, plant and equipment of RMB86.4 million; and (iii) addition to prepaid land lease payments of RMB63.3 million.

Cash Flows from Financing Activities

Our expenditures for financing activities were primarily for repayment of bank loans and payment of interest.

Net cash from financing activities was RMB319.3 million for the eight months ended August 31, 2018, primarily consisting of RMB271.1 million from an increase of new bank loans and

RMB330.0 million of the proceeds from the issuance of Convertible Bond, partially offset by: (i) repayment of bank loans of RMB275.0 million; and (ii) payment of interest of RMB6.8 million.

Net cash from financing activities was RMB55.2 million in 2017, primarily consisting of an increase in bank loans of RMB202.7 million, partially offset by: (i) repayment of bank loans of RMB130.0 million; and (ii) payment of interest of RMB17.5 million.

Net cash from financing activities was RMB100.5 million in 2016, primarily due to increase in bank loans of RMB207.3 million, partially offset by: (i) repayment of bank loans of RMB95.0 million; and (ii) payment of interest of RMB11.8 million.

Net cash from financing activities was RMB67.3 million in 2015, primarily due to an increase in bank loans of RMB180.0 million, partially offset by: (i) repayment of bank loans of RMB101.0 million; and (ii) payment of interest of RMB11.7 million.

Working Capital

We intend to continue to finance our working capital with cash generated from our operations, bank loans and other borrowings and by the net proceeds from the Global Offering. We will closely monitor the level of our working capital, particularly in view of our strategy to continue to expand our school network and to further increase the capacity of our existing schools.

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. Our Directors are of the view that our available cash balance, the anticipated cash flow from operations, bank loans and other borrowings and the net proceeds from the Global Offering (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range) will be sufficient to meet our present and anticipated cash requirements for the next 12 months from the date of this prospectus.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily related to the establishment of new school premises, maintaining and upgrading existing school premises and purchasing additional educational facilities and equipment for our schools and prepaid land lease payments. In 2015, 2016, 2017, and the eight months ended August 31, 2018, our capital expenditures were RMB149.8 million, RMB200.1 million and RMB402.5 million and RMB304.4 million, respectively. The following table sets forth our expenditures on property, plant and equipment and prepaid land lease payments, respectively, for the periods indicated:

	Year ended December 31,			Eight months ended August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	86,480	160,720	402,468	255,954
Prepaid land lease payments	63,345	39,397	—	48,451
Total	149,825	200,117	402,468	304,405

CONTRACTUAL COMMITMENTS

Capital Commitments

Our capital commitments primarily relate to the construction of school premises. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As of December 31,			As of August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
Buildings	76,562	423,546	202,745	15,172

Operating Lease Commitments

We leased out our campus properties under operating lease arrangements to Independent Third Parties including campus service providers, telecommunication operators and banks, with leases negotiated for terms ranging from one to twenty years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As of the dates indicated, we had total future minimum lease receivables under non-cancellable operating leases with our tenants falling due as follows:

	As of December 31,			As of August 31,
As lessor	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	272	272	11,257	12,388
In the second to fifth years, inclusive	856	775	27,852	26,152
Later than five years	623	436	272	211
Total	1,751	1,483	39,381	38,751

INDEBTEDNESS

Bank Loans

Our bank loans primarily consisted of short-term working capital loans and long-term project loans for the supplement of working capital, the construction of school premises, the decoration of facilities and buildings and the purchases of equipment. As of December 31, 2015, 2016 and 2017, and August 31 and November 30, 2018, our outstanding bank loans were as follows:

	As of December 31,			As of August 31,	As of November 30,
	2015	2016	2017	2018	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Analyzed into:					
Bank loans repayable:					
Within one year or on demand	93,000	117,730	30,000	87,000	17,000
In the second year	17,000	13,595	61,000	14,000	8,000
In the third to fifth years, inclusive	60,000	150,975	264,000	82,500	59,000
Over five years	—	—	—	167,621	26,000
Total	170,000	282,300	355,000	351,121	110,000

As of December 31, 2015, 2016 and 2017, and August 31 and November 30, 2018, the bank loans were all denominated in Renminbi. As of December 31, 2015, 2016 and 2017 and August 31, 2018, our bank loans bore effective interest rates ranging from 5.67% to 6.33% per annum, 4.61% to 5.76% per annum, 4.75% to 5.76% per annum and 4.75% to 5.39% per annum, respectively. As of November 30, 2018, we had unutilized banking facilities of RMB128.9 million. As of November 30, 2018, we had RMB110.0 million bank loans repayable. Our outstanding banks loans are all unsecured. An amount of RMB100.0 million is unsecured and bears an interest rate of 5.39% and shall be repaid in installments by February 2028. An amount of RMB10.0 million is secured and bears an interest rate of 4.75% and is repayable in January 2019.

Our Directors confirm that, as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we 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.

Disclaimer

Except as disclosed above, as of November 30, 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 November 30, 2018.

CONTINGENT LIABILITIES

As of December 31, 2015, 2016 and 2017, and November 30, 2018, we did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threat except for the non-compliance as more fully explained in the paragraph headed "Business—Properties—Owned Properties—Buildings—Non-compliance of certain buildings owned by us." As at November 30, 2018, the maximum exposure of the potential penalty was estimated to be approximately RMB8.8 million. Our Directors are of view that the risk of such penalty is relative low.

LISTING EXPENSES

We expect to incur a total of RMB76.4 million of listing expenses (assuming an Offer Price of HK$2.39, being the mid-point of the indicative Offer Price range between HK$2.08 and HK$2.70, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, of which RMB9.6 million was charged to our consolidated statements of profit or loss and other comprehensive income in 2017, RMB31.4 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income in 2018, and RMB35.4 million is directly attributable to the issue of the Shares to the public and to be capitalized. Listing expenses represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions but excluding discretionary bonus. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

We do not expect these listing expenses to have a material impact on our results of operations in 2017 and in 2018.

FINANCIAL RATIOS

The following table sets out certain of our key financial ratios as of the dates indicated:

	As of/for the year ended December 31,			As of/for the period ended August 31,
	2015	2016	2017	2018
Net profit margin(1)	46.7%	51.2%	50.7%	58.4%
Return on assets(2)	10.8%	12.4%	12.6%	11.6%
Return on equity(3)	15.8%	19.7%	21.3%	20.5%
Current ratio(4)	150.1%	155.2%	165.7%	94.2%

Notes:

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

(2) Return on assets equals profit and total comprehensive income for the year/period divided by average total assets as of the end of the year/period. Return on assets for the eight months ended August 31, 2018 was calculated using the profit for the eight months ended August 31, 2018 adjusted on an annualized basis.

(3) Return on equity equals profit and total comprehensive income for the year/period divided by average total equity amounts as of the end of the year/period. Return on equity for the eight months ended August 31, 2018 was calculated using the profit for the eight months ended August 31, 2018 adjusted on an annualized basis.

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

Analysis of Key Financial Ratios

Net Profit Margin

Our net profit margin increased from 46.7% in 2015 to 51.2% in 2016, primarily due to a larger increase in our revenue from tuition fees due to the optimization of student structure and the expansion of student enrollment compared to the increase in our cost of sales.

Our net profit margin decreased from 51.2% in 2016 to 50.7% in 2017, mainly as a result of one-off expenses related to the Global Offering and the non-monetary employee benefits provided by the controlling shareholder, which was partially offset by the increase in revenue.

Our net profit margin increased from 42.8% for the eight months ended August 31, 2017 to 58.4% for the eight months ended August 31, 2018, mainly because we stopped reimbursing students' registration fee and subsidizing school canteens, and did not purchase books for the eight months ended August 31, 2018.

Return on Assets and Return on Equity

Our return on assets ratio and return on equity ratio increased from 10.8% and 15.8% as of December 31, 2015 to 12.4% and 19.7% as of December 31, 2016, respectively, primarily due to a larger increase in profit and total comprehensive income compared to the increase in total assets and total equity. The increase in our total equity in 2016 was mainly due to the increase in profit and total comprehensive income.

Our return on assets ratio was 12.6% as of December 31, 2017, and return on equity ratio was 21.3% as of December 31, 2017. Both of the return ratios as of December 31, 2017 were higher than the return on assets ratio and return on equity ratio as of December 31, 2016, respectively, primarily due to a larger increase in profit and total comprehensive income compared to the increase in total assets and total equity. The increase in our total equity in 2017 was mainly due to the increase in profit and total comprehensive income, which is partially offset by the decrease of capital reserve as a result of the demerger of Zhaoqing Kepei on September 2017. See "—Non-current Assets—Long-term investments measured at fair value through profit or loss."

Our return on assets ratio was 11.6% as of August 31, 2018, and return on equity ratio was 20.5% as of August 31, 2018. The minor decreases as compared with December 31, 2017 were resulted from higher increase in our total assets and total equity than in our net profit.

Current Ratio

Our current ratio increased from 150.1% as of December 31, 2015 to 155.2% as of December 31, 2016, primarily due to an increase in amount due from related parties and bank loans. Our current ratio increased to 165.7% as of December 31, 2017, primarily due to an increase in bank loans mainly for supplementing working capital and the construction of school premises. Our current ratio further decreased to 94.2% as of August 31, 2018 as our current assets decreased mainly due to the settlement of construction service payment and prepayment, while our current liabilities increased due to the issuance of convertible bonds.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, we have entered into a number of related party transactions for the settlement with the campus canteen operated by Mr. Ye Nianqing and the interest related to the loan to Jiangxi Kepei. As of December 31, 2015, 2016 and 2017 and August 31, 2017 and 2018, the balance of these related party transactions were RMB4.6 million, RMB5.4 million, RMB10.7 million, RMB8.5 million, and nil, respectively. Please see note 32 to the Accountants' Report in Appendix I to this prospectus for details of these and other related party transactions.

Our Directors believe that each of the related party transactions set out in note 32 to the Accountants' Report in Appendix I to this prospectus was conducted in the ordinary course of business on an arm's length basis. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results unreflective of our future performance.

		For the year ended December 31,			For the period ended August 31,	
Name	**Nature of transaction**	**2015**	**2016**	**2017**	**2017**	**2018**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Mr. Ye Nianqing	Meal offering	842	962	2,816	2,816	—
Jiangxi Kepei	Interest income received from(1)	3,752	4,478	7,855	5,670	—
Total		4,594	5,440	10,671	8,486	—

Note:

(1) The interest income was related to the amount due from Jiangxi Kepei.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation. Accordingly, our Company did not have reserve available for distribution to the Shareholders as of August 31, 2018.

DIVIDENDS

Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. As a holding company, our ability to pay dividends and other cash distributions to our Shareholders mainly depends on our ability to receive dividends and other distributions from Tibet Kepei. The amount of dividends and other distributions paid to us by Tibet Kepei depends on the service fees received by Tibet Kepei from our PRC Operating Schools and our School Sponsor. Our schools in the PRC must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and distributing returns to their respective School Sponsor. In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory reserves until the reserves reach 50% of their respective registered capital. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital. According to the relevant PRC laws and regulations, for private schools that do not require reasonable returns, they are required to appropriate to the development fund not less than 25% of the annual increase of net assets of the relevant school as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the school or procurement or upgrading of educational equipment.

The School Sponsor of Zhaoqing School has elected to 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 may approve any declaration of dividends by a general meeting resolution, 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, 2017, and for the eight months ended August 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

Asia-Pacific Consulting and Appraisal Limited, an independent property valuation firm, has valued the properties held by us as of October 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 IV to this prospectus.

The following table presents the reconciliation of the net book value of the relevant property interests as of August 31, 2018 to their market value as of October 31, 2018 attributed by Asia-Pacific Consulting and Appraisal Limited as stated in the valuation certificate in the property valuation report as set forth in Appendix IV to this prospectus:

	RMB'000
Buildings and various structures and construction in progress included in property, plant and equipment	1,092,835
Prepaid land lease payments	204,230
Add: additions in buildings and construction in progress	191,051
Less: disposals in buildings and construction in progress	—
Less: depreciation and amortization for the two months ended October 31, 2018	6,931
Valuation surplus	28,123
Valuation as of October 31, 2018	1,509,308

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, operational or trading position since August 31, 2018, being the end date of our audited consolidated financial statements included in the Accountants' Report in Appendix I to this prospectus.

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2018

Our Directors have prepared the consolidated profit estimate of the Group for the year ended December 31, 2018 based on the audited consolidated results of the Group for the eight months ended August 31, 2018, the unaudited consolidated results based on the management accounts of the Group for the three months ended November 30, 2018 and an estimate of the consolidated results of the Group for the remaining one month ended December 31, 2018. The estimate has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by the Group as summarized in the Accountants' report, the text of which is set out in Appendix I to this prospectus.

Estimated consolidated profit attributable to owners of the Company for the year ended December 31, 2018	Not less than RMB316.0 million
Unaudited pro forma estimated earnings per Share	Not less than RMB0.16

Notes:

(1) The bases on which the above estimate for the year ended December 31, 2018 have been prepared are summarized in Appendix III to this prospectus. The estimated consolidated profit attributable to owners of the Company for the year ended December 31, 2018 is based on the audited consolidated results of the Group for the eight months ended August 31, 2018, the unaudited consolidated results based on the management accounts of the Group for the three months ended November 30, 2018 and an estimate of the consolidated results of the Group for the remaining one month ended December 31, 2018.

(2) The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated profit attributable to owners of the Company for the year ended December 31, 2018 and the weighted average number of shares that are outstanding during

the year ended December 31, 2018 and on the assumption that the Global Offering had been completed on January 1, 2018 and the convertible redeemable bond had been converted into ordinary shares on January 1, 2018, resulted in a weighted average of 2,000,000,667 Shares for the year ended December 31, 2018. The calculation or the estimated earnings per Share does not take account of any Shares which may be issued upon the exercise of the Over-allotment Option.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following of unaudited pro forma statement of adjusted net tangible assets attributable to our equity shareholders has been prepared in accordance with Rule 4.29 of the Listing Rules, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to our equity shareholders as of August 31, 2018 as if the Global Offering had taken place on that date.

	Consolidated net tangible assets attributable to owners of the Company as of August 31, 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Offer Share	
	RMB'000	RMB'000	RMB'000	RMB	(HK$ equivalent)
Based on an Offer Price of HK$1.88 per Offer Share, after a Downward Offer Price Adjustment of 10%	1,256,633	530,733	1,787,366	0.96	1.10
Based on an Offer Price of HK$2.08 per Offer Share	1,256,633	590,499	1,847,132	1.00	1.14
Based on an Offer Price of HK$2.70 per Offer Share	1,256,633	775,773	2,032,406	1.10	1.25

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give as true a picture of our financial position as it would have, had the Global Offering been completed as of August 31, 2018 or at any future date.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk

Our fair value interest rate risk relates primarily to our fixed-rate bank loans and other borrowings. We are also exposed to cash flow interest rate risk through the impact of rate changes on bearing financial assets and liabilities, mainly bank balances and bank loans and other borrowings which carried interest at prevailing market interest rates. It is our policy to keep certain borrowings at floating rates of interest so as to minimize the fair value interest rate risk. We currently do not use any derivative contracts to hedge our exposure to interest rate risk. However, the Directors of the Company will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate bank loans at the end of each reporting period, and it assumes that the amount of liabilities outstanding at the end of each period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, our post-tax profit in 2015, 2016, 2017, and for the eight months ended August 31, 2018 would decrease/increase by RMB435,000, RMB980,000 and RMB70,000 and RMB1,804,000 respectively. This is mainly attributable to our exposure to interest rates on bank loans and other borrowings.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure at the end of the year did not reflect the exposure during the respective years.

Credit risk

The credit risk of our other financial assets, which comprise cash and cash equivalents, short-term investments measured at fair value through profit or loss, trade receivables, deposits and other receivables and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since we trade mainly with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by product type. There are no significant concentrations of credit risk within us.

Liquidity risk

Our objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other borrowings. We regularly review our major funding positions to ensure that we have adequate financial resources to meet our financial obligations.

The maturity profile of our financial liabilities as of December 31, 2015, 2016 and 2017 and August 31, 2018, based on the contractual undiscounted payments, was as follows:

December 31, 2015	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans—*fixed rate*	1,000	1,840	84,505	56,056	—	143,401
Interest-bearing bank loans—*variable rate*	—	633	11,806	31,474	—	43,913
Financial liabilities included in other payables and accruals	4,773	—	—	—	—	4,773
Due to a related party	1,524	—	—	—	—	1,524
	7,297	2,473	96,311	87,530	—	193,611

December 31, 2016	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans—*fixed rate*	—	3,172	94,680	187,012	—	284,864
Interest-bearing bank loans—*variable rate*	—	388	30,819	—	—	31,207
Financial liabilities included in other payables and accruals	70,206	—	—	—	—	70,206
Due to a related party	1,238	—	—	—	—	1,238
	71,444	3,560	125,499	187,012	—	387,515

December 31, 2017	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans—*fixed rate*	7,270	4,361	35,984	350,843	—	398,458
Financial liabilities included in other payables and accruals	117,481	—	—	—	—	117,481
Due to a related party	400	—	—	—	—	400
	125,151	4,361	35,984	350,843	—	516,339

August 31, 2018	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans—*fixed rate*	—	961	80,602	—	—	81,563
Interest-bearing bank loans—*variable rate*	—	3,694	18,122	136,169	200,549	358,543
Financial liabilities included in other payables and accruals	7,603	—	—	—	—	7,603
Convertible Bond	330,000	—	—	—	—	330,000
	337,603	4,655	98,724	136,169	200,549	777,700

FUTURE PLANS

Please see "Business—Our Business Strategies" in this prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$757.3 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the initial Offer Price of HK$2.39 per Share, being the mid-point of the indicative Offer Price range between HK$2.08 and HK$2.70. We intend to use the proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 44.9%, or HK$340.2 million (equivalent to approximately RMB298.1 million), is expected to be used to acquire additional schools. See "Business—Our Business Strategies—Expand our school network coverage by strategic mergers and acquisitions" and "Business—Expansion plans." As of the date of this prospectus, we have not identified any acquisition target;
- approximately 37.6%, or HK$284.4 million (equivalent to approximately RMB249.3 million), is expected to be used to expand the existing schools we own or operate. See "Business—Expansion plans.";
- approximately 7.5%, or HK$57.0 million (equivalent to approximately RMB50.0 million), is expected to be used to repay loans from third-party financial institutions. See "Financial Information—Indebtedness."; and

The following table sets out details of the loans to be repaid with the proceeds from the Global Offering:

No.	Lending Bank	Outstanding Amount as of November 30, 2018	Period	Interest Rate
1.	Bank of Communications, Zhaoqing Branch	RMB10.0 million	April 26, 2017 – January 26, 2019	4.75% per annum
2.	Shanghai Pudong Development Bank, Zhaoqing Branch	RMB100.0 million	February 9, 2018 – February 8, 2028 (Interest repaid quarterly, principal repaid in installments)	5.39% per annum

- approximately 10%, or HK$75.7 million (equivalent to approximately RMB66.4 million), is expected to be used to fund our working capital and general corporate purposes.

In the event that the Offer Price is set at HK$2.08 per Offer Share (being the bottom end of the indicative Offer Price range), the estimated net proceeds we will receive will be reduced by approximately HK$105.7 million. In the event that the Offer Price is set at HK$2.70 per Offer Share (being the top end of the indicative Offer Price range), the estimated net proceeds we will receive will be increased by approximately HK$105.7 million. If we make a Downward Offer Price Adjustment to set the final Offer Price at HK$1.88 per Offer Share, the estimated net proceeds we will receive from the Global Offering will be further reduced by an additional amount of approximately HK$68.2 million. To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes accordingly on a pro-rata basis, and we will consider internal resources or external financing for the relevant purposes in the case of decrease of net proceeds.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK$879.6 million, assuming an Offer price of HK$2.39 per Offer Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds from the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase or decrease by approximately HK$121.5 million, respectively. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, it is our present intention to hold such net proceeds in short term interest-bearing deposits with, or wealth management products issued by, licensed banks and/or financial institutions.

THE CORNERSTONE PLACING

We have entered into cornerstone investor agreements with each of CCT China Merchant Buyout Fund (深圳國調招商併購股權投資基金合夥企業(有限合夥)) ("**CCT Merchant Buyout**") and China Orient Multi-Strategy Master Fund ("**COMSMF**") (the "**Cornerstone Investors**"), pursuant to which CCT Merchant Buyout has agreed to subscribe for 80,000,000 Shares, and COMSMF has agreed to subscribe for such number of our Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with US$4.5 million.

Assuming an Offer Price of HK$1.88 (being at 10% below the bottom end of the Offer Price range set out in this prospectus after making a Downward Offer Price Adjustment), the total number of Offer Shares to be subscribed by the Cornerstone Investors would be approximately 98,750,000 Shares, representing approximately (i) 27.9% of the Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 4.9% of the Shares in issue upon conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, and (iii) 4.8% of the Shares in issue upon conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK$2.08 (being at the low end of the Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed by the Cornerstone Investors would be approximately 96,948,000 Shares, representing approximately (i) 27.4% of the Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 4.8% of the Shares in issue upon conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, and (iii) 4.7% of the Shares in issue upon conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK$2.39 (being at the mid-point of the Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed by the Cornerstone Investors would be approximately 94,750,000 Shares, representing approximately (i) 26.8% of the Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 4.7% of the Shares in issue upon conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, and (iii) 4.6% of the Shares in issue upon conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK$2.70 (being at the high end of the Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed by the Cornerstone Investors would be approximately 93,056,000 Shares, representing approximately (i) 26.3% of the Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 4.7% of the Shares in issue upon conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, and (iii) 4.5% of the Shares in issue upon conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is fully exercised.

To the best knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party, is not our connected person (as defined in the Listing Rules), and is independent from each other. The Cornerstone Investors will acquire the Offer Shares pursuant to, and as part of, the

International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue and will be counted towards the public float of our Company. None of the Cornerstone Investors will have any representation on the Board or becomes a substantial Shareholder of our Company upon the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering and will not subscribe for any Offer Shares under the Global Offering other than pursuant to the cornerstone investor agreements referred to below.

The Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering—The Hong Kong Public Offering—Reallocation and clawback" in this prospectus. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by us on or around January 24, 2019.

OUR CORNERSTONE INVESTORS

	Based on the Offer Price of HK$1.88 (being at 10% below the low-end of the indicative Offer Price range after making a Downward Offer Price Adjustment)					
			Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering	
Cornerstone Investor	Investment Amount	Number of Offer Shares (rounded down to nearest whole board lot of 2,000 Shares)	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
	(US$ in million)					
CCT Merchant Buyout	19.2[(1)]	80,000,000	22.6%	19.7%	4.0%	3.9%
COMSMF[(2)]	4.5	18,750,000	5.3%	4.6%	0.9%	0.9%
Total	23.7	98,750,000	27.9%	24.3%	4.9%	4.8%

	Based on the Offer Price of HK$2.08 (being the low-end of the indicative Offer Price range)					
			Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering	
Cornerstone Investor	Investment Amount	Number of Offer Shares (rounded down to nearest whole board lot of 2,000 Shares)	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
	(US$ in million)					
CCT Merchant Buyout	21.2[(1)]	80,000,000	22.6%	19.7%	4.0%	3.9%
COMSMF[(2)]	4.5	16,948,000	4.8%	4.2%	0.8%	0.8%
Total	25.7	96,948,000	27.4%	23.9%	4.8%	4.7%

Based on the Offer Price of HK$2.39 (being the mid-point of the indicative Offer Price Range)

Cornerstone Investor	Investment Amount	Number of Offer Shares (rounded down to nearest whole board lot of 2,000 Shares)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
	(US$ in million)					
CCT Merchant Buyout	24.4(1)	80,000,000	22.6%	19.7%	4.0%	3.9%
COMSMF(2)	4.5	14,750,000	4.2%	3.6%	0.7%	0.7%
Total	28.9	94,750,000	26.8%	23.3%	4.7%	4.6%

Based on the Offer Price of HK$2.70 (being the high-end of the indicative Offer Price range)

Cornerstone Investor	Investment Amount	Number of Offer Shares (rounded down to nearest whole board lot of 2,000 Shares)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
	(US$ in million)					
CCT Merchant Buyout(1)	27.6(1)	80,000,000	22.6%	19.7%	4.0%	3.9%
COMSMF(2)	4.5	13,056,000	3.7%	3.2%	0.7%	0.6%
Total	32.1	93,056,000	26.3%	22.9%	4.7%	4.5%

Notes:

(1) The investment amount payable by CCT Merchant Buyout shall be equal to 80,000,000 Shares multiplied by the Offer Price.

(2) The number of Offer Shares to be subsided by COMSMF shall be equal to (i) the Hong Kong dollar equivalent of US$4,500,000 (calculated using the closing Hong Kong dollar: U.S. dollar exchange rate quoted by The Hongkong and Shanghai Banking Corporation Limited at 18:00 on the business day immediately prior to the date on which the Offer Price is determined by the Company and the Joint Global Coordinators (on behalf of the underwriters of the Global Offering) (including brokerage and the levies which the investor will pay in respect of such Shares) divided by (ii) the Offer Price, rounded down to the nearest whole board lot of 2,000 Shares.

The following information on the Cornerstone Investors was provided to our Company by the Cornerstone Investors.

CCT Merchant Buyout

CCT Merchant Buyout was established in Shenzhen, the PRC on January 25, 2017. As at the Latest Practicable Date, its partners include Shenzhen China Merchant Huihe Capital Investment and Fund Management Co., Ltd.* (深圳市招商惠合股權投資基金管理有限公司) (“**China Merchant Huihe**”), China State-owned Enterprise Structural Reform Fund Co., Ltd.* (中國國有企業結構調整基金股份有限公司), China Merchant Capital Investment Co., Ltd. (招商局資本控股有限責任公司), Shenzhen Guidance Fund Investment Ltd. (深圳市引導基金投資有限公司) and Shenzhen Yantian District State-owned Asset Investment and Management Ltd. (深圳市鹽田區國有資本投資管理有限公司). CCT Merchant Buyout is managed by China Merchant Huihe. CCT Merchant Buyout focuses on equity investment and asset management.

For the purpose of this cornerstone investment, CCT Merchant Buyout has engaged Harvest Fund Management Co., Ltd. (嘉實基金管理有限公司), an asset manager that is qualified domestic institutional investor as approved by the relevant PRC authority, in the name of "嘉實基金科培教育單一資產管理計劃" to subscribe for and hold such Offer Shares on a discretionary basis on behalf of the CCT Merchant Buyout.

COMSMF

China Orient Multi-Strategy Master Fund is a company incorporated in the Cayman Islands and is advised by China Orient International Asset Management Limited ("**China Orient**"). China Orient was incorporated in Hong Kong and is an indirect wholly-owned subsidiary of China Orient Asset Management Co., Ltd. ("**COAMC**"). COAMC's predecessor, China Orient Asset Management Corporation, was one of the big-four asset management companies established by China Ministry of Finance in 1999. In 2016, it completed the shareholding restructuring and changed its name to its current name. COAMC's business includes a variety of financial services, such as non-performing assets, insurance, banking, securities, trust, credit rating and investment etc.

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(a) 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 these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;

(b) the Offer Price having been agreed upon between the Company and the Joint Global Coordinators (on behalf of the underwriters of the Global Offering);

(c) the Listing Committee having granted the listing of, and permission to deal in, the Shares (including the Offer Shares to be subscribed by the Cornerstone Investors and other applicable waivers and approvals) and that such approval or permission not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(d) no relevant laws or regulations shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the cornerstone investment agreements, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the respective representations, warranties, undertakings and confirmations of the relevant Cornerstone Investor under the relevant cornerstone investment agreement are accurate and true in all material respects and not misleading and that there is no material breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor.

In addition, the subscription obligation of CCT Merchant Buyout is also subject to the respective representations, warranties, acknowledgements, undertakings and confirmations of the Company under the relevant cornerstone investment agreement are accurate and true in all material respects and not misleading and that there is no material breach of the relevant cornerstone investment agreement on the part of the Company.

RESTRICTIONS ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has undertaken to the Company, the Joint Sponsors and the Joint Global Coordinators that it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "**Lock-up Period**"), dispose of any of the Shares they have purchased pursuant to the relevant cornerstone investor agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

HONG KONG UNDERWRITERS

Citigroup Global Markets Asia Limited
CCB International Capital Limited
BOCOM International Securities Limited
First Shanghai Securities Limited
Haitong International Securities Company Limited
ABCI Securities Company Limited
Huineng Securities Limited
Head & Shoulders Securities Limited
Sinomax 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 35,336,000 Hong Kong Offer Shares and the International Offering of initially 317,998,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering" in this prospectus as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on January 14, 2019. Pursuant to the Hong Kong Underwriting Agreement, the Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares on the Main Board of the Stock Exchange and such approval not having been subsequently revoked prior to the commencement of trading of the Shares on the Stock Exchange and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

There shall develop, occur, exist or come into effect:

(i) any event, or series of events, 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, outbreaks of infectious diseases, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, 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, directly or indirectly, Hong Kong, the PRC, the Cayman Islands, the United States, or any other jurisdiction relevant to any member of the Group (collectively, the "**Relevant Jurisdictions**");

(ii) any change or development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange 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 Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange or the Shenzhen Stock Exchange;

(iv) 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 the U.S. Federal or New York State level or by any other competent authority), the PRC, or any of the other Relevant Jurisdictions (declared by the relevant authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;

(v) any new law or regulation or any change or development involving a prospective change in any 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;

(vi) any material adverse change;

(vii) 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 RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or RMB is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares;

(viii) other than with the prior written consent of the Joint Global Coordinators provided such written consent shall not be unreasonably withheld or delayed, the issue or requirement to issue by the Company of a supplement or amendment to this prospectus, or to any other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC;

(ix) any order or petition for the winding-up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;

(x) any litigation, dispute, legal action or claim being threatened or instigated against any member of the Group;

(xi) any contravention by the Company or any member of the Group of any applicable laws and regulations including the Listing Rules; or

(xii) any non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws and regulations; which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(1) has or will or may have a material adverse effect on business, prospects, results of operations or the financial position or condition of the Group as a whole;

(2) has or will or may have a material adverse effect on the success or marketability of the Global Offering or the level of applications or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering;

(3) makes or will make or may make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

(4) has or will or may have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

There has come to the notice of the Joint Global Coordinators that:

(i) any statement contained in this prospectus, the Application Forms, the formal notice in connection with the Hong Kong Public Offering and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto (the "**Offering Documents**") but excluding information relating to the Underwriters) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete or misleading in any material respects, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of the Offering Documents is not fair and accurate and based on reasonable assumptions;

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or material misstatement in, any of the Offering Documents;

(iii) there is a material breach of any of the obligations imposed upon the Company or the Controlling Shareholders under the Hong Kong Underwriting Agreement (other than upon any of the Joint Global Coordinators, the Joint Sponsors or the Hong Kong Underwriters), as applicable;

(iv) there is an event, act or omission which gives or is likely to give rise to any material liability of the Company or the Controlling Shareholders pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;

(v) there is a breach of, or any event or circumstance rendering untrue, incorrect or misleading in any material respect, any of the representations, warranties, agreements and undertakings given by the Company and the Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;

(vi) the approval by the Listing Committee of the listing of, and permission to deal in, the Shares in issue (including the Shares to be issued pursuant to the conversion of the convertible bond issued by the Company) and the Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued upon the exercise of the Over-allotment Option), other than subject to customary conditions, on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, canceled, qualified (other than by customary conditions), revoked or withheld;

(vii) any person whose consent is required for the issue of this prospectus (other than any of the Joint Sponsors) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;

(viii) the Company withdraws this prospectus and/or any other documents issued or used in connection with the Global Offering or the Global Offering;

(ix) there is a prohibition by a competent authority on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering;

(x) the Chairman, Chief Executive Officer or Chief Financial Officer of the Company is vacating his or her office;

(xi) any Director or member of senior management of the Company is being charged with an indictable offense or is prohibited by operation of law or otherwise disqualified by any authority from taking part in the management of a company or there is the commencement by any authority of any investigation or other action against any Director in his or her capacity as such or any member of the Group or an announcement by any authority that it intends to commence any such investigation or take any such action; or

(xii) (a) a substantial portion of the orders placed or confirmed in the bookbuilding process, or (b) the investment commitments made by any cornerstone investors under agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not exercise its power to issue any further Shares, or securities convertible into equity securities of the Company (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering (including any exercise of the Over-allotment Option) or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders have undertaken to the Stock Exchange and the Company that he/it will not and will procure that the relevant registered Shareholder(s) will not:

(i) in the period commencing on the date by reference to which disclosure of his/its holding of Shares is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save as disclosed in the Prospectus) in respect of, any of the Shares directly or indirectly beneficially owned by us; and

(ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder of the Company, in each case, save as permitted under the Listing Rules.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, the Controlling Shareholders have undertaken to the Stock Exchange and the Company that, within the period commencing on the date by reference to which disclosure of his/its holding of Shares is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

(1) when he/it pledges or charges any Shares beneficially owned by him/it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and

(2) when he/it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform the Company of such indications.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by the Company

The Company has undertaken to each of the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters not to (save for the issue, offer or sale of the Offer Shares by the Company pursuant to the Global Offering (including pursuant to the Over-allotment Option), 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, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"):

(i) offer, allot, issue, sell, accept subscription for, contract to allot, issue or sell, contract or agree to allot, issue or sell, assign, grant or sell any option, warrant, right or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or other equity securities of the Company, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any Shares or other securities of the Company, or any interest therein (including, without limitation, any securities of which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company); or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) offer to or contract to or agree to announce, or publicly disclose that the Company will or may enter into any such transaction described in paragraphs (i), (ii) or (iii) above, in each case, whether any such transaction described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or other equity securities of the Company, in cash or otherwise (whether or not the issue of such Shares or other securities of the Company will be completed within the First Six-Month Period).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), the Company enters into any such transactions or offers or agrees or contracts to, or announces, or publicly discloses, any intention to, enter into any such transactions, the Company will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Hong Kong Underwriters' interests in the Company

Save for their respective obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, the Company and the Controlling Shareholders expect to enter into the International Underwriting Agreement with the International Underwriters on the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. Please see "Structure of the Global Offering—The International Offering."

Over-allotment Option

The 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 Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which the Company may be required to issue up to an aggregate of 53,000,000 Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any. Please see "Structure of the Global Offering—Over-allotment Option."

Indemnity

Each of our Company and the Controlling Shareholders has agreed to indemnify the Hong Kong Underwriters and International Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Underwriting Agreements and any breach by any of the Company and the Controlling Shareholders of the Hong Kong Underwriting Agreements.

Total Commissions and Expenses

The Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Underwriters may receive a discretionary incentive fee of up to 1.0% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK$2.39 per Offer Share (which is the mid-point of the Offer Price range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) will be approximately HK$34.0 million.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$91.6 million (assuming an Offer Price of HK$2.39 per Offer Share (which is the mid-point of the Offer Price range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) and will be paid by our Company.

Indemnity

Each of our Company and the Controlling Shareholders has agreed to indemnify the Hong Kong Underwriters and International Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Underwriting Agreements and any breach by any of the Company and the Controlling Shareholders of the Hong Kong Underwriting Agreements.

Hong Kong Underwriters' Interests in our Company

Save as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement, the Hong Kong Underwriters do not have any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Other Services to our Company

The Joint Global Coordinators and the Underwriters or its respective affiliates have, from time to time, provided and expect to provide in the future investment banking and other services to our Company and our respective affiliates, for which such Joint Global Coordinators and the Underwriters or their respective affiliates have received or will receive customary fees and commissions

Sponsors' Independence

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

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 the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or 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. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock 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 stabilization period described in "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 the Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

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 CCB International Capital Limited are the Joint Global Coordinators of the Global Offering.

The listing of the Shares on the Main Board of the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

353,334,000 Offer Shares will initially be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of initially 35,336,000 Offer Shares (subject to reallocation) in Hong Kong as described in "—The Hong Kong Public Offering" below; and

(b) the International Offering of initially 317,998,000 Offer Shares (subject to reallocation and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in "—The International Offering" below.

The Offer Shares will represent approximately 17.67% of the enlarged issued share capital of the Company immediately following the completion of the Corporate Reorganization and the Global Offering (assuming no exercise of the Over-allotment Option and any options that have been or may be granted under the Share Option Scheme).

Investors may apply for the Hong Kong 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. In particular. 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 and other jurisdictions outside the United States in reliance on Regulation S. 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 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 Hong Kong Public Offering—Reallocation and clawback" below.

References in this prospectus to applications, Application forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 35,336,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.00% of the total number of Offer Shares initially available under the Global Offering. The number of Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 1.77% of the total Shares in issue immediately following the completion of the Corporate Reorganization and the Global Offering (assuming no exercise of the Over-allotment Option and any options that have been or may be granted under the Share Option Scheme).

In Hong Kong, individual retail investors are expected to apply for the Hong Kong 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 International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for the Hong Kong Offer Shares.

Completion of the Hong Kong Public Offering is subject to the conditions set out in "— Conditions of the Global Offering" below.

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unpurchased, such unpurchased Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 17,668,000 Hong Kong Offer Shares (being 50% of the 35,336,000 Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation and clawback

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 106,004,000 Offer Shares (in the case of (a)), 141,336,000 Offer Shares (in the case of (b)) and 176,668,000 Offer Shares (in the case of (c)), representing approximately 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively. In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

In addition to the reallocation above, the Joint Global Coordinators reserve their rights to reallocate Offer Shares from 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. However, according to Guidance Letter HKEX-GL91-18 issued by the Stock Exchange if (a) the International Offering is undersubscribed and the Hong Kong Public Offering are fully subscribed or oversubscribed irrespective of the number of times or (b) when the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is oversubscribed by less than 15 times the total number of Offer Shares initially available under the Hong Kong Public Offering, then in any of these circumstances, the Joint Global Coordinators may only reallocate Offer Shares from the International Offering to the Hong Kong Public Offering other than pursuant to Practice Note 18 of the Listing Rules on the following conditions (the "**Allocation Cap**"):

(i) the total number of Offer Shares that may be reallocated from the International Offering to the Hong Kong Public Offering shall be not more than the number of Offer Shares initially allocated to the Hong Kong Public Offering i.e. 35,336,000 Offer Shares, representing approximately 10.0% of the number of the Offer Shares being offered under the Global Offering, so that the total number of Offer Shares for subscription under the Hong Kong Public Offering will increase to 70,672,000 Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and 20.0% of the number of Offer Shares initially available under the Global Offering; and

(ii) the final Offer Price must be fixed at the bottom end of the indicative offer price range stated in this prospectus (i.e. HK$2.08 per Offer Share).

If the Hong Kong Public Offering is not fully subscribed and the International Offering is not undersubscribed, the Joint Global Coordinators may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate. Allocation Cap will not be triggered. In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is 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.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has 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 under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the Maximum Offer Price of HK$2.70 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$5,454.42 for one board lot of 2,000 Shares. If the Offer Price, as finally determined in the manner described in "—Pricing and Allocation" below, is less than the Maximum Offer Price of HK$2.70 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "How to Apply for the Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 317,998,000 International Offer Shares (excluding any Shares that may be sold pursuant to the exercise of the Over-allotment Option) which represents approximately 90.00% of the total number of Offer Shares initially available under the Global Offering. The number of International Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 15.90% of the total Shares in issue immediately following the completion of the Reorganization and the Global Offering (assuming no exercise of the Over-allotment Option and any options that have been or may be granted under the Share Option Scheme).

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "—Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Group and the Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be sold pursuant to the International Offering may change as a result of the clawback arrangement described in "—The Hong Kong Public Offering—Reallocation and clawback" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unpurchased Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue and allot up to an aggregate of 53,000,000 Shares, representing not more than 15.00% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, among other things, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional International Offer Shares to be sold pursuant thereto will represent approximately 2.65% of the total Shares in issue immediately following the completion of the Reorganization and the Global Offering (assuming no exercise of any option that have been or may be granted under the Share Option Scheme). If the Over-allotment Option is exercised, an announcement will be made by the Company.

In order to facilitate the settlement of over-allocations in connection with the Global Offering, Citigroup Global Markets Asia Limited, as stabilizing manager, may borrow up to 53,000,000 Shares from Qiaoge Company, equivalent to the maximum number of Shares to be issued upon full exercise of the Over-allotment Option, pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirement set forth in Listing Rule 10.07(3), including:

(a) the stock borrowing arrangements are fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;

(b) the maximum number of Shares to be borrowed from Qiaoge Company by Citigroup Global Markets Asia Limited is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;

(c) the same number of Shares borrowed under the Stock Borrowing Agreement is returned to Qiaoge Company or its nominee (as the case may be) within three business days after the last day on which the Over-allotment Option may be exercised or, if earlier, the date on which the Over-allotment Option is exercised in full;

(d) borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with applicable Listing Rules, laws and other regulatory requirements; and

(e) no payments will be made to Qiaoge Company by Citigroup Global Markets Asia Limited in relation to the Stock Borrowing Agreement.

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 securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager (or its affiliates or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or its affiliates or any person acting for it), (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong) includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (b) 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, (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under items (a) or (b) above, (d) 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, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in items (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(a) the Stabilizing Manager (or its affiliates or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;

(b) there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or its affiliates or any person acting for it) will maintain such a long position;

(c) liquidation of any such long position by the Stabilizing Manager (or its affiliates or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;

(d) no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on February 17, 2019, being the 30th day after the last day 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;

(e) the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

(f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilization period.

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or its affiliates or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager (or its affiliates or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Friday, January 18, 2019 and, in any event, no later than Thursday, January 24, 2019 by agreement among the Joint Global Coordinators (on behalf of the Underwriters) and the Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$2.70 per Offer Share and is expected to be not less than HK$2.08 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the Maximum Offer Price of HK$2.70 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$5,454.42 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 minimum offer price 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 bottom 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 bottom end of the indicative Offer Price range, publish on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website at **www.chinakepeiedu.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 Thursday, January 24, 2019. The Offer Price announced following making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed.

In the absence of an announcement that a Downward Offer Price Adjustment has been made, the final Offer Price will not be outside the indicative Offer Price range as disclosed in this prospectus unless the Withdrawal Mechanism is utilized.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of the Company, reduce the number of Offer Shares offered and/or the 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, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of the Company and the Hong Kong Stock Exchange at **www.chinakepeiedu.com** and **www.hkexnews.hk**, respectively, notices of the reduction, followed by the publication of a supplemental prospectus (if required) as soon as possible.

If the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range is so reduced, applicants who have already submitted an application may or may not (depending on the information contained in the announcement) be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price Range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice and/or supplemental prospectus (if required) will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and the Company, will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

Irrespective of whether a Downward Office Price Adjustment is made, the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in "How to Apply for the Hong Kong Offer Shares—11. Publication of Results" in this prospectus.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement and is subject to the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and the Company agreeing on the Offer Price.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. These underwriting arrangements, including the Underwriting Agreements, are summarized in "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Main Board of the Stock Exchange and such approval not having been withdrawn;

(b) the Offer Price having been agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company;

(c) the execution and delivery of the International Underwriting Agreement on the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company on or before Thursday, January 24, 2019, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company on the websites of the Company and the Stock Exchange at **www.chinakepeiedu.com** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in "How to Apply for the Hong Kong Offer Shares—14. Dispatch/ Collection of Share Certificates and Refund Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Friday, January 25, 2019, provided that the Global Offering has become unconditional in all respects at or before that time.

Shares will be eligible for CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between 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 arrangements as such arrangements may affect their rights and interests.

DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 9:00 a.m. in Hong Kong on Friday, January 25, 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, January 25, 2019.

The Shares will be traded in board lots of 2,000 Shares each and the stock code of the Shares will be 1890.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. Person (as defined in Regulation S under the US 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 authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service in the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;

- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, January 15, 2019 till 12:00 noon on Friday, January 18, 2019 from:

any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Quarry Bay Branch	Parkvale, 1060 King's Road, Quarry Bay, Hong Kong
	Sheung Wan Branch	Shop 1-4, G/F, Tung Hip Commercial Building, 244-248 Des Voeux Road Central, Hong Kong
Kowloon	Telford Plaza Branch	Shop Unit P2-P7, Telford Plaza, No. 33 Wai Yip Street, Kowloon Bay, Kowloon
	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei, Kowloon
New Territories	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O, New Territories
	Citywalk Branch	Shop 65 & 67-69 G/F, Citywalk, 1 Yeung Uk Road, Tsuen Wan, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, January 15, 2019 until 12:00 noon on Friday, January 18, 2019 from the Depository Counter of HKSCC 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to **"BANK OF CHINA (HONG KONG) NOMINEES LIMITED—CHINA KEPEI EDUCATION PUBLIC OFFER"** Public Offer in 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, January 15, 2019 – 9:00 a.m. to 5:00 p.m.
Wednesday, January 16, 2019 – 9:00 a.m. to 5:00 p.m.
Thursday, January 17, 2019 – 9:00 a.m. to 5:00 p.m.
Friday, January 18, 2019 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, January 18, 2019, the last application day or such later time as described in "—10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

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 authorize the Company and/or the Joint Global Coordinators (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in the "—14. Dispatch/Collection of Share Certificates and Refund Monies—Personal Collection" section in this prospectus to collect the share certificate(s) and/or refund check(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

5. APPLYING THROUGH White Form eIPO Service

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** service for the 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 authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, January 15, 2019 until 11:30 a.m. on Friday, January 18, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, January 18, 2019 or such later time under the "—10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO,** once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 per each "China Kepei Education Group Limited" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Dongjiang River Source Tree Planting" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System **https://ip.ccass.com** (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square,
8 Connaught Place Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply in the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company

agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions(1)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, January 15, 2019	**–**	**9:00 a.m. to 8:30 p.m.**
Wednesday, January 16, 2019	**–**	**8:00 a.m. to 8:30 p.m.**
Thursday, January 17, 2019	**–**	**8:00 a.m. to 8:30 p.m.**
Friday, January 18, 2019	**–**	**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, January 15, 2019 until 12:00 noon on Friday, January 18, 2019 (24 hours daily, except on Friday, January 18, 2019 the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, January 18, 2019, the last application day or such later time as described in "—10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, January 18, 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please see "Structure of the Global Offering—Pricing and Allocation" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, January 18, 2019. 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, January 18, 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, January 24, 2019 on the Company's website at **www.chinakepeiedu.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.chinakepeiedu.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Thursday, January 24, 2019;
- 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, January 24, 2019 to 12:00 midnight on Wednesday, January 30, 2019;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, January 24, 2019 to Sunday, January 27, 2019;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, January 24, 2019 to Saturday, January 26, 2019 at all the receiving bank's designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through **White Form eIPO** Service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the

Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$2.70 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering—Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, January 24, 2019.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund check(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund check(s) and share certificates are expected to be posted on or before Thursday, January 24, 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, January 25, 2019 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund check(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, January 24, 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund check(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, January 24, 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as those for **WHITE** Application Forms as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on or before Thursday, January 24, 2019, 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, January 24, 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "—11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, January 24, 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, January 24, 2019, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of Share certificates/ e-Refund payment instructions/refund check.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before, Thursday, January 24, 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, January 24, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport

number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering) in the manner specified in "—11. Publication of Results" above on Thursday, January 24, 2019. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, January 24, 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, January 24, 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, January 24, 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisers 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 inclusion in this prospectus, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong. As described in Appendix VII headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" to this prospectus, a copy of the accountants' report is available for inspection.

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
China Kepei Education Group Limited

Citigroup Global Markets Asia Limited
CCB International Capital Limited

Dear Sirs,

We report on the historical financial information of China Kepei Education Group Limited (the "Company") and its subsidiaries (together, the "Group") comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at December 31, 2015, 2016 and 2017 and August 31, 2018, the statements of financial position of the Company as at December 31, 2017 and August 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-71 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated January 15, 2019 (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' judgment, 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 August 31, 2018 and the financial position of the Company as at December 31, 2017 and August 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 eight months ended August 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 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
January 15, 2019

I. HISTORICAL FINANCIAL INFORMATION

Preparation of the 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 Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,			Eight months ended August 31,	
	Notes	2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
REVENUE	5	256,097	349,887	455,382	227,921	284,123
Cost of sales		(92,233)	(114,615)	(149,153)	(81,000)	(101,608)
Gross profit		163,864	235,272	306,229	146,921	182,515
Other income and gains	5	7,741	7,279	8,682	4,749	41,450
Selling and distribution expenses		(11,210)	(13,072)	(8,524)	(6,352)	(10,056)
Administrative expenses		(25,154)	(32,743)	(45,999)	(24,534)	(40,031)
Non-monetary employee benefits provided by the controlling shareholder		—	—	(12,129)	(12,129)	—
Other expenses		(400)	(862)	(988)	(850)	(2,856)
Finance costs	7	(7,904)	(7,346)	(9,604)	(5,985)	(4,913)
Share of losses of joint ventures		(7,434)	(9,254)	(6,791)	(4,363)	(85)
PROFIT BEFORE TAX	6	119,503	179,274	230,876	97,457	166,024
Income tax expense	10	—	—	—	—	—
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		119,503	179,274	230,876	97,457	166,024
Attributable to:						
Owners of the parent		119,503	179,274	230,876	97,457	166,024
Non-controlling interests		—	—	—	—	—
		119,503	179,274	230,876	97,457	166,024

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31, 2015	As at December 31, 2016	As at December 31, 2017	As at August 31, 2018
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	505,877	639,230	1,001,518	1,220,511
Prepaid land lease payments	14	122,755	158,504	154,922	199,636
Investments in joint ventures	15	21,710	14,906	1,915	1,830
Long-term investments measured at fair value through profit or loss	16	78,000	78,000	—	—
Prepayments for non-current assets		—	4,672	5,056	146,354
Total non-current assets		728,342	895,312	1,163,411	1,568,331
CURRENT ASSETS					
Prepayments, deposits and other receivables	17	93,667	96,088	56,375	25,839
Amount due from a director	32	167,249	207,066	178,110	—
Amount due from a joint venture	32	137,716	250,716	—	—
Amounts due from related parties	32	10,679	80,387	144,566	36,158
Trade receivables	18	11,351	15,374	18,128	10,195
Short-term investments measured at fair value through profit or loss	16	—	30,000	500	—
Cash and cash equivalents	19	82,951	86,279	369,058	631,907
Non-current assets classified as held for distribution on demerger	20	—	—	78,000	—
Total current assets		503,613	765,910	844,737	704,099
CURRENT LIABILITIES					
Other payables and accruals	22	83,028	160,331	220,159	100,004
Interest-bearing bank loans	23	93,000	117,730	30,000	87,000
Convertible redeemable bond	24	—	—	—	332,650
Contract liabilities	21	157,813	213,433	258,395	226,975
Amount due to a related party	32	1,524	1,238	400	—
Deferred income	25	160	651	808	808
Total current liabilities		335,525	493,383	509,762	747,437
NET CURRENT ASSETS/(LIABILITIES)		168,088	272,527	334,975	(43,338)
TOTAL ASSETS LESS CURRENT LIABILITIES		896,430	1,167,839	1,498,386	1,524,993
NON-CURRENT LIABILITIES					
Interest-bearing bank loans	23	77,000	164,570	325,000	264,121
Deferred income	25	1,100	5,665	4,777	4,239
Total non-current liabilities		78,100	170,235	329,777	268,360
Net assets		818,330	997,604	1,168,609	1,256,633
EQUITY					
Equity attributable to owners of the parent					
Share capital	26	—	—	—	—
Reserves	27	818,330	997,604	1,168,609	1,256,633
Total equity		818,330	997,604	1,168,609	1,256,633

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent				
	Share capital	Capital reserve	Statutory and other surplus Reserves	Retained profits	Total
	RMB'000 Note 26	RMB'000 Note 27(a)	RMB'000 Note 27(b)	RMB'000	RMB'000
At 1 January 2015	—	152,000	157,729	389,098	698,827
Profit for the year	—	—	—	119,503	119,503
Total comprehensive income for the year	—	—	—	119,503	119,503
Transfer from retained profits	—	—	31,375	(31,375)	—
At 31 December 2015	—	152,000*	189,104*	477,226*	818,330
At 1 January 2016	—	152,000	189,104	477,226	818,330
Profit for the year	—	—	—	179,274	179,274
Total comprehensive income for the year	—	—	—	179,274	179,274
Transfer from retained profits	—	—	47,197	(47,197)	—
At 31 December 2016	—	152,000*	236,301*	609,303*	997,604
At 1 January 2017	—	152,000	236,301	609,303	997,604
Profit for the year	—	—	—	230,876	230,876
Total comprehensive income for the year	—	—	—	230,876	230,876
Non-monetary employee benefits provided by the controlling shareholder (note 32(c))	—	12,129	—	—	12,129
Demerger of non-Listing Business (note 27 (a))	—	(72,000)	—	—	(72,000)
Transfer from retained profits	—	—	62,449	(62,449)	—
At 31 December 2017	—	92,129*	298,750*	777,730*	1,168,609

	Attributable to owners of the parent				
	Share capital	Capital reserve	Statutory and other surplus reserves	Retained profits	Total
	RMB'000 Note 26	RMB'000 Note 27(a)	RMB'000 Note 27(b)	RMB'000	RMB'000
At 1 January 2018	—	92,129	298,750	777,730	1,168,609
Profit for the period	—	—	—	166,024	166,024
Total comprehensive income for the period	—	—	—	166,024	166,024
Demerger of non-Listing Business (note 27 (a))	—	(78,000)	—	—	(78,000)
Transfer from retained profits	—	—	38,745	(38,745)	—
At 31 August 2018	—	14,129*	337,495*	905,009*	1,256,633

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

	Attributable to owners of the parent				
	Share capital	Capital reserve	Statutory and other surplus reserves	Retained profits	Total
	RMB'000 Note 26	RMB'000 Note 27(a)	RMB'000 Note 27(b)	RMB'000	RMB'000
At 1 January 2017	—	152,000	236,301	609,303	997,604
Profit for the period (unaudited)	—	—	—	97,457	97,457
Total comprehensive income for the period (unaudited)	—	—	—	97,457	97,457
Non-monetary employee benefits provided by the controlling shareholder (note 32(c))	—	12,129	—	—	12,129
Transfer from retained profits (unaudited)	—	—	26,373	(26,373)	—
At 31 August 2017 (unaudited)	—	164,129	262,674	680,387	1,107,190

* These reserve accounts comprise the consolidated reserves of RMB818,330,000, RMB997,604,000, RMB1,168,609,000 and RMB1,256,633,000 in the consolidated statements of financial position as of December 31, 2015, 2016 and 2017 and August 31, 2018, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31, 2015	2016	2017	Eight months ended August 31, 2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax:		119,503	179,274	230,876	97,457	166,024
Adjustments for:						
Finance costs	7	7,904	7,346	9,604	5,985	4,913
Exchange gain, net	5	—	—	—	—	(24,455)
Interest expense on bank loans	5	3,752	4,478	7,855	5,670	—
Share of losses of joint ventures		7,434	9,254	6,791	4,363	85
Interest income on loans to a related party and bank interest income	5	(3,971)	(5,110)	(8,875)	(6,270)	(700)
Dividend income	5	(3,906)	(1,286)	—	—	—
Government grants related to assets released	5	(19)	(444)	(731)	(368)	(538)
Loss on disposal of items of property, plant and equipment	6	—	—	934	796	5
Depreciation	13	21,451	27,367	38,753	21,158	36,914
Recognition of prepaid land lease payments	14	1,634	2,860	3,582	2,389	2,725
Non-monetary employee benefits provided by the controlling shareholder	6	—	—	12,129	12,129	—
Fair value adjustment of convertible redeemable bond	6	—	—	—	—	2,650
Provision for expected credit losses of other receivables	17	3,000	—	—	—	—
Provision for expected credit losses of trade receivables	18	38	885	1,253	995	255
		156,820	224,624	302,171	144,304	187,878
(Increase)/decrease in trade receivables		(4,497)	(4,908)	(4,007)	9,046	7,678
(Increase)/decrease in prepayments, deposits and other receivables		47,130	(1,633)	39,713	11,209	482
Increase in other payables and accruals		19,366	14,183	15,685	7,290	14,779
Increase/(decrease) in contract liabilities		37,891	55,620	44,962	(62,788)	(31,420)
Increase/(decrease) in amount due to a related party		1,524	(286)	(838)	(1,008)	(400)
Cash generated from operations		258,234	287,600	397,686	108,053	178,997
Bank interest received	5	219	632	810	390	700
Net cash flows from operating activities		258,453	288,232	398,496	108,443	179,697
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	5	3,752	4,478	7,855	5,670	—
Dividends received		3,906	1,286	—	—	—
(Increase)/decrease in prepayments for non-current assets		—	(4,672)	(384)	3,736	(141,298)
(Increase)/decrease in amount due from a director		(58,486)	(39,817)	28,956	(30,541)	178,110

CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

	Notes	Year ended December 31,			Eight months ended August 31,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
(Increase)/decrease in amount due from a joint venture		(106,000)	(113,000)	43,000	13,000	—
(Increase)/decrease in amounts due from related parties		(5,179)	(69,708)	77,737	72,737	108,408
Addition to prepaid land lease payments		(63,345)	(39,397)	—	—	(48,451)
Purchases of items of property, plant and equipment		(86,368)	(97,600)	(358,325)	(212,191)	(357,939)
Proceeds from disposal of items of property, plant and equipment		—	—	493	599	42
Receipt of government grants for property, plant and equipment		199	5,500	—	—	—
Capital injection into a joint venture		—	(2,450)	—	—	—
Purchase of short-term investments measured at fair value through profit or loss		—	(30,000)	(500)	—	—
Proceeds from disposal of short-term investments measured at fair value through profit or loss		—	—	30,210	30,210	500
Net cash flows used in investing activities		(311,521)	(385,380)	(170,958)	(116,780)	(260,628)
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank loans		180,000	207,300	202,700	202,700	271,121
Repayments of bank loans		(101,000)	(95,000)	(130,000)	(80,000)	(275,000)
Interest paid		(11,656)	(11,824)	(17,459)	(11,655)	(6,796)
Proceeds from issue of convertible redeemable bond	24	—	—	—	—	330,000
Net cash flows from financing activities		67,344	100,476	55,241	111,045	319,325
NET INCREASE IN CASH AND CASH EQUIVALENTS		14,276	3,328	282,779	102,708	238,394
Cash and cash equivalents at beginning of year/period		68,675	82,951	86,279	86,279	369,058
Effect of foreign exchange rate changes, net		—	—	—	—	24,455
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	19	82,951	86,279	369,058	188,987	631,907
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	19	82,951	86,279	369,058	188,987	631,907

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at December 31, 2017	As at August 31, 2018
		RMB'000	RMB'000
CURRENT ASSETS			
Prepayments		1,110	3,439
Due from a subsidiary		—	823
Cash and cash equivalents	19	708	339,151
Total current assets		1,818	343,413
CURRENT LIABILITIES			
Amount due to a director	32	5,147	—
Convertible redeemable bond	24	—	332,650
Total current liabilities		5,147	332,650
NET CURRENT ASSETS/(LIABILITIES)		(3,329)	10,763
TOTAL ASSETS LESS CURRENT LIABILITIES		(3,329)	10,763
Net assets/(liabilities)		(3,329)	10,763
EQUITY/(DEFICIENCY IN EQUITY)			
Share capital		—	—
Other reserves		(3,329)	10,763
Total equity/(deficiency in equity)		(3,329)	10,763

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

China Kepei Education Group Limited (the "Company") was incorporated in the Cayman Islands on August 24, 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the registered office of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in providing private education services (collectively the "Listing Business") in the People's Republic of China (the "PRC"). There has been no significant change in the Group's principal activities during the Relevant Periods.

The Company and its subsidiaries now comprising the Group underwent the reorganization as set out in the paragraph headed "Corporate Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the Prospectus (the "Reorganization"). Apart from the Reorganization, 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 its subsidiaries, the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Huanan Education Group Limited (Note(b))	British Virgin Islands ("BVI") September 5, 2017	US$50,000	100%	—	Investment holding
China Kepei Education (Hong Kong) Limited (Note(b))	Hong Kong October 12, 2017	HK$1	—	100%	Investment holding
International Academy of Southern California (Note(b))	Milpitas, California, USA October 10, 2017	US$10,000	—	100%	Provision of higher education service
Zhaoqing Kepei Information Technology Co., Ltd. ("Zhaoqing Information Technology") (Note(b))	the PRC January 17, 2018	RMB1,000,000	—	100%	Provision of education management and services
Tibet Kepei Information Technology Company Limited ("Tibet Kepei") (Note(b))	the PRC June 4, 2018	RMB1,000,000	—	100%	Provision of education management and services
Zhaoqing Kepei Education Investment Development Co., Ltd. ("Zhaoqing Kepei") (Note(a))	the PRC March 8, 2000	RMB25,000,000	—	100%	Investment holding
Guangdong Polytechnic College (Note(c))	the PRC December 8, 2005	RMB90,000,000	—	100%	Provision of undergraduate and junior college education service

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1. CORPORATE AND GROUP INFORMATION—continued

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Zhaoqing Science and Technology Secondary Vocational School (Note(c))	the PRC May 19, 2000	—	—	100%	Provision of secondary vocational education service

Note(a) No audited financial statements have been prepared for this entity as it was not required to issue audited accounts by the local authorities.

Note(b) No statutory audited financial statements have been prepared for the entities as they were newly incorporated/established in 2017/2018 or they are incorporated in jurisdictions which do not have any statutory audit requirements.

Note(c) The statutory financial statements of these entities for the years ended December 31, 2015, 2016 and 2017 prepared in accordance with relevant accounting principle and financial regulations were audited by Yunan Xijiang Accounting Firm Co., Ltd. ("郁南西江會計師事務所有限公司") and Guangzhou Zhongzhixin Certified Public Accountants Co., Ltd ("廣州中職信會計師事務所有限公司"), respectively, certified public accountants registered in the PRC.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization, as more fully explained in the paragraph headed "Corporate Reorganization" under the section headed "History, Reorganization and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on April 26, 2018.

As the Reorganization only involved inserting new holding companies and has not resulted in any change of economic substance, the Historical Financial Information for the Relevant Periods has been presented as a continuation of the exiting companies using the pooling of interests method as if the Reorganization had been completed at the beginning of the Relevant Periods.

Due to regulatory restrictions on foreign ownership in schools in the PRC, the Listing Businesses were carried out by Zhaoqing Kepei (the "School Sponsor") and its sponsoring schools, Guangdong Polytechnic College and Zhaoqing Science and Technology Secondary Vocational School (collectively, the "PRC Operating Schools") during the Relevant Periods. Pursuant to the Reorganization, Zhaoqing Information Technology, the Company's wholly-owned subsidiary, has entered into the structured contracts with, among others, the School Sponsor and the PRC Operating Schools (the "Structured Contracts"). The arrangements of the Structured Contracts enable Zhaoqing Information Technology to exercise effective control over the PRC Operating Schools and obtain substantially all economic benefits of the PRC Operating Schools. Details of the Structured Contracts are disclosed in the section headed "Structured Contracts" in the Prospectus.

On June 4, 2018, the Group incorporated a new wholly foreign owned enterprise, Tibet Kepei, in Tibet Autonomous Region. With the execution of the new Structured Contracts dated on July 10, 2018, Tibet Kepei assumed the rights and obligations of Zhaoqing Information Technology under the Structured Contracts.

The Group does not have any equity interest in the School Sponsor and the PRC Operating Schools. However, the School Sponsor and the PRC Operating Schools were ultimately under the control of Mr. Ye Nianqiao and Ms. Shu Liping (collectively, the "Controlling Shareholders"), and through the Structured Contracts as detailed in note 2.4 "Subsidiaries arising from the Reorganization"

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.1 BASIS OF PRESENTATION—continued

below, both the School Sponsor and the PRC Operating Schools and the business carried out by them are under the effective control of the Controlling Shareholders. Consequently, the Company regards the School Sponsor and the PRC Operating Schools as indirect subsidiaries for the purpose of the Historical Financial Information.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control, where this is a shorter period. The consolidated statements of financial position of the Group as at December 31, 2015, 2016 and 2017 and August 31, 2018 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs 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 and in the period covered by the Interim Comparative Financial Information.

HKFRS 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 HKFRS 15 consistently throughout the Relevant Period. It is considered that the adoption of HKFRS 15 did not have significant impact on financial position and performance of the Group during the Relevant Period.

HKFRS 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 HKFRS 9 consistently throughout the Relevant Period. Certain unlisted equity investments accounted as available for sale ("AFS") at cost under HKAS 39 are presented with fair value changes in profit or loss upon the adoption of HKFRS 9. It is considered that the adoption of HKFRS 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 long-term and short-term investments and convertible redeemable bond which have been measured at fair value.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.2 BASIS OF PREPARATION—continued

The Group recorded net current liabilities of RMB43,338,000 as at August 31, 2018. In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Having considered the cash inflow from operations, the Directors are satisfied that the Group is able to meet in full its financial obligations as they fall due in the foreseeable future. To mitigate any liquidity issues that might be faced by the Group, the Group has obtained adequate banking facilities from reputable financial institutions to meet its obligations as and when they fall due. As at August 31, 2018, the Group had unutilized banking facilities of RMB128,879,000.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in preparation of the Historical Financial Information.

HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
HK(IFRIC)- Int 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to HKFRS 3	*Definition of a Business*[5]
Amendments to HKFRS 9	*Prepayment Features with Negative compensation*[1]
Amendments to HKFRS 10 HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 1	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Annual improvements 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021 (tentatively decided to defer one more year to 1 January 2022)
4 No mandatory effective date yet determined but available for adoption
5 Effective for business combination for which the acquisition's date is on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases—Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees—leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognize 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). The right-of-use asset is subsequently measured at cost less accumulated

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs—continued

depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from January 1, 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering the adoption of HKFRS 16 in the future is unlikely to have significant impact as the Group carried out its business on its own properties and as disclosed in note 30 to the Historical Financial Information, the Group had no operating lease commitments as a lessee as at December 31, 2015, 2016 and 2017 and August 31, 2018, respectively.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for in income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from January 1, 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs—continued

Amendments to HKAS 28 issued in January 2018 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognizing losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on January 1, 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on January 1, 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

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 statements of profit or loss and other comprehensive income to the extent of dividends received and receivable.

Subsidiaries arising from the Reorganization

The School Sponsor and the PRC Operating Schools have entered into Structured Contracts with, among others, Tibet Kepei, the Controlling Shareholders and Mr. Ye Nianjiu and Mr. Ye Xun who are the non-controlling shareholders of the School Sponsor. The Structured Contracts became effective on July 10, 2018. In particular, Tibet Kepei undertakes to provide the PRC Operating Schools with certain technical services as required to support their operations. In return, Tibet Kepei is entitled to substantially all of the operating profits and residual benefits generated by the PRC Operating Schools through intercompany charges levied on these services rendered. The School Sponsor are also required to transfer their interests in the PRC Operating Schools to Tibet Kepei or the designee appointed by Tibet Kepei upon a request made by Tibet Kepei when permitted by the PRC laws for a

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Subsidiaries arising from the Reorganization—continued

consideration. The ownership interests in the School Sponsor, have also been pledged by the Controlling Shareholders to Tibet Kepei in respect of the continuing obligations of the PRC Operating Schools. Tibet Kepei has not provided any financial support that it was not previously contractually required to do so to the School Sponsor and/or PRC Operating Schools during the Relevant Periods. Tibet Kepei intends continuously to provide to or assist the School Sponsor and/or the PRC Operating Schools in obtaining financial support when deemed necessary. Accordingly, the Group has rights to variable returns from its involvement with the PRC Operating Schools and has the ability to affect those returns through its power, and thus control over the PRC Operating Schools.

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 statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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 other comprehensive income. In addition, when there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized 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 unrealized 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.

When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Fair value measurement—continued

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each 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 recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss and other comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Impairment of non-financial assets—continued

that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Property, plant and equipment and depreciation—continued

are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on 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:

Property and buildings	2.4%
Motor vehicles	19.4%
Furniture and fixtures	9.7%~19.4%
Electronic devices	19.4%

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 recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss and other comprehensive income in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Operating 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 the statement of profit or loss and other comprehensive income on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

Financial instrument—initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instrument—initial recognition and subsequent measurement—continued

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

(i) Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Group. The Group measures 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; and

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instrument—initial recognition and subsequent measurement—continued

(a) Financial assets—continued

Subsequent measurement—continued

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes trade receivables, other receivable, loan to related parties and loan to a director.

(ii) Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and other comprehensive income computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

(iii) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

(iv) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instrument—initial recognition and subsequent measurement—continued

(a) Financial assets—continued

Subsequent measurement—continued

assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss and other comprehensive income.

This category includes non-listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on non-listed equity investments are also recognized as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instrument—initial recognition and subsequent measurement—continued

(a) Financial assets—continued

Derecognition—continued

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The Group considers a financial asset in default when contractual payments are one year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include other payables, loans and borrowings including bank loans, amount due to a related party and convertible redeemable bond.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instrument—initial recognition and subsequent measurement—continued

(b) Financial liabilities—continued

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss and other comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. The Group has designated convertible redeemable bond as at fair value through profit or loss.

(ii) Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss and other comprehensive income.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or canceled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of profit or loss and other comprehensive income.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instrument—initial recognition and subsequent measurement—continued

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Convertible and redeemable bonds

The convertible and redeemable bonds with embedded derivatives whose economic risks and characteristics are not closely related to those of the host contract (the liability component) as a whole are designated as financial liabilities at fair value through profit or loss on initial recognition.

The Group designated convertible and redeemable bonds as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized in profit or loss.

Subsequent to initial recognition, the convertible and redeemable bonds are carried at fair value with changes in fair value recognized in the profit or loss. The convertible and redeemable bonds are classified as current liabilities because the bond holders can demand the Company to early redeem the bonds from May 1, 2018 or November 1, 2018 in the case of certain events (note 24).

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Cash and cash equivalents—continued

convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- 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, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized 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 utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Income tax—continued

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize 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 recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual installments.

Revenue from contracts with customers

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of returns, discounts, and sales related tax.

(a) Service income mainly includes tuition fees and boarding fees from higher education services and secondary vocational education services of the Group.

Tuition and boarding fees services of higher education and secondary vocational education are generally received in advance prior to the beginning of each academic year, and are initially recorded as contract liabilities. Tuition and boarding fees are recognized proportionately over the relevant periods of the applicable program. The portion of tuition and boarding payments received from students but not earned is recorded as contract liabilities and is reflected as a current liability as such amount represents revenue that the Group expects to earn within one year. The academic year of the Group's schools is generally from September to June of the following year.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Revenue from contracts with customers—continued

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.

(b) Interest income from a financial asset is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

(c) Rental income is recognized on a time proportion basis over the lease terms; and

(d) Dividend income is recognized when the shareholders' right to receive payment has been established.

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. No forfeited contributions may be used by the employer to reduce the existing level of contributions.

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 capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Foreign currencies

The Historical Financial Information is presented in RMB, while United State dollar is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognized 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 recognized in other comprehensive income or profit or loss is also recognized 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 each 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 recognized 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 recognized in the statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make Judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES—continued

Judgments

In the process of applying the Group's accounting policies, management has made the following Judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Historical Financial Information:

Contractual arrangements

The PRC Operating Schools are mainly engaged in the provision of education services, which falls in the scope of "Catalog of Restricted Foreign Investment Industries" that foreign investors are prohibited to invest.

As disclosed in note 2.1 to the Historical Financial Information, the Group exercises control over the PRC Operating Schools and enjoys all economic benefits of the PRC Operating Schools through the Structured Contracts.

The Group considers that it controls the PRC Operating Schools, notwithstanding the fact that it does not hold direct equity interest in the PRC Operating Schools, as it has power over the financial and operating policies of the PRC Operating Schools and receives substantially all of the economic benefits from the business activities of the PRC Operating Schools through the Structured Contracts. Accordingly, the PRC Operating Schools have been accounted for subsidiaries during the Relevant Periods.

Current and deferred tax

Significant judgment is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of the tax liabilities and such changes to tax liabilities will impact tax expense in the period that such determination is made. Further details of the current and deferred tax are set out in note 10 to the 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 non-financial assets (other than goodwill)

The Group assessed whether there are any indicators of impairment for all non-financial assets at the end of each of the Relevant Periods. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit 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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES—continued

Estimation uncertainty—continued

Impairment of non-financial assets (other than goodwill)—continued

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 year based on changes in circumstances. Further details of the property, plant and equipment are set out in note 13 to the Historical Financial Information.

Provision for expected credit losses of trade and other receivables

The provision rate of receivables is made based on assessment of their recoverability and aging analysis of receivables as well as other quantitative and qualitative information and on management's judgment and assessment of the forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's other receivables and trade receivables is disclosed in note 17 and 18 to the Historical Financial Information, respectively.

Valuation of convertible redeemable bond

The convertible redeemable bond issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group uses the discounted cash flow method to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the preferred shares. The valuation requires to make estimates about discount rate, risk-free interest rate, lack of marketability discount and volatility, etc. and hence are subject to uncertainty. Further details are disclosed in note 24 and 35 to the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES—continued

Estimation uncertainty—continued

Fair value measurement of financial assets at fair value through profit or loss

The fair value measurement of financial assets at fair value through profit or loss that are categorized within Level 3 of the fair value hierarchy requires significant estimates, which include estimating the future cash flows, determining appropriate discount rates and other assumptions. Changes in these assumptions and estimates could materially affect the respective fair value of these investments. The Group monitors its investments for their fair value assessment by considering factors including, but not limited to, current economic and market conditions, recent fund raising transactions undertaken by the investees, the operating performance of the investees including current earnings trends and other company-specific information. Further details are disclosed in note 35 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of education services in the PRC.

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about operating segment is presented.

Geographical information

During the Relevant Periods, the Group operated within one geographical segment because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical segment information is presented.

Information about major customers

No service provided to a single customer amounted to 10% or more of total revenue of the Group during the Relevant Periods and the eight months ended August 31, 2017.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered during the Relevant Periods.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

5. REVENUE, OTHER INCOME AND GAINS—continued

An analysis of revenue, other income and gains is as follows:

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue from contracts with customers					
Tuition fees	227,856	317,698	418,903	209,452	261,663
Boarding fees	28,241	32,189	36,479	18,469	22,460
	256,097	349,887	455,382	227,921	284,123
Other income and gains					
Interest income on loans to a related party (Note(a))	3,752	4,478	7,855	5,670	—
Interest expense on bank loans (Note(a))	(3,752)	(4,478)	(7,855)	(5,670)	—
Bank interest income	219	632	1,020	600	700
Dividend income	3,906	1,286	—	—	—
Rental income	1,227	1,971	4,584	1,658	9,019
Government grants					
Related to assets	19	444	731	368	538
Related to income	2,370	2,946	2,347	2,123	6,738
Exchange gain, net	—	—	—	—	24,455
	7,741	7,279	8,682	4,749	41,450

(a) During the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2017, pursuant to an agreement entered into between the Group and Jiangxi Kepei Investment Company Limited ("Jiangxi Kepei"), Jiangxi Kepei would reimburse all the interest expenses incurred by the Group in respect of certain bank loans (Note 32).

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended December 31,			Eight months ended August 31,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Employee benefit expense (excluding directors' and chief executive's remuneration (Note 8)):						
Wages and salaries		41,591	54,640	68,326	42,057	50,361
Pension scheme contributions (defined contribution scheme)		6,000	7,819	9,337	5,918	6,735
Non-monetary employee benefits provided by the controlling shareholder	32(c)	—	—	12,129	12,129	—
Depreciation	13	21,451	27,367	38,753	21,158	36,914
Recognition of prepaid land lease payments	14	1,634	2,860	3,582	2,389	2,725
Provision for expected credit losses of other receivables*	17	3,000	—	—	—	—
Provision for expected credit losses of trade receivables*	18	38	885	1,253	995	255
Loss on disposal of items of property, plant and equipment		—	—	934	796	5

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

6. PROFIT BEFORE TAX—continued

	Notes	Year ended December 31, 2015 RMB'000	2016 RMB'000	2017 RMB'000	Eight months ended August 31, 2017 RMB'000 (unaudited)	2018 RMB'000
Donation expenses		400	310	54	54	83
Auditor's remuneration		44	49	107	—	—
Listing expense*		—	—	9,558	1,329	9,780
Exchange gain, net	5	—	—	—	—	(24,455)
Fair value adjustment of convertible redeemable bond**		—	—	—	—	2,650

* Provision for expected credit losses of other receivable and trade receivables and listing expense are included in administrative expense in the consolidated statement of profit or loss and other comprehensive income.

** Fair value adjustment of convertible redeemable bond is included in other expenses in the consolidated statement of profit or loss and other comprehensive income

7. FINANCE COSTS

	Year ended December 31, 2015 RMB'000	2016 RMB'000	2017 RMB'000	Eight months ended August 31, 2017 RMB'000 (unaudited)	2018 RMB'000
Interest on bank loans	7,904	7,346	9,604	5,985	9,719
Less: Interest capitalized	—	—	—	—	(4,806)
	7,904	7,346	9,604	5,985	4,913

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Ye Nianqiao, Mr. Ye Xun, Mr. Ye Nianjiu, Mr. Zha Donghui and Ms. Li Yan were appointed as executive directors and Mr. Wang Chuanwu was appointed as non-executive director of the Company on August 24, 2017. Mr. Deng Feiqi, Mr. Xu Ming and Mr. Li Xiaolu were appointed as independent non-executive directors of the Company on November 26, 2017. Mr. Ye Nianqiao was appointed as the chief executive of the Company on August 24, 2017. Mr. Ye Nianjiu resigned as executive director and Dr. Zhang Xiangwei was appointed as executive director on November 26, 2017

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended December 31, 2015 RMB'000	2016 RMB'000	2017 RMB'000	Eight months ended August 31, 2017 RMB'000 (unaudited)	2018 RMB'000
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind	1,160	1,270	1,355	931	873
Pension scheme contributions	16	23	24	15	15
	1,176	1,293	1,379	946	888

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION—continued

2015	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Mr. Ye Nianqiao	—	280	6	286
Mr. Ye Nianjiu	—	230	6	236
Mr. Zha Donghui	—	250	—	250
Ms. Li Yan	—	140	4	144
	—	900	16	916
Non-executive director:				
Mr. Wang Chuanwu	—	260	—	260
	—	1,160	16	1,176

2016	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Mr. Ye Nianqiao	—	280	6	286
Mr. Ye Nianjiu	—	230	6	236
Mr. Ye Xun	—	110	—	110
Mr. Zha Donghui	—	250	6	256
Ms. Li Yan	—	140	5	145
	—	1,010	23	1,033
Non-executive director:				
Mr. Wang Chuanwu	—	260	—	260
	—	1,270	23	1,293

2017	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Mr. Ye Nianqiao	—	298	6	304
Mr. Ye Nianjiu	—	248	6	254
Mr. Ye Xun	—	126	1	127
Mr. Zha Donghui	—	261	6	267
Ms. Li Yan	—	151	5	156
	—	1,084	24	1,108
Non-executive director:				
Mr. Wang Chuanwu	—	271	—	271
	—	1,355	24	1,379

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION—continued

Eight months ended August 31, 2017	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
(unaudited)	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Mr. Ye Nianqiao	—	205	4	209
Mr. Ye Nianjiu	—	171	4	175
Mr. Ye Xun	—	89	—	89
Mr. Zha Donghui	—	178	4	182
Ms. Li Yan	—	104	3	107
	—	747	15	762
Non-executive director:				
Mr. Wang Chuanwu	—	184	—	184
	—	931	15	946

Eight months ended August 31, 2018	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Mr. Ye Nianqiao	—	187	4	191
Mr. Zhang Xiangwei	—	180	—	180
Mr. Ye Xun	—	73	4	77
Mr. Zha Donghui	—	167	4	171
Ms. Li Yan	—	93	3	96
	—	700	15	715
Non-executive director:				
Mr. Wang Chuanwu	—	173	—	173
	—	873	15	888

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the years ended December 31, 2015, 2016, 2017 and the eight months ended August 31, 2018 included 3, 3, 3 and 4 directors and the chief executive, respectively, details of whose remuneration are set out in Note 8 above. Details of the remuneration of the remaining 2, 2, 2 and 1 highest paid employees who are neither a director nor chief executive of the Group during the Relevant Periods are as follows:

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, allowances and benefits in kind	520	520	536	279	167
Pension scheme contributions	—	—	—	—	—
	520	520	536	279	167

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9. FIVE HIGHEST PAID EMPLOYEES—continued

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Nil to HK$1,000,000	2	2	2	2	1

During the Relevant Periods and the eight months ended August 31, 2017, no emoluments were paid by the Group to the five highest paid employee as an inducement to join or upon joining the Group. None of the five highest paid employee have waived any remuneration during the Relevant Periods and the eight months ended August 31, 2017.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company 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.

Huanan Education Group Limited, the Company's directly held subsidiary, was incorporated in the British Virgin Islands ("BVI") as a business company with limited liability under the BVI Companies Act 2004 and accordingly is not subject to income tax.

China Kepei Education (Hong Kong) Limited, a subsidiary incorporated in Hong Kong, is subject to income tax at the rate of 16.5%. 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 (the "Implementation Rules"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatment. Private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing academic qualification education are eligible to enjoy income tax exemption treatment if the sponsors of such schools do not require reasonable returns.

The sponsor of Guangdong Polytechnic College does not require reasonable returns and therefore Guangdong Polytechnic College has enjoyed the corporate income exemption treatment since its establishment and the local tax authorities have agreed to apply the corporate income exemption treatment since its establishment based on a confirmation obtained from the local tax authorities.

The sponsor of Zhaoqing Science and Technology Secondary Vocational School requires reasonable returns. The Implementing Rules provides that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. During the Relevant Periods and up to the date of this report, no separate

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10. INCOME TAX—continued

policies, regulations or rules have been introduced by the authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the confirmation obtained therefrom, Zhaoqing Science and Technology Secondary Vocational School has enjoyed the preferential corporate income tax exempt treatment since its establishment.

As a result, no income tax expense was recognized for the Group's schools for the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2017 and 2018.

Pursuant to the PRC Corporate Income Tax Law and the respective regulations, the Group's non-school subsidiaries which operate in Mainland China are generally subject to Corporate Income Tax ("CIT") at a rate of 25% on the taxable income except for Tibet Kepei, which is subject to a preferential CIT rate of 12%.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax					
Charge for the year	—	—	—	—	—
Total tax charge for the year	—	—	—	—	—

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rate, are as follows:

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Profit before tax	119,503		179,274		230,876		97,457		166,024	
Tax at the statutory tax rate	29,876	25	44,819	25	57,719	25	24,364	25	41,506	25
Lower tax rates on losses arising elsewhere	—	—	—	—	1,138	—	—	—	(3,366)	(2)
Tax losses not recognized	617	1	550	—	1,864	1	946	1	605	—
Income not subject to tax	(32,351)	(28)	(47,683)	(26)	(62,419)	(27)	(26,401)	(27)	(38,766)	(23)
Profits and losses attributable to joint ventures	1,858	2	2,314	1	1,698	1	1,091	1	21	—
Tax charge at the Group's effective rate	—	—	—	—	—	—	—	—	—	—

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.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10. INCOME TAX—continued

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 December 31, 2015, 2016 and 2017 and August 31, 2018, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, the Group's earnings will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at December 31, 2015, 2016 and 2017 and August 31, 2018, the aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognized totaled approximately RMB477,433,000, RMB618,346,000, RMB804,534,000 and RMB918,258,000, respectively.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

As at December 31, 2015, 2016 and 2017 and August 31, 2018, the Group has tax losses arising in Mainland China of RMB4,706,000, RMB6,908,000 and RMB14,365,000 and RMB16,722,000, respectively, which will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognized in respect of these losses as they have arisen in a subsidiary that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

11. DIVIDENDS

No dividend has been paid or declared by the Company since the date of its incorporation.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the preparation of the results of the Group for the Relevant Periods and the eight months ended August 31, 2017.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

13. PROPERTY, PLANT AND EQUIPMENT

	Property and buildings	Electronic devices	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2015						
At January 1, 2015:						
Cost	383,858	74,085	7,674	44,322	53,062	563,001
Accumulated depreciation	(43,092)	(44,407)	(4,427)	(30,227)	—	(122,153)
Net carrying amount	340,766	29,678	3,247	14,095	53,062	440,848
At January 1, 2015, net of accumulated depreciation	340,766	29,678	3,247	14,095	53,062	440,848
Additions	741	17,229	809	7,803	59,898	86,480
Transfers	61,539	—	—	—	(61,539)	—
Depreciation provided during the year (note 6)	(9,369)	(7,483)	(1,016)	(3,583)	—	(21,451)
At December 31, 2015, net of accumulated depreciation	393,677	39,424	3,040	18,315	51,421	505,877
At December 31, 2015:						
Cost	446,138	91,314	8,483	52,125	51,421	649,481
Accumulated depreciation	(52,461)	(51,890)	(5,443)	(33,810)	—	(143,604)
Net carrying amount	393,677	39,424	3,040	18,315	51,421	505,877

	Property and buildings	Electronic devices	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2016						
At January 1, 2016:						
Cost	446,138	91,314	8,483	52,125	51,421	649,481
Accumulated depreciation	(52,461)	(51,890)	(5,443)	(33,810)	—	(143,604)
Net carrying amount	393,677	39,424	3,040	18,315	51,421	505,877
At January 1, 2016, net of accumulated depreciation	393,677	39,424	3,040	18,315	51,421	505,877
Additions	15,593	19,859	2,488	1,419	121,361	160,720
Transfers	77,077	—	—	—	(77,077)	—
Depreciation provided during the year (note 6)	(12,656)	(9,292)	(875)	(4,544)	—	(27,367)
At December 31, 2016, net of accumulated depreciation	473,691	49,991	4,653	15,190	95,705	639,230
At December 31, 2016:						
Cost	538,808	111,173	10,971	53,544	95,705	810,201
Accumulated depreciation	(65,117)	(61,182)	(6,318)	(38,354)	—	(170,971)
Net carrying amount	473,691	49,991	4,653	15,190	95,705	639,230

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

13. PROPERTY, PLANT AND EQUIPMENT—continued

	Property and buildings	Electronic devices	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2017						
At January 1, 2017:						
Cost	538,808	111,173	10,971	53,544	95,705	810,201
Accumulated depreciation	(65,117)	(61,182)	(6,318)	(38,354)	—	(170,971)
Net carrying amount	473,691	49,991	4,653	15,190	95,705	639,230
At January 1, 2017, net of accumulated depreciation	473,691	49,991	4,653	15,190	95,705	639,230
Additions	10,071	45,670	6,298	22,960	317,469	402,468
Disposals	—	(262)	(1,165)	—	—	(1,427)
Transfers	385,608	—	—	—	(385,608)	—
Depreciation provided during the year (note 6)	(16,741)	(12,463)	(4,428)	(5,121)	—	(38,753)
At December 31, 2017, net of accumulated depreciation	852,629	82,936	5,358	33,029	27,566	1,001,518
At December 31, 2017:						
Cost	934,487	156,581	13,260	76,504	27,566	1,208,398
Accumulated depreciation	(81,858)	(73,645)	(7,902)	(43,475)	—	(206,880)
Net carrying amount	852,629	82,936	5,358	33,029	27,566	1,001,518

	Property and buildings	Electronic devices	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
August 31, 2018						
At January 1, 2018:						
Cost	934,487	156,581	13,260	76,504	27,566	1,208,398
Accumulated depreciation	(81,858)	(73,645)	(7,902)	(43,475)	—	(206,880)
Net carrying amount	852,629	82,936	5,358	33,029	27,566	1,001,518
At January 1, 2018, net of accumulated depreciation	852,629	82,936	5,358	33,029	27,566	1,001,518
Additions	494	12,376	64	12,382	230,638	255,954
Disposals	—	(47)	—	—	—	(47)
Transfers	58,356	—	—	—	(58,356)	—
Depreciation provided during the period (note 6)	(18,492)	(10,766)	(1,170)	(6,486)	—	(36,914)
At August 31, 2018, net of accumulated depreciation	892,987	84,499	4,252	38,925	199,848	1,220,511
At August 31, 2018:						
Cost	992,955	168,569	13,324	88,851	199,848	1,463,547
Accumulated depreciation	(99,968)	(84,070)	(9,072)	(49,926)	—	(243,036)
Net carrying amount	892,987	84,499	4,252	38,925	199,848	1,220,511

The Group's buildings are situated in Mainland China.

As at December 31, 2015, 2016 and 2017 and August 31, 2018, certificates of ownership in respect of certain buildings of the Group located in Zhaoqing city, the PRC, with total net carrying

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

13. PROPERTY, PLANT AND EQUIPMENT—continued

amounts of approximately RMB132,327,000, RMB147,662,000, RMB474,663,000 and RMB470,339,000, respectively, have not yet been issued by the relevant PRC authorities. As at the end of the Relevant Periods, the Directors were still in the process of obtaining these certificates. In the opinion of the Directors, there is no major barrier for the Group to obtain the property ownership certificates.

14. PREPAID LAND LEASE PAYMENTS

	Note	As at December 31,			As at August 31,
		2015	2016	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at January 1,		63,838	125,549	162,086	158,504
Addition		63,345	39,397	—	48,451
Recognized during the year/period		(1,634)	(2,860)	(3,582)	(2,725)
Carrying amount at end of year/period		125,549	162,086	158,504	204,230
Current portion included in prepayments, deposits and other receivables	17	(2,794)	(3,582)	(3,582)	(4,594)
Non-current portion		122,755	158,504	154,922	199,636

These pieces of leasehold lands are located in Mainland China and are held under long term leases.

As at December 31, 2015, 2016 and 2017 and August 31, 2018, certain of the leasehold lands with the net carrying amounts of RMB64,473,000, RMB63,061,000 and RMB78,690,000 and nil, respectively, were pledged to secure bank loans (Note 23). The pledge was never registered with relevant government authorities. Up to date of this report, the relevant bank loans were repaid and the pledge was released.

15. INVESTMENTS IN JOINT VENTURES

	As at December 31,			As at August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	21,710	14,906	1,915	1,830

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15. INVESTMENTS IN JOINT VENTURES—continued

Particulars of the Group's joint ventures are as follows:

Name	Particulars of issued shares held	Place and date of registration	Issued ordinary/ registered share capital	Percentage of ownership interest attributable to the Group* (%)	Principal activity
Jiangxi Kepei Investment Company Limited	Ordinary shares	the PRC November 17, 2010	RMB60,000,000	49	Investing and asset management
Research Institute of Intelligent Manufacturing (Zhaoqing Gaoyao) Co., Ltd.	Ordinary shares	the PRC May 11, 2016	RMB5,000,000	49	Research of intelligent manufacturing technology

* The Group's interests in joint ventures are held through the subsidiaries in Mainland China.

According to the articles of association, all the decisions shall be made with the unanimous consent of the shareholders. Consequently, the Group regards Jiangxi Kepei and Research Institute of Intelligent Manufacturing (Zhaoqing Gaoyao) Co., Ltd. as Joint Ventures.

Investment in Jiangxi Kepei has been transferred to Zhaoqing Qiaoli Investment Company Limited ("Zhaoqing Qiaoli") on December 22, 2017 (note 27).

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	Year ended December 31,			As at August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Share of the joint ventures' loss for the year/period	(7,434)	(9,254)	(6,791)	(85)
Share of the joint ventures' total comprehensive loss for the year/period	(7,434)	(9,254)	(6,791)	(85)
Aggregate carrying amount of the Group's investments in the joint ventures	21,710	14,906	1,915	1,830

16. INVESTMENTS

	As at December 31,			As at August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Long-term investments measured at fair value through profit or loss*	78,000	78,000	—	—
Current				
Short-term investments measured at fair value through profit or loss**	—	30,000	500	—

* Amounts represent equity investments in Zhaoqing City Dinghu District Rural Credit Association, Guangdong Gaoyao Rural Commercial Bank Co., Ltd. and Zhaoqing

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

16. INVESTMENTS—continued

Duanzhou Rural Commercial Bank Co., Ltd., which are all unlisted financial institutes. The fair value of unlisted equity investments were close to their original carrying value.

According to an agreement entered into between the Group and Zhaoqing Qiaoli on September 1, 2017, the Group has agreed to transfer equity investments with a total carrying amount of RMB78,000,000 to Zhaoqing Qiaoli (note 27). As at December 31, 2017, the transfer of ownership has not been completed since the pre-approval procedures of China Banking Regulatory Commission have not been completed. Accordingly, all of the long-term investments measured at fair value through profit or loss were reclassified as non-current assets held for distribution on demerger as at December 31, 2017 (note 20).

As at December 31, 2015, the investment in Zhaoqing City Dinghu District Rural Credit Association with an amount of RMB46,000,000 was pledged to secure the Group's bank loans, details of which are set out in note 23 to the Historical Financial Information.

** Short-term investments measured at fair value through profit or loss were wealth management products with guaranteed principal. They were denominated in RMB and have maturity within three months and expected coupon rates ranging from 2.2% to 3.5% per annum. The wealth management products were low risk principal guaranteed type products. The return on all of these wealth management products is not guaranteed, and hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. None of these investments are past due.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		As at December 31,			As at August 31,
	Note	2015	2016	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000
Loans to third parties (Note(a))		44,000	60,000	10,200	—
Taxes recorded from disposal of properties (Note(b))		31,066	31,066	31,066	—
Prepaid land lease payments (current portion)	14	2,794	3,582	3,582	4,594
Prepaid expenses		2,421	4,820	1,987	2,881
Listing expenses		—	—	3,120	6,446
Deposits		220	1,472	1,472	3,000
Other receivables		4,036	1,518	4,948	8,918
Receivable for disposal of properties (Note(b))		19,930	4,430	—	—
Provision for expected credit losses		(10,800)	(10,800)	—	—
		93,667	96,088	56,375	25,839

Note(a) Loans to third parties are interest-free, unsecured and repayable on demand.

Note(b) Certain properties were disposed by the Group to a third party at consideration of RMB69,930,000 in 2012. The uncollected amounts were RMB19,330,000 and RMB3,830,000 as at December 31, 2015 and 2016, respectively, with related taxes amounting to RMB31,066,000 which would be borne by the buyer was recorded in prepayments, deposits and other receivables as at December 31, 2015, 2016 and 2017. On April 28, 2018, the transfer of ownership has been completed and related taxes were set off against the taxes payable (note 22) on the same date.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES—continued

The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Long aging balances are reviewed regularly by senior management. In view of the fact that the Group's deposits and other receivables relate to a large number of diversified counterparties, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its deposits and other receivable balances. Other receivables are non-interest-bearing.

Except for certain receivables for which the counterparty failed to make demanded repayment and the Group has made 100% provision ("default receivables"), the other balances were settled within 12 months and had no historical default, the financial assets included in the above balances were categorized in stage 1 at the end of each reporting period. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward looking macroeconomic data. During the Relevant Periods, except for the default receivables, the Group estimated the expected loss rate for other receivables is minimal.

The movements in the allowance for expected credit losses of deposits and other receivables are as follows:

	Note	As at December 31,			As at August 31,
		2015	2016	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period		7,800	10,800	10,800	—
Provision for expected credit losses	6	3,000	—	—	—
Amount written off as uncollectible		—	—	(10,800)	—
		10,800	10,800	—	—

18. TRADE RECEIVABLES

	As at December 31,			As at August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Tuition fee and boarding fees receivables	11,383	16,214	18,749	11,071
Provision for expected credit losses	(32)	(840)	(621)	(876)
	11,351	15,374	18,128	10,195

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 from students who have applied for deferred payments of tuition fees and boarding fees. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a number of individual students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18. TRADE RECEIVABLES—continued

An aging analysis of the trade receivables as at the end of each of the Relevant Periods, based on the transaction date and net of provisions, is as follows:

	As at December 31,			As at August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	11,174	15,037	16,095	7,424
1 to 2 years	105	199	1,726	2,285
2 to 3 years	34	81	193	282
Over 3 years	38	57	114	204
	11,351	15,374	18,128	10,195

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the credit risk and days past due of the trade receivables to measure the expected credit losses. During the Relevant Periods, the expected losses rate for students are determined as follows:

		As at December 31,						As at August 31,	
		2015	2015	2016	2016	2017	2017	2018	2018
	Expected credit loss rates	Estimated total gross carrying amount at default	Expected credit losses	Estimated total gross carrying amount at default	Expected credit losses	Estimated total gross carrying amount at default	Expected credit losses	Estimated total gross carrying amount at default	Expected credit losses
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Category 1	0	11,330	—	15,037	—	17,771	—	9,663	—
Category 2	25	8	2	16	4	44	11	80	20
Category 3	50	16	8	138	69	362	181	560	280
Category 4	75	29	22	1,023	767	572	429	768	576
		11,383	32	16,214	840	18,749	621	11,071	876

There was no change in the ECL rates during the Relevant Periods, which was mainly due to no significant changes in the historical default rates of trade receivables, economic conditions and performance and behavior of the students were noted, based on which the ECL rates are determined.

The movements in the allowance for expected credit losses of trade receivables are as follows:

		As at December 31,			As at August 31,
	Note	2015	2016	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period		9	32	840	621
Provision for expected credit losses	6	38	885	1,253	255
Amount written off as uncollectible		(15)	(77)	(1,472)	—
		32	840	621	876

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19. CASH AND CASH EQUIVALENTS

The Group

	As at December 31,			As at August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	82,951	86,279	369,058	631,907
Denominated in:				
RMB	82,951	86,279	368,317	292,591
HK$	—	—	19	139
US$	—	—	722	339,177

The Company

	As at December 31,	As at August 31,
	2017	2018
	RMB'000	RMB'000
Cash and bank balances	708	339,151
Denominated in:		
HK$	19	139
US$	689	339,012

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 authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR DISTRIBUTION ON DEMERGER

As at December 31, 2017 the transfer of ownership of equity investments with carrying amount of RMB78,000,000 to Zhaoqing Qiaoli (notes 16 and 27) has not been completed since the pre-approval procedures of China Banking Regulatory Commission have not been completed. Accordingly, all of the long-term investments measured at fair value through profit or loss were reclassified as non-current assets held for distribution on demerger as at December 31, 2017.

The transfers of the investments were completed on January 22, 2018, January 23, 2018 and January 25, 2018, respectively.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

21. CONTRACT LIABILITIES

The Group has recognized the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at December 31, 2015, 2016 and 2017 and August 31, 2018 and will be expected to be recognized within one year:

	As at December 31,			As at August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Tuition fees	140,501	195,138	236,985	206,482
Boarding fees	17,312	18,295	21,410	20,493
	157,813	213,433	258,395	226,975

The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year. Tuition and boarding fees are recognized proportionately over the relevant period of the applicable program. The students are entitled to refund of the payment in relation to the proportionate service not yet provided.

(1) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the reporting periods relates to carried-forward contract liabilities.

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year/period					
Tuition fees	105,974	140,501	195,138	195,138	236,985
Boarding fees	13,948	17,312	18,295	18,295	21,410
	119,922	157,813	213,433	213,433	258,395

(2) Unsatisfied contracts

	As at December 31,			As at August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Expected to be recognized within one year				
Tuition fees	140,501	195,138	236,985	206,482
Boarding fees	17,312	18,295	21,410	20,493
	157,813	213,433	258,395	226,975

There were no contract assets at the end of each reporting period recognized in the consolidated statement of financial position.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

22. OTHER PAYABLES AND ACCRUALS

	As at December 31,			As at August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Payables of salary	5,016	6,050	7,437	8,541
Payables of social insurance and housing fund	12,407	15,370	18,473	20,184
Payables of scholarship	13,016	8,625	12,128	30,336
Payables for cooperative education fees	4,661	6,974	5,521	1,329
Payables for purchase of property, plant and equipment	112	63,232	107,375	584
Miscellaneous expenses received from students (Note(a))	12,497	22,966	26,607	23,596
Taxes recorded from disposal of properties (Note(b))	31,066	31,066	31,066	—
Other tax payable	1,003	1,990	3,913	3,368
Accrued listing expense	—	—	4,585	2,923
Accrued interest	—	—	—	2,767
Others	3,250	4,058	3,054	6,376
	83,028	160,331	220,159	100,004

Other payables and accruals are non-interest-bearing and expected to be settled within one year.

Note(a) The amount represents the miscellaneous expenses received from students which will be paid out on behalf of students.

Note(b) Certain properties were disposed by the Group to a third party at a consideration of RMB69,930,000 in 2012. The Group has obligation to settle related taxes amounting to RMB31,066,000 which would be borne by the buyer (note 17). On April 28, 2018, the transfer of ownership has been completed and related taxes were set off against the taxes payable on the same date.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

23. INTEREST-BEARING BANK LOANS

	As at December 31, 2015			As at December 31, 2016			As at December 31, 2017			As at August 31, 2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current												
Bank loans—secured	5.67~6.33	2016	93,000	4.75~5.23	2017	37,730	4.75~5.23	2018	30,000	4.75~5.39	2019	87,000
Bank loans—unsecured	—	—	—	4.61	2017	80,000	—	—	—	—	—	—
			93,000			117,730			30,000			87,000
Non-current												
Bank loans—secured	5.76~6.33	2017~2020	77,000	4.75~5.76	2020~2021	164,570	4.75~5.76	2019~2022	325,000	4.75~5.39	2020~2028	264,121
			170,000			282,300			355,000			351,121

	As at December 31, 2015	2016	2017	As at August 31, 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed into:				
Bank loans repayable:				
Within one year or on demand	93,000	117,730	30,000	87,000
In the second year	17,000	13,595	61,000	14,000
In the third to fifth years, inclusive	60,000	150,975	264,000	82,500
Beyond five years	—	—	—	167,621
	170,000	282,300	355,000	351,121

Notes:

(a) During the Relevant Periods, certain of the Group's bank loans were secured by mortgages over certain of the Group's leasehold lands situated in Mainland China, which had aggregate carrying values of RMB64,473,000, RMB63,061,000 and RMB78,690,000 and nil as at the December 31, 2015, 2016 and 2017 and August 31, 2018, respectively (note 14).

(b) As at December 31, 2015 and 2016, a bank loan with amounts of RMB40,000,000 and RMB30,000,000 respectively, was also secured by the tuition fee charging right of Guangdong Polytechnic College from March 13, 2015 to March 12, 2018.

(c) As at December 31, 2015, a bank loan was secured by the investment in Zhaoqing City Dinghu District Rural Credit Association of RMB46,000,000.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

23. INTEREST-BEARING BANK LOANS—continued

(d) The bank loans are also guaranteed by certain related parties at no cost. The guarantee amounts provided by the related parties as at December 31, 2015, 2016 and 2017 and August 31, 2018 are as follows:

	As at December 31,			As at August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Ye Nianqiao, Ms. Shu Liping and Mr. Wang Ganwei	50,000	95,000	135,000	—
Mr. Ye Nianqiao and Ms. Shu Liping	40,000	30,000	—	—
Mr. Ye Nianqiao, Ms. Shu Liping, Mr. Ye Nianjiu and Mr. Wang Gaiwei	—	—	50,000	—
Mr. Ye Nianqiao, Ms. Shu Liping and Mr. Wang Ganwei, Ms. Chen Xinni, Jiangxi Hong Zhou Vocational College and Jiangxi Kepei*	80,000	—	—	—
Mr. Ye Nianqiao, Ms. Shu Liping, Mr. Ye Nianjiu, Ms. Chen Xinni, Jiangxi Hong Zhou Vocational College and Jiangxi Kepei*	—	77,300	170,000	80,000
Mr. Ye Nianqiao, Ms. Shu Liping and Zhaoqing Qiaoli	—	—	—	271,121
	170,000	202,300	355,000	351,121

* As at December 31, 2015, 2016 and 2017 and August 31, 2018, certain bank loans were secured by leasehold lands and properties of Jiangxi Hong Zhou Vocational College and Jiangxi Kepei.

24. CONVERTIBLE REDEEMABLE BOND

On April 30, 2018, the Company entered into a convertible redeemable bond subscription agreement (the "Convertible Redeemable Bond Subscription Agreement") with Skyline Miracle Limited (the "Pre-IPO Investor"), Mr. Ye Nianqiao, Orchid Asia VII, L. P. and Orchid Asia VII Co-Investment Limited which are independent third parties, pursuant to which the Company issued a convertible redeemable bond (the "Convertible Redeemable Bond") with a principal amount of RMB330,000,000 convertible into ordinary shares of the Company to Skyline Miracle Limited. Immediately prior to initial listing of the shares of the Company on the Stock Exchange (the "Listing"), the whole principal amount under the Convertible Redeemable Bond shall be mandatorily and automatically converted into ordinary shares of the Company.

The principal terms of the Convertible Redeemable Bond is set out as follow:

Interest	The Convertible Redeemable Bond bears interest on its outstanding principal amount from and including November 1, 2018 at the rate of 6% per annum
Maturity date	April 30, 2020, unless such date is extended to April 30, 2022 at the bondholder's discretion
Automatic conversion	Immediately prior to Listing, the whole principal amount under the Convertible Redeemable Bond shall be mandatorily and automatically converted into ordinary shares of the Company. The number of conversion shares to be issued to the Pre-IPO Investor will be determined according to the formula set forth below: A/B x C Where: A = RMB330,000,000

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

24. CONVERTIBLE REDEEMABLE BOND—continued

The principal terms of the Convertible Redeemable Bond is set out as follow:—continued

	B = RMB4,500,000,000, being the agreed valuation of the Company C = Shares expected to be in issue immediately upon the issue of the conversion shares to the Pre-IPO Investor and Listing (which will not take into account the number of shares to be issued pursuant to the over-allotment option)
Direct shareholding in the Company upon completion of the global offering (assuming the over-allotment option is not exercised)	7.33%
Repurchase of the Convertible Redeemable Bond	(i) the Company has not submitted the listing application by December 31, 2018; (ii) the Stock Exchange rejects or returns the listing application of the Company; (iii) the Company withdraws the listing application; (iv) the Company fails to take all reasonable actions to resubmit the listing application within 2 months following the lapse of the listing application and if the failure is based on assessment of the Company with reasonable basis that it would be impracticable to resubmit within such 2 months period or continued to pursue the Listing; (v) the Company fails to take all reasonable actions to resubmit the listing application within 2 months following the lapse of the listing application and if the failure is not based on assessment of the Company with reasonable basis that it would be impracticable to resubmit within such 2 months period or continued to pursue the Listing; (vi) the Listing is not completed on or prior to 31 days prior to the maturity date. the Pre-IPO Investor shall have the right, at any time after the first occurrence of any of the events, to require the Company or Mr. Ye Nianqiao to early redeem or repurchase the Convertible Redeemable Bond at RMB330,000,000 plus interest accrued at 15% per annum from May 1, 2018 (in the case of event (i), (iii) or (v) above) or November 1, 2018 (in the case of event (ii), (iv) or (vi) above) until the date of redemption or repurchase, but in the

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

24. CONVERTIBLE REDEEMABLE BOND—continued

The principal terms of the Convertible Redeemable Bond is set out as follow:—continued

	case where the Pre-IPO Investor only exercises such right on a day which is after 31 days from the date of occurrence, interest from the period from the 32nd day until the date of redemption or repurchase will be accrued on the basis of 6% per annum. The above right of the Pre-IPO Investor to requisite a redemption or repurchase will terminate upon the Pre-IPO Investor ceasing to hold the Convertible Redeemable Bond which will occur immediately prior to Listing.
Guarantors	Mr. Ye Nianqiao is a party to the Convertible Redeemable Bond Subscription Agreement to guarantee the performance by the Company of its obligations under the Convertible Redeemable Bond Subscription Agreement. Orchid Asia VII, L. P. and Orchid Asia VII Co-Investment Limited are parities to the Convertible Redeemable Bond Subscription Agreement to, on a joint and several basis, guarantee the performance of the Pre-IPO Investor of its obligations under the Convertible Redeemable Bond Subscription Agreement.

The terms of the Convertible Redeemable Bond allow conversion into a fixed percentage of outstanding shares of the Company at the time of the conversion, so that the absolute number of shares to be issued is not fixed and is not known until conversion occurs. The Group's directors are of view that such a conversion option cannot normally be classified as equity, because the Company's capital structure could change in ways that put the convertible redeemable bond holder into a better economic position relative to other shareholders.

The Convertible Redeemable Bond issued during the period were designated as financial liabilities at fair value through profit or loss on initial recognition. At the end of the reporting period subsequent to initial recognition, all Convertible Redeemable Bond is measured at fair value, with changes in fair value arising on remeasurement recognized directly in profit or loss in the period in which they arise. The valuation of the Convertible Redeemable Bond as at August 31, 2018 are disclosed in note 35 to the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

25. DEFERRED INCOME

	As at December 31,			As at August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Government grants				
At beginning of year/period	1,080	1,260	6,316	5,585
Grants received	199	5,500	—	—
Charged to profit or loss	(19)	(444)	(731)	(538)
At end of year/period	1,260	6,316	5,585	5,047
Current	160	651	808	808
Non-current	1,100	5,665	4,777	4,239
	1,260	6,316	5,585	5,047

These government grants are related to the subsidies received from the local government for the purpose of compensating the operating expenses arising from the teaching activities of the Group's schools and expenditures on teaching facilities. Upon completion of the operating activities and the related projects, the grants related to the expense items would be recognized as other income directly in profit or loss and the grants related to an asset would be released to profit or loss over the expected useful life of the relevant asset.

26. SHARE CAPITAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on August 24, 2017 with an initial authorized share capital of US$50,000 divided into 50,000 shares of US$1.00 each, of which one share of US$1.00 was issued and allotted to the initial subscriber, and such share was transferred to Qiaoge Company Limited ("Qiaoge") on the same day.

On October 24, 2017, each share of a par value of US$1.00 in the authorized share capital of the Company (including the one issued share and 49,999 unissued shares) was subdivided into 100 shares of a par value of US$0.01 each and the authorized share capital became US$50,000 divided into 5,000,000 shares of a par value of US$0.01 each, Qiaoge held 100 issued shares of a par value of US$0.01 each.

On October 25, 2017, 557, 150, 100 and 93 shares of US$0.01 each of the Company have been issued and allotted to Qiaoge, Chenye Company Limited ("Chenye"), Weixin Company Limited ("Weixin") and Shuye Company Limited ("Shuye"), respectively, credited as fully paid.

In February 2018, Qiaoge transferred 50 shares and 157 shares to Chenye and Shuye, respectively, at nil consideration. Immediately after such transfer, the Company was owned as to 45%, 25%, 20% and 10% by Qiaoge, Shuye, Chenye and Weixin, respectively.

Qiaoge, Chenye, Weixin and Shuye are companies incorporated in the BVI and controlled by Mr. Ye Nianqiao, Mr. Ye Nianjiu, Ms. Shu Liping and Mr. Ye Xun, respectively.

Pursuant to the written resolution of the shareholders of the Company dated January 10, 2019, the authorized share capital of the Company was subdivided from US$50,000 divided into 5,000,000 shares of US$0.01 each to US$50,000 divided into 5,000,000,000 shares of US$0.00001 each.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

27. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statement of changes in equity on pages I-6 to I-7 of this report.

(a) Capital reserve

The capital reserve of the Group represents the capital contribution from the School Sponsor and the PRC Operating Schools.

As part of the reorganization, pursuant to a shareholder resolution passed by all the shareholders of Zhaoqing Kepei on September 10, 2017, of which certain terms were further clarified by a supplement resolution dated on November 1, 2017: Zhaoqing Kepei was demerged into Zhaoqing Kepei which assumes all the legitimate status of and is considered as successor of existing Zhaoqing Kepei and a newly established company namely Zhaoqing Qiaoli with identical shareholding structure of existing Zhaoqing Kepei. The registered capital and paid-in capital of Zhaoqing Kepei was reduced to RMB25,000,000 and RMB2,000,000, and the registered capital and paid-in capital of Zhaoqing Qiaoli was RMB75,000,000 and RMB60,000,000, respectively.

Zhaoqing Kepei shall transfer to Zhaoqing Qiaoli certain non-core business including 49% equity interest in Jiangxi Kepei with carrying value of RMB6,200,000 (note 15), investments in Guangdong Gaoyao Rural Commercial Bank Co., Ltd., Zhaoqing Duanzhou Rural Commercial Bank Co., Ltd. and Zhaoqing City Dinghu District Rural Credit Association with carrying value of RMB78,000,000 (notes 16 and 20) and receivable due from Jiangxi Kepei amounting to RMB65,800,000 and the transfers were treated as deemed distribution by Zhaoqing Kepei to its owners with reduction in reserve of RMB150,000,000. Reduction of reserve by RMB72,000,000 was recorded as at December 31, 2017 when the transfer of equity interest in Jiangxi Kepei and transfer of receivables due from Jiangxi Kepei was completed and the reduction of reserve by RMB78,000,000 was recorded in January 2018 when the transfer of investment in the three financial institutions was completed.

(b) Statutory and other surplus reserves

Pursuant to the relevant laws in the PRC, the Company's subsidiaries in Mainland China shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries. These reserves include (i) the general reserve of the limited liability companies and (ii) the development fund of schools.

(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 capitalization is not less than 25% of the registered capital.

(ii) According to the relevant PRC laws and regulations, for a private school which requires reasonable returns, it is required to appropriate to development fund of not less than 25% of the annual net income of the relevant school as determined in accordance with generally accepted

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

27. RESERVES—continued

(b) Statutory and other surplus reserves—continued

accounting principles in the PRC, while in the case of a private school that does not require reasonable returns, the appropriation amount is at least 25% of annual net income or the annual increase in the net assets of the school. The development fund is for the construction or maintenance of the school, or procurement or upgrading of educational equipment.

28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financial activities:

	Interest-bearing bank loans			
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	91,000	170,000	282,300	355,000
Changes from financing cash flows	79,000	112,300	72,700	(3,879)
At end of year/period	170,000	282,300	355,000	351,121

	Convertible Redeemable Bond
	2018
	RMB'000
At beginning of period	—
Changes from financing cash flows	330,000
Changes in fair value	2,650
At end of period	332,650

29. CONTINGENT LIABILITIES

As at December 31, 2015, 2016 and 2017 and August 31, 2018, the Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threat.

30. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its certain buildings under operating lease arrangements, with leases negotiated for terms ranging from one to twenty 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 December 31, 2015, 2016 and 2017 and August 31, 2018, 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 August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	272	272	11,257	12,388
In the second to fifth years, inclusive	856	775	27,852	26,152
Later than five years	623	436	272	211
	1,751	1,483	39,381	38,751

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31. COMMITMENTS

In addition to the operating lease commitments detailed in note 30 above, the Group had the following capital commitments at the end of each of the Relevant Periods:

	As at December 31,			As at August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provide for:				
Buildings	76,562	423,546	202,745	15,172

At the end of each of the Relevant Periods, the Group did not have significant capital commitments that are authorized but not contracted for.

32. RELATED PARTY TRANSACTIONS

(a) Names and relationships of related parties

Name	Relationship
Mr. Ye Nianqiao	Director of the Company
Ms. Shu Liping	Spouse of Mr. Ye Nianqiao
Mr. Ye Nianqing	Brother of Mr. Ye Nianqiao
Ms. Hu Xueyi	Spouse of Mr. Ye Nianqing
Mr. Ye Nianjiu	Brother of Mr. Ye Nianqiao
Ms. Chen Xinni	Spouse of Mr. Ye Nianjiu
Ms. Shu Jun	Sister of Ms. Shu Liping
Mr. Hu Qi	Brother of Ms. Hu Xueyi
Zhaoqing Huameida Decoration Limited	A company controlled by Ms. Hu Xueyi
Jiangxi Xinercheng Animal Pharmaceutical Industry Co., Ltd.	A company invested by Mr. Ye Nianqiao
Jiangxi Kepei Investment Company Limited	A joint venture of the Company until December 22, 2017 and of Zhaoqing Qiaoli since December 22, 2017
Jiangxi Hongzhou Vocational College	A company controlled by Jiangxi Kepei
Guangdong Polytechnic College Real Estate Development Co., Ltd.	A company invested by Mr. Ye Nianqiao
Zhaoqing Qiaoli Investment Company Limited	A company controlled by Mr. Ye Nianqiao

(b) Outstanding balances with related parties

The Group

As disclosed in the consolidated statements of financial position, the Group had outstanding balances due from/to related parties at December 31, 2015, 2016 and 2017 and August 31, 2018, respectively.

Amount due from a director:

		As at December 31,			As at August 31,
Name	Note	2015	2016	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000
Mr. Ye Nianqiao	33	167,249	207,066	178,110	—

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32. RELATED PARTY TRANSACTIONS—continued

(b) Outstanding balances with related parties—continued

The Group—continued

Amount due from a joint venture:

Name	As at December 31, 2015	As at December 31, 2016	As at December 31, 2017	As at August 31, 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Jiangxi Kepei	137,716	250,716	—	—

Amounts due from related parties:

Name	As at December 31, 2015	As at December 31, 2016	As at December 31, 2017	As at August 31, 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Zhaoqing Huameida Decoration Limited	—	67,737	—	—
Jiangxi Xinercheng Animal Pharmaceutical Industry Co., Ltd.	500	500	500	—
Mr. Ye Nianqing	10,000	10,000	—	—
Ms. Shu Jun	179	2,150	2,150	—
Jiangxi Kepei	—	—	141,916	36,158
	10,679	80,387	144,566	36,158

Except for part of the amounts due from Jiangxi Kepei (note 32(c)), amounts due from these related parties were unsecured, interest-free and had no fixed terms of repayment. The amounts due from a director, due from a joint venture and due from related parties were non-trade in nature.

Up to date of this report, the outstanding balance due from Jiangxi Kepei has been settled.

Amount due to a related party:

Name	As at December 31, 2015	As at December 31, 2016	As at December 31, 2017	As at August 31, 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Ye Nianqing	1,524	1,238	400	—

The amount due to a related party was unsecured, interest-free and had no fixed terms of repayment. The amount due to a related party was trade in nature.

The Company

Amount due to a director:

Name	As at December 31, 2015	As at December 31, 2016	As at December 31, 2017	As at August 31, 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Ye Nianqiao	—	—	5,147	—

The amount due to a director were non-trade in nature, unsecured, interest-free and had no fixed terms of repayment.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32. RELATED PARTY TRANSACTIONS—continued

(c) Other related party transactions

(i) During the Relevant Periods, the Group entered into the following transactions with its related parties:

Name	Nature of transaction	Year ended December 31, 2015	2016	2017	Eight months ended August 31, 2017	2018
		RMB'000	RMB'000	RMB'000	(unaudited) RMB'000	RMB'000
Mr. Ye Nianqing	Meal offering*	842	962	2,816	2,816	—
Jiangxi Kepei	Interest income**	3,752	4,478	7,855	5,670	—
		4,594	5,440	10,671	8,486	—

* The meal offering was made according to the published prices and conditions offered by Mr. Ye Nianqing to his major customers.

** The interest income arose from the following amount due from Jiangxi Kepei:

^ The principal amount of RMB80,000,000 at fixed interest rate of 5.67% per annum with no fixed terms of repayment;

^^ The principal amount of RMB77,300,000 at fixed interest rate of 4.75% per annum with no fixed terms of repayment; and

^^^ The principal amount of RMB22,700,000 at fixed interest rate of 4.75% per annum with no fixed terms of repayment.

(ii) For bank loans secured or guaranteed by related parties, please refer to note 23.

(iii) During the Relevant Periods, the Group provided Mr. Ye Nianqing with items of property, plant and equipment for catering and retail service free of charge. This transaction was terminated in August 2017. The carrying amounts of these items of property are as follows:

	Year ended December 31, 2015	2016	2017	Eight months ended August 31, 2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Canteen	47,964	46,545	—	—	—

(iv) On January 13, 2016, the Company's shareholder, Mr. Ye Nianqiao intended to grant certain employees 300 units of properties with a total area of 33,417 square meters, at a consideration of RMB117,529,000. On January 10, 2017, the Group communicated the terms and conditions with the employee grantees who contribute to the past success of the Group's operation. No unfulfilled condition shall be met by the eligible employees to obtain the properties. The fair value of these properties is RMB129,658,000. The difference between the consideration and the fair value of these properties amounted to RMB12,129,000 was recorded as employee benefits in 2017.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32. RELATED PARTY TRANSACTIONS—continued

(d) Compensation of key management personnel of the Group:

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, allowances and benefits in kind	3,498	3,449	3,478	2,079	2,062
Pension scheme contributions	77	82	82	56	54
	3,575	3,531	3,560	2,135	2,116

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

33. LOANS TO A DIRECTOR

Loans to a director, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	As at January 1, 2015	As at December 31, 2015	Maximum amount Outstanding during the year 2015	As at December 31, 2016	Maximum amount Outstanding during the year 2016	As at December 31, 2017	Maximum amount Outstanding during the year 2017	As at August 31, 2018	Maximum amount outstanding during the eight months ended August 31, 2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Ye Nianqiao	109,363	167,249	177,849	207,666	207,666	178,110	201,110	—	178,110

The loans granted to a director bear no interest and have no fixed terms of repayment.

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each of the Relevant Periods are as follows:

	As at December 31,			As at August 31,
Financial assets—at fair value	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Long-term investments measured at fair value through profit or loss	78,000	78,000	—	—
Short-term investments measured at fair value through profit or loss	—	30,000	500	—
	78,000	108,000	500	—

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. FINANCIAL INSTRUMENTS BY CATEGORY—continued

Financial assets—at amortized costs	As at December 31, 2015	2016	2017	As at August 31, 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, deposits and other receivables	33,420	50,672	11,672	3,000
Amount due from a director	167,249	207,066	178,110	—
Amount due from a joint venture	137,716	250,716	—	—
Amounts due from related parties	10,679	80,387	144,566	36,158
Trade receivables	11,351	15,374	18,128	10,195
Cash and cash equivalents	82,951	86,279	369,058	631,907
	443,366	690,494	721,534	681,260

Financial liabilities at amortized cost	As at December 31, 2015	2016	2017	As at August 31, 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	4,773	70,206	117,481	7,603
Amount due to a related party	1,524	1,238	400	—
Interest-bearing bank loans	170,000	282,300	355,000	351,121
	176,297	353,744	472,881	358,724

Financial liability measured at fair value through profit or loss	As at December 31, 2015	2016	2017	As at August 31, 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Convertible Redeemable Bond	—	—	—	332,650

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at December 31, 2015, 2016 and 2017 and August 31, 2018, the fair values of the Group's financial assets or liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, deposits and other receivables, amount due from a director, amount due from a joint venture, amounts due from related parties, short-term investments measured at fair value through profit or loss, financial liabilities included in other payables and accruals, the current portion of interest-bearing bank loans and an amount due to a related party approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

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.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS—continued

The fair values of unlisted long-term investments measured at fair value through profit or loss have been estimated using a Price/Book ratio—Return On Equity ("PB-ROE") valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the Directors to make estimates about choosing the comparable companies to the long-term investments measured at fair value through profit or loss. The Directors believe that the estimated fair values resulting from the valuation technique were assessed to be insignificant at the end of each of the Relevant Periods.

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 August 31, 2018 was assessed to be insignificant.

The fair value of the Convertible Redeemable Bond is determined by using valuation techniques. The Group has used the discounted cash flow method to determine the underlying equity value of the Company and adopted the option pricing method to allocate the equity value to determine the fair value of the Convertible Redeemable Bond.

Below is a summary of significant unobservable inputs in recurring level 3 to the valuation of financial instruments together with a quantitative sensitivity analysis at the end of each of the Relevant Periods:

	Valuation technique	Significant unobservable input	Range of inputs		
			2015	2016	2017
Long-term investments measured at fair value through profit or loss	Comparable transactions approach	Price-To-Book Value Ratio (Price/Book)	0.62-1.26	0.57-1.52	0.50-1.52

The fair value of the long-term investments measured at fair value through profit or loss is affected by changes in the price-to-book value ratio. If the price-to-book value ratio had increased/decreased by 10% with all other variables held constant, the fair value of the long-term investments measured at fair value through profit or loss for the year ended December 31, 2015, 2016 and 2017 would have been approximately RMB7,858,000, RMB7,809,000 and RMB7,572,000 higher/lower, respectively.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS—continued

	Valuation technique	Significant unobservable input	As of August 31, 2018	Sensitivity of fair value to the input
Convertible Redeemable Bond	Option pricing method	Discount rate	14%	100 basis points increase in discount rate result in decrease in fair value by RMB23,980,000; 100 basis points decrease in discount rate result in increase in fair value by RMB27,620,000
		Probability	Scenario 1: 80% Scenario 2: 10% Scenario 3: 10%	1000 basis points increase/(decrease) in probability result in (decrease)/increase in fair value by RMB670,000
		Risk-free interest rate	2.02%-2.47%	100 basis points increase in risk-free interest rate result in decrease in fair value by RMB570,000; 100 basis points decrease in risk-free interest rate result in increase in fair value by RMB580,000
		Discount for Lack of Marketability ("DLOM")	10%	100 basis points increase in DLOM result in decrease in fair value by RMB2,650,000; 100 basis points decrease in DLOM result in increase in fair value by RMB3,430,000
		Volatility	39%	500 basis points increase in volatility result in increase in fair value by RMB230,000; 500 basis points decrease in volatility result in decrease in fair value by RMB950,000

Discount rate was based on the weighted average cost of capital.

Probability was based on the management estimation of the Company.

Risk-free interest rate referred to the yields of China Government bond as at the valuation dates.

The DLOM was a factor to be considered in valuing closely held Company is the marketability of an interest in such business. There is usually a cost and a time lag associated with locating interested a capable buyers of interest in privately-held Company, because there is no established market of readily-available buyers and sellers.

Volatility was based on the comparison of historical volatility of comparable companies.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS—continued

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at December 31, 2015

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total
	(Level 1) RMB'000	(Level 2) RMB'000	(Level 3) RMB'000	RMB'000
Long-term investments measured at fair value through profit or loss	—	—	78,000	78,000

As at December 31, 2016

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total
	(Level 1) RMB'000	(Level 2) RMB'000	(Level 3) RMB'000	RMB'000
Long-term investments measured at fair value through profit or loss	—	—	78,000	78,000
Short-term investments measured at fair value through profit or loss	—	—	30,000	30,000
	—	—	108,000	108,000

As at December 31, 2017

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total
	(Level 1) RMB'000	(Level 2) RMB'000	(Level 3) RMB'000	RMB'000
Short-term investments measured at fair value through profit or loss	—	—	500	500

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS—continued

Fair value hierarchy—continued

Assets measured at fair value:—continued

The movements in fair value measurements within Level 3 during the year/period were as follows:

Investments	As at December 31, 2015	2016	2017	As at August 31, 2018
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year/period	78,000	78,000	108,000	500
Purchases	—	30,000	500	—
Disposals	—	—	(30,000)	(500)
Transfer to non-current assets classified as held for distribution on demerger	—	—	(78,000)	—
At end of the year/period	78,000	108,000	500	—

Liabilities for which fair values are disclosed:

As at 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
Interest-bearing bank loans	—	77,000	—	77,000

As at 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
Interest-bearing bank loans	—	164,570	—	164,570

As at 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
Interest-bearing bank loans	—	325,000	—	325,000

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS—continued

Fair value hierarchy—continued

Liabilities for which fair values are disclosed:—continued

As at August 31, 2018

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total
	(Level 1) RMB'000	(Level 2) RMB'000	(Level 3) RMB'000	RMB'000
Interest-bearing bank loans	—	264,121	—	264,121

Liabilities measured at fair value:

As at August 31, 2018

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total
	(Level 1) RMB'000	(Level 2) RMB'000	(Level 3) RMB'000	RMB'000
Convertible Redeemable Bond	—	—	332,650	332,650

The movements in fair value measurements within Level 3 during the Relevant Periods were as follows:

	RMB'000
At January 1, 2018	—
Proceeds from issue of the convertible redeemable bond	330,000
Changes in fair value	2,650
At August 31, 2018	332,650

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, amount due from a director, amount due from a joint venture, the amounts due from related parties, cash and cash equivalents, convertible redeemable bond and wealth management products. The main purpose of the financial instruments is to raise finance for the Group's operation. The Group has various other financial assets and liabilities such as trade receivables and other payables and accruals, which arise directly from its operations.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

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 and they are summarized below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. It is the Group's policy to keep certain borrowings at floating rates of interest so as to minimize the fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the directors of the Company will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate bank borrowings at the end of each of the Relevant Periods and assumed that the amount of liabilities outstanding at the end of each period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended December 31, 2015, 2016 and 2017 and eight months ended August 31, 2018 would decrease/increase by RMB435,000, RMB980,000, RMB70,000 and RMB1,804,000, respectively. This is mainly attributable to the Group's exposure to variable interest rates on its bank loans.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from cash and cash equivalents placed with banks, trade receivables, due from related parties and other receivables.

(1) Cash and cash equivalents

As disclosed in note 19 to the Historical Financial Information, most of the bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The expected credit loss is close to zero.

(2) Trade receivables

The Group's trade receivables are due from a number of individual students, credit quality of each student is assessed and outstanding receivables are regularly monitored.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on financial situation and historical payment records for groupings of various student segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

(2) Trade receivables—continued

information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off after one year of the graduation of the specific students and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 18. The Group does not hold collateral as security.

(3) Other receivables

Other receivables were mainly loans to employees, loans to third parties and related parties and other receivables. The Group considers the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on ongoing basis during the Relevant Periods. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as the reporting date with the risk of default as at the date of initial recognition.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within one year of when they fail due.

Financial assets are written-off when there is no reasonable expectation of recovery. The Group categories a receivable for write off when a debtor fails to make contractual payments greater than two years past due.

(4) Amount due from related parties

The Group analyzed the credit risk related to amount due from related parties and categorized all the amount due from related parties in stage 1 at the end of each reporting period. During the Relevant Periods, the Group estimated the expected loss rate for amount due from related parties is minimal.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operation and bank loans and convertible redeemable bond. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

Liquidity risk—continued

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

2015	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans—*fixed rate*	1,000	1,840	84,505	56,056	—	143,401
Interest-bearing bank loans—*variable rate*	—	633	11,806	31,474	—	43,913
Financial liabilities included in other payables and accruals	4,773	—	—	—	—	4,773
Due to a related party	1,524	—	—	—	—	1,524
	7,297	2,473	96,311	87,530	—	193,611

2016	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans—*fixed rate*	—	3,172	94,680	187,012	—	284,864
Interest-bearing bank loans—*variable rate*	—	388	30,819	—	—	31,207
Financial liabilities included in other payables and accruals	70,206	—	—	—	—	70,206
Due to a related party	1,238	—	—	—	—	1,238
	71,444	3,560	125,499	187,012	—	387,515

2017	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans—*fixed rate*	7,270	4,361	35,984	350,843	—	398,458
Financial liabilities included in other payables and accruals	117,481	—	—	—	—	117,481
Due to a related party	400	—	—	—	—	400
	125,151	4,361	35,984	350,843	—	516,339

Eight months ended August 31, 2018	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans - *fixed rate*	—	961	80,602	—	—	81,563
Interest-bearing bank loans - *variable rate*	—	3,694	18,122	136,169	200,549	358,534
Financial liabilities included in other payables and accruals	7,603	—	—	—	—	7,603
Convertible redeemable bond	330,000	—	—	—	—	330,000
	337,603	4,655	98,724	136,169	200,549	777,700

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

Capital management

The Group's policy is to maintain a strong capital base so as to maintain the confidence of creditor and the market and to sustain future development of business.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through raising of new debts as well as the redemption of the existing debts. The Group's overall strategy remained unchanged during the Relevant Periods.

The Group monitors capital using a debt-to-asset ratio which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of each of the Relevant Periods are as follows:

	As at December 31,			As at August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Total liabilities	413,625	663,618	839,539	1,015,797
Total assets	1,231,955	1,661,222	2,008,148	2,272,430
Debt-to-asset ratios	34%	40%	42%	45%

37. EVENTS AFTER THE RELEVANT PERIODS

Pursuant to the written resolution of the shareholders of the Company dated January 10, 2019, the authorized share capital of the Company was subdivided from US$50,000 divided into 5,000,000 shares of US$0.01 each to US$50,000 divided into 5,000,000,000 shares of US$0.00001 each.

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to August 31, 2018.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The pro forma financial information should be read in conjunction with the "Financial Information" section in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for inclusion in Investment Circulars*" issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets as of August 31, 2018 as if it had taken place on August 31, 2018.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of August 31, 2018 or any future date. It is prepared based on our consolidated net tangible assets as of August 31, 2018 as set out in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Consolidated net tangible assets attributable to owners of the Company as of August 31, 2018	Estimated net proceeds from the Global offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Offer Share	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 3)	RMB (Note 4)	(HK$ equivalent) (Note 5)
Based on an Offer Price of HK$1.88 per Offer Share, after a Downward Offer Price Adjustment of 10%	1,256,633	530,733	1,787,366	0.96	1.10
Based on an Offer Price of HK$2.08 per Offer Share	1,256,633	590,499	1,847,132	1.00	1.14
Based on an Offer Price of HK$2.70 per Offer Share	1,256,633	775,773	2,032,406	1.10	1.25

Notes:

(1) The consolidated net tangible assets attributable to owners of the Company as of August 31, 2018 is extracted from the Accountants' Report, which is based on the audited consolidated equity attributable to owners of the Company as of August 31, 2018 of approximately RMB1,256.6 million.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$2.08 per Share or HK$2.70 per Share, and also based on an Offer Price of HK$1.88 per Offer Share after making a Downward Offer Price Adjustment of 10%, after deduction of the underwriting fees and other related expenses payable by the Company (excluding approximately RMB25.8 million which have been paid or become payable up to August 31, 2018) and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.0 to RMB0.8765 prevailing on January 7, 2019.

(3) The unaudited pro forma adjusted consolidated net tangible assets do not take into account the effects arising from the conversion of an issued convertible redeemable bond with a principal amount of RMB330,000,000 into 146,666,667 ordinary shares of the Company pursuant to a convertible redeemable bond subscription agreement dated April 30, 2018, entered into between the Company, Skyline Miracle Limited, Mr. Ye, Orchid Asia VII, L. P. and Orchid Asia VII Co-Investment Limited. As set out in the convertible redeemable bond subscription agreement, immediately prior to Listing, the whole principal amount under the convertible redeemable bond shall be mandatorily and automatically converted into ordinary shares of the Company and re-designated from liabilities to equity.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,853,334,000 Shares in issue immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option and the effects arising from the conversion of an issued convertible redeemable bond with a principal amount of RMB330,000,000 into 146,666,667 ordinary shares of the Company.

(5) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.0 to RMB0.8765 prevailing on January 7, 2019.

B. UNAUDITED PRO FORMA ESTIMATED EARNINGS PER SHARE

The following unaudited pro forma estimated earnings per Share for the year ended December 31, 2018 has been prepared in accordance with paragraph 4.29 of the Listing Rules on the basis set out in the notes below for the purpose of illustrating the effect of the Global Offering and the conversion of the convertible redeemable bond, as if it had taken place on January 1, 2018. The unaudited pro forma estimated earnings per Share has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Global Offering.

Estimated consolidated profit attributable to owners of the Company	Not less than RMB316.0 million
Unaudited pro forma estimated earnings per Share	Not less than RMB0.16

Notes:

(1) The bases on which the above estimate for the year ended December 31, 2018 have been prepared are summarized in Appendix III to this prospectus. The estimated consolidated profit attributable to owners of the Company for the year ended December 31, 2018 is based on the audited consolidated results of the Group for the eight months ended August 31, 2018, the unaudited consolidated results based on the management accounts of the Group for the three months ended November 30, 2018 and an estimate of the consolidated results of the Group for the remaining one month ended December 31, 2018.

(2) The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated profit attributable to owners of the Company for the year ended December 31, 2018 and the weighted average number of shares that are outstanding during the year ended December 31, 2018 and on the assumption that the Global Offering had been completed on January 1, 2018 and the convertible redeemable bond had been converted into ordinary shares on January 1, 2018, resulted in a weighted average of 2,000,000,667 Shares for the year ended December 31, 2018. The calculation or the estimated earnings per Share does not take account of any Shares which may be issued upon the exercise of the Over-allotment Option.

C. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountants, Ernst &Young, Certified Public Accountants, Hong Kong, for the purpose for inclusion in this prospectus.

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of China Kepei Education Group Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Kepei Education Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at August 31, 2018 and related notes as set out on pages II-1 and II-2 of the prospectus dated January 15, 2019 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 August 31, 2018 as if the transaction had taken place at August 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 August 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
January 15, 2019

Our estimate of the consolidated profit for the year ended December 31, 2018 is set out in the section headed "Financial Information – Profit estimate for the year ended December 31, 2018" in this prospectus.

(A) PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2018

Our Directors have prepared the consolidated profit estimate of the Group for the year ended December 31, 2018 based on the audited consolidated results of the Group for the eight months ended August 31, 2018, the unaudited consolidated results based on the management accounts of the Group for the three months ended November 30, 2018 and an estimate of the consolidated results of the Group for the remaining one month ended December 31, 2018. The estimate has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by the Group as summarized in the Accountants' report, the text of which is set out in Appendix I to this prospectus.

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2018

Estimated consolidated profit attributable to owners of the Company	Not less than RMB316.0 million

Note: The estimated consolidated profit attributable to owners of the Company for the year ended December 31, 2018 has been taken account of the listing expenses incurred during the year ended December 31, 2018 of approximately RMB31.4 million.

(B) LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for inclusion in this prospectus, received by the Directors and the Sponsors from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in connection with the estimate of the consolidated profit attributable to owners of the Company for the year ended December 31, 2018.

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Board of Directors
China Kepei Education Group Limited
P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Citigroup Global Markets Asia Limited
50/F, Champion Tower
3 Garden Road,
Central, Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road,
Central, Hong Kong

Dear Sirs,

China Kepei Education Group Limited ("the Company")

Profit estimate for year ended December 31, 2018

We refer to the estimate of the consolidated profit attributable to equity holders of the Company for the year ended December 31, 2018 ("the Profit Estimate") set forth in the section headed "Financial Information – Profit estimate for the year ended December 31, 2018" in the prospectus of the Company dated January 15, 2019 ("the Prospectus").

Directors' responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as "the Group") for the eight months ended August 31, 2018, the unaudited consolidated results based on the management accounts of the Group for the three months ended November 30, 2018 and an estimate of the consolidated results of the Group for the remaining one month ended December 31, 2018.

The Company's directors are solely responsible for the Profit Estimate.

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 Hong Kong Institute of Certified Public Accountants ("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 on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated January 15, 2019, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
January 15, 2019

(B) LETTERS FROM THE JOINT SPONSORS

The following are the texts of two letters, prepared for inclusion in this prospectus, received by the Directors from the Joint Sponsors, Citigroup Global Markets Asia Limited and CCB International Capital Limited, respectively, in connection with the estimate of the consolidated profit attributable to owners of the Company for the year ended December 31, 2018.

Citigroup Global Markets Asia Limited
50/F, Champion Tower
3 Garden Road
Central
Hong Kong

The Directors
China Kepei Education Group Limited

January 15, 2019

Dear Sirs,

We refer to the estimate of the consolidated profit attributable to owners of China Kepei Education Group Limited (the "**Company**", together with its subsidiaries and the consolidated affiliated entities, collectively referred to as the "**Group**") for the year ended December 31, 2018 (the "**Profit Estimate**"), for which the directors of the Company (the "**Directors**") are solely responsible, as set out in the section headed "Financial Information" in the prospectus of the Company dated January 15, 2019 (the "**Prospectus**").

The Profit Estimate has been prepared by the Directors based on (i) the audited consolidated results of the Group for the eight months ended August 31, 2018 as set out in the Accountants' Report in Appendix I to the Prospectus; (ii) the unaudited consolidated results based on the management accounts of the Group for the three months ended November 30, 2018; and (iii) an estimate of the consolidated results of the Group for the one month ended December 31, 2018.

We have discussed with you the bases made by the Directors as set out in Appendix III to the Prospectus, upon which the Profit Estimate has been made. We have also considered the letter dated January 15, 2019 addressed to yourselves and ourselves from Ernst & Young regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by Ernst & Young, we are of the opinion that the Profit Estimate, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

For and on behalf of
Citigroup Global Markets Asia Limited
Edwina Ip
Director

建银国际
CCB International

CCB International Capital Limited
12/F., CCB Tower
3 Connaught Road Central
Central
Hong Kong

The Directors
China Kepei Education Group Limited

January 15, 2019

Dear Sirs,

We refer to the estimate of the consolidated profit attributable to equity shareholders of China Kepei Education Group Limited (the "**Company**") for the year ended December 31, 2018 (the "**Profit Estimate**"), for which the directors of the Company (the "**Directors**") are solely responsible, as set out in the section headed "Financial Information" in the prospectus of the Company dated January 15, 2019 (the "**Prospectus**").

The Profit Estimate has been prepared by the Directors based on (i) the audited consolidated results of the Company and its subsidiaries and the consolidated affiliated entities (collectively referred to as the "**Group**") for the eight months ended August 31, 2018 as set out in the Accountants' Report in Appendix I to the Prospectus; (ii) the unaudited consolidated results based on the management accounts of the Group for the three months ended November 30, 2018; and (iii) an estimate of the consolidated results of the Group for the one month ended December 31, 2018.

We have discussed with you the bases made by the Directors as set out in Appendix III to the Prospectus, upon which the Profit Estimate has been made. We have also considered the letter dated January 15, 2019 addressed to yourselves and ourselves from Ernst & Young regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by Ernst & Young, we are of the opinion that the Profit Estimate, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

For and on behalf of
CCB International Capital Limited
Calvin Chan
Executive Director

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 Asia-Pacific Consulting and Appraisal Limited, an independent property valuer, in connection with its valuation as at October 31, 2018 of the property interests of the Group.

APA
亚太评估

Asia-Pacific Consulting and Appraisal Limited
Room 1907, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

January 15, 2019

The Board of Directors
China Kepei Education Group Limited
Qifu Avenue
Gaoyao District
Zhaoqing City
Guangdong Province
The People's Republic of China

Dear Sirs,

Instructions, Purpose and Date of Valuation

In accordance with your instructions to value the property interests held by China Kepei Education Group Limited (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"). We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at October 31, 2018 (the "**valuation date**").

For the purpose of this report, "property activities" mean holding (directly or indirectly) and/or development of properties for letting or retention as investments, or the purchase or development of properties for subsequent sale, or for subsequent letting or retention as investments. Any other property interest is classified as "non-property activities". The properties in this report refer to all property interests that form part of the Group's non-property activities. Except for the property interests in the report, the Group has no any property interest that forms part of the Group's property activities.

Basis of Valuation

Our valuation was 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".

Methods of Valuation

Due to the nature of the buildings and structures of the properties and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the buildings and structures of the properties have been valued by the cost approach with reference to their depreciated replacement costs.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing the property interest held under development as at the valuation date, we have assumed that it will be developed and completed in accordance with the latest development proposals provided to us by the Group. In arriving at our opinion of value, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees to be expended to complete the development

Valuation Assumptions

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Valuation Standards

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

Source of Information

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Document and Title Investigation

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and other official permits relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal adviser – Jingtian & Gongcheng, concerning the validity of the property interests in the PRC.

Area Measurement and Inspection

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 and that no unexpected cost and delay will be incurred during construction. 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.

The site inspection was carried out in September 2017 and October 2018 by Mr. David Cheng who is a member of Royal Institution of Chartered Surveyor, a member of China Real Estate Appraiser and has over 18 years' experience in the valuation of properties in the PRC; Ms. Alice Dong who has 14 years' experience in the property valuation in the PRC and Ms. Sophia Xi who has 3 years' experience in the property valuation in the PRC.

Currency

All monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
for and on behalf of
Asia-Pacific Consulting and Appraisal Limited

David G. D. Cheng
MRICS
Executive Director

Note: *David G.D. Cheng is a member of Royal Institution of Chartered Surveyor who has 18 years' experience in the valuation of assets in the PRC, Hong Kong and the Asia-Pacific region.*

SUMMARY OF VALUES

Properties held and occupied by the Group in the PRC

No.	Property	Market value in existing state as at October 31, 2018 *RMB*
1.	3 parcels of land, 75 completed buildings, various structures and a building under construction located at Qifu Avenue Gaoyao District Zhaoqing City Guangdong Province The PRC	576,052,000[(1)]
2.	3 parcels of land, 16 buildings and various structures located at Jidong Road Duanzhou District Zhaoqing City Guangdong Province The PRC	147,947,000
3.	3 parcels of land, 15 buildings and various structures located at the junction of Qingyun Road and Guiwan Road Dinghu District Zhaoqing City Guangdong Province The PRC	132,903,000[(2)]
	Total:	**856,902,000**

Notes:

(1) For the portions without proper title certificates, we have not attributed commercial value to them. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them (excluding land element) as at the valuation date would be RMB259,596,000 assuming all relevant title certificates have been obtained and they could be freely transferred. This figure does not include the market value for reference of the portions without proper title certificates.

(2) For the portions without proper title certificates, we have not attributed commercial value to them. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them (excluding land element) as at the valuation date would be RMB392,810,000 assuming all relevant title certificates have been obtained and they could be freely transferred. This figure does not include the market value for reference of the portions without proper title certificates.

VALUATION CERTIFICATE

Properties held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at October 31, 2018
				RMB
1.	3 parcels of land, 75 completed buildings, various structures and a building under construction located at Qifi Avenue Gaoyao District Zhaoqing City Guangdong Province The PRC	The property comprises 3 parcels of land with a total site area of approximately 600,037.20 sq.m., 75 completed buildings and various structures erected thereon which were completed in various stages between 2009 and 2016. The 75 completed buildings have a total gross floor area of approximately 324,827.29 sq.m., mainly include teaching buildings, training buildings, comprehensive buildings, dormitories, expert apartments, teacher apartment, dining halls, a library, a sport hall, a gymnasium and ancillary buildings. The structures mainly include ancillary facilities, sports ground, gates, boundary walls and roads. Besides, there is a training building under construction. As advised by the Group, the building is scheduled to be completed in June 2019. Upon completion, the building will have a gross floor area of 13,451.62 sq.m. The land use rights of the property have been granted to the Group for terms expiring on October 15, 2058, October 15, 2058 and February 27, 2056 respectively for comprehensive use.	The property is currently occupied by the Group for education and ancillary purposes except for portions of the property with a total lettable area of approximately 9,970 sq.m. which were leased to various tenants for supermarket, canteen and retail purposes.	576,052,000

Notes:

1. Pursuant to 3 State-owned Land Use Rights Certificates – Gao Yao Guo Yong (2014) Di Nos. 03287, 03290 and 03292, the land use rights of 3 parcels of land, on which the property is situated, with a total site area of approximately 600,037.20 sq.m. have been granted to Guangdong Polytechnic College (廣東理工學院, a wholly-owned subsidiary of the Company) for terms expiring on October 15, 2058, October 15, 2058 and February 27, 2056 respectively for comprehensive use.

2. Our valuation has been made on the following basis and analysis: we have made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The prices of these comparable land sites range from about RMB 631 to RMB 737 per sq.m. on floor area basis. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at our assumed unit rate.

3. Pursuant to 40 Building Ownership Certificates – Yue Fang Di Quan Zheng Gao Zi Di Nos. 0000052541 to 0000052550, 0000052589 to 0000052708 and 0000052710 to 0000052719, 40 buildings with a total gross floor area of approximately 171,646.45 sq.m. are owned by Guangdong Polytechnic College. The details are set out as follows:

No.	Certificate No.	Building name	Gross Floor Area	Date of Issue	Owner
1	0000052541	Training building	7,903.82	19-Dec-2014	Guangdong Polytechnic College
2	0000052701	Training building	7,300.48	17-Dec-2014	Guangdong Polytechnic College
3	0000052719	Expert apartment	415.34	16-Dec-2014	Guangdong Polytechnic College
4	0000052718	Expert apartment	415.34	16-Dec-2014	Guangdong Polytechnic College
5	0000052711	Expert apartment	319.26	15-Dec-2014	Guangdong Polytechnic College
6	0000052714	Expert apartment	319.26	15-Dec-2014	Guangdong Polytechnic College
7	0000052715	Expert apartment	319.26	15-Dec-2014	Guangdong Polytechnic College
8	0000052716	Expert apartment	319.26	16-Dec-2014	Guangdong Polytechnic College
9	0000052712	Expert apartment	319.26	15-Dec-2014	Guangdong Polytechnic College
10	0000052713	Expert apartment	319.26	15-Dec-2014	Guangdong Polytechnic College
11	0000052710	Expert apartment	415.34	15-Dec-2014	Guangdong Polytechnic College
12	0000052543	Expert apartment	415.34	22-Dec-2014	Guangdong Polytechnic College
13	0000052597	Student dormitory	10,284.07	16-Dec-2014	Guangdong Polytechnic College
14	0000052593	Student dormitory	11,480.58	16-Dec-2014	Guangdong Polytechnic College
15	0000052590	Student dormitory	2,921.37	16-Dec-2014	Guangdong Polytechnic College
16	0000052702	Student dormitory	2,921.37	17-Dec-2014	Guangdong Polytechnic College
17	0000052545	Student dormitory	2,921.37	22-Dec-2014	Guangdong Polytechnic College
18	0000052703	Student dormitory	2,921.37	17-Dec-2014	Guangdong Polytechnic College
19	0000052548	Comprehensive building	5,983.12	22-Dec-2014	Guangdong Polytechnic College
20	0000052708	Comprehensive building	3,575.89	19-Dec-2014	Guangdong Polytechnic College
21	0000052595	Comprehensive building	6,933.16	16-Dec-2014	Guangdong Polytechnic College
22	0000052594	Comprehensive building	6,933.16	16-Dec-2014	Guangdong Polytechnic College
23	0000052592	Comprehensive building	6,933.16	16-Dec-2014	Guangdong Polytechnic College
24	0000052591	Comprehensive building	4,774.48	16-Dec-2014	Guangdong Polytechnic College
25	0000052542	Comprehensive building	5,432.33	19-Dec-2014	Guangdong Polytechnic College
26	0000052589	Comprehensive building	11,427.2	16-Dec-2014	Guangdong Polytechnic College
27	0000052700	Teaching building	4,816.92	17-Dec-2014	Guangdong Polytechnic College
28	0000052707	Teaching building	4,816.92	19-Dec-2014	Guangdong Polytechnic College
29	0000052699	Teaching building	4,816.92	16-Dec-2014	Guangdong Polytechnic College
30	0000052706	Teaching building	4,816.92	18-Dec-2014	Guangdong Polytechnic College
31	0000052550	Sport hall	3,452.21	22-Dec-2014	Guangdong Polytechnic College
32	0000052546	Office building	2,719.06	22-Dec-2014	Guangdong Polytechnic College
33	0000052544	Library	15,176.33	22-Dec-2014	Guangdong Polytechnic College
34	0000052547	Art building	3,505.99	22-Dec-2014	Guangdong Polytechnic College
35	0000052549	Office building	1,439.38	22-Dec-2014	Guangdong Polytechnic College
36	0000052596	Teacher apartment	3,208.2	16-Dec-2014	Guangdong Polytechnic College
37	0000052717	Teacher apartment	2,236.11	16-Dec-2014	Guangdong Polytechnic College
38	0000052598	Teacher apartment	2,179.68	16-Dec-2014	Guangdong Polytechnic College
39	0000052704	Teacher apartment	2,179.68	17-Dec-2014	Guangdong Polytechnic College
40	0000052705	Dining hall	12,058.28	19-Dec-2014	Guangdong Polytechnic College
		Total	171,646.45		

4. Pursuant to 10 Temporary Construction Work Planning Permits – (Gao) Zhao Gui Lin Jian Zheng Nos. 2017053 to 2017062 in favor of Guangdong Polytechnic College, 20 buildings with a total gross floor area of approximately 1,826.61 sq.m. have been approved for construction. The details are set out as follows:

No.	Certificate No.	Building name	Gross Floor Area	Validity Date	User
1	2017053	Express service center	225	28-Dec-2019	Guangdong Polytechnic College
2	2017053	Express service center	225	28-Dec-2019	Guangdong Polytechnic College
3	2017054	Refuse transfer station	81.6	28-Dec-2019	Guangdong Polytechnic College
4	2017054	Refuse transfer station	81.6	28-Dec-2019	Guangdong Polytechnic College
5	2017055	Refuse transfer station	81.6	28-Dec-2019	Guangdong Polytechnic College
6	2017055	Power distribution room	71.44	28-Dec-2019	Guangdong Polytechnic College
7	2017056	Power distribution room	73.68	28-Dec-2019	Guangdong Polytechnic College
8	2017056	Power distribution room	73.68	28-Dec-2019	Guangdong Polytechnic College
9	2017057	Power distribution room	91.2	28-Dec-2019	Guangdong Polytechnic College
10	2017057	Power distribution room	39.58	28-Dec-2019	Guangdong Polytechnic College
11	2017058	Power distribution room	71.91	28-Dec-2019	Guangdong Polytechnic College
12	2017058	Power distribution room	71.91	28-Dec-2019	Guangdong Polytechnic College
13	2017059	Power distribution room	71.91	28-Dec-2019	Guangdong Polytechnic College
14	2017059	Power distribution room	73.68	28-Dec-2019	Guangdong Polytechnic College
15	2017060	Power distribution room	71.91	28-Dec-2019	Guangdong Polytechnic College
16	2017060	Power distribution room	99.88	28-Dec-2019	Guangdong Polytechnic College
17	2017061	Power distribution room	99.88	28-Dec-2019	Guangdong Polytechnic College
18	2017061	Power distribution room	71.91	28-Dec-2019	Guangdong Polytechnic College
19	2017062	Power distribution room	84.24	28-Dec-2019	Guangdong Polytechnic College
20	2017062	Toolhouse	65.0	28-Dec-2019	Guangdong Polytechnic College
		Total	1,826.61		

5. For the remaining 15 buildings with a total gross floor area of approximately 14,850.23 sq.m., we have not been provided with any title certificates except for the following documents:-

   a. Pursuant to 2 Construction Work Planning Permits – Jian Zi Di No. 2012154 in favor of Zhaoqing Science and Technology Secondary Vocational School (肇慶市科技職業技術學院, the former name of Guangdong Polytechnic College) and Zhao Cheng Gui Gao Jian Zi Di No. (2017) 441 in favor of Guangdong Polytechnic College, 3 buildings with a total gross floor area of approximately 4,964.37 sq.m. have been approved for construction.

   b. Pursuant to a Construction Work Commencement Permit – No. 441283201503160101 in favor of Zhaoqing Science and Technology Secondary Vocational School (肇慶市科技職業技術學院, the former name of Guangdong Polytechnic College), permission by the relevant local authority was given to commence the construction work of a student dormitory with a total gross floor area of approximately 16,764.07 sq.m.

   c. Pursuant to 4 Construction Work Completion and Inspection Certificates – Gao Gui Jian Yan Zheng Zi Di 2013 Nos. 319 to 321, Gao Gui Jian Yan Zheng Zi Di 2016 No. 048 in favor of Zhaoqing Science and Technology Secondary Vocational School (肇慶市科技職業技術學院, the former name of Guangdong Polytechnic College), the construction of 10 buildings (including 2 teaching buildings, an office building, an assembly hall, 5 dormitories and a dining hall) with a total gross floor area of approximately 126,394.54 sq.m. has been completed and passed the acceptance inspection.

   d. Pursuant to a Construction Work Completion and Inspection Certificate – Gao Gui Jian Yan Zheng Zi Di 2017 No. 120 in favor of Guangdong Polytechnic College, the construction of a teacher dormitory with a gross floor area of approximately 3,231.25 sq.m. has been completed and passed the acceptance inspection.

6. As advised by the Group, Guangdong Polytechnic College is in process of applying for the relevant title certificates for the 15 buildings mentioned in note 5.

7. Pursuant to various Tenancy Agreements entered into between Guangdong Polytechnic College and various third parties, portions of the property with a total lettable area of approximately 9,970 sq.m. were leased to various tenants for supermarket, canteen and retail purposes with terms from 1 year to 5 years at a total annual rental receivable in 2018 of approximately RMB 5,903,930 exclusive management fee.

8. Pursuant to a Construction Work Planning Permit - Zhao Cheng Gui Ding Jian Zi Di No. (2018) 095 in favor of Guangdong Polytechnic College, the training building under construction with a gross floor area of approximately 13,451.62 sq.m. has been approved for construction.

9. Pursuant to a Construction Work Commencement Permit - No.44128320180313020 in favor of Guangdong Polytechnic College, permission by the relevant local authority was given to commence the construction work of the training building with a gross floor area of approximately 13,451.62 sq.m.

10. As advised by Guangdong Polytechnic College, the construction cost of the training building is estimated to be approximately RMB25,756,780, of which RMB9,815,104.54 had been paid up to the valuation date.

11. 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. Guangdong Polytechnic College legally owns the land use rights of the property and is the sole legal land user of the property. Guangdong Polytechnic College is entitled to legally use the land in accordance with valid term stipulated in the State-owned Land Use Rights Certificates. As the usage of the land is for education, the land use rights of the land cannot be mortgaged under the PRC laws. In addition to the foregoing legal restrictions, there are no other laws and regulations to restrict Guangdong Polytechnic College to transfer, lease, donate or use by permission the land use rights to third parties.

    b. Guangdong Polytechnic College legally owns the building ownership rights of the property mentioned in note 3 and is entitled to legally use the buildings. As the usage of the buildings is for education, the buildings cannot be mortgaged under the PRC laws. In addition to the foregoing legal restrictions, there are no other laws and regulations to restrict Guangdong Polytechnic College to transfer, lease, donate or use by permission the buildings to third parties.

    c. For the buildings in use which have not been provided with Construction Work Completion and Inspection Certificates, Guangdong Polytechnic College will be subject to the following legal risks: (i) the relevant authority may order to make correction and impose a fine of 2% to 4% of contracted price; and (ii) if losses are caused by Guangdong Polytechnic College, liability for compensation shall be assumed lawfully.

    d. in the case that the relevant application materials are fully prepared, there is no substantive legal obstacle for Guangdong Polytechnic College to obtain the building ownership certificates for these buildings mentioned in notes 4 and 5.

12. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the 35 buildings mentioned in notes 4 and 5 which have not been obtained any proper title certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them (excluding land element) as at the valuation date would be RMB259,596,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at October 31, 2018
				RMB
2.	3 parcels of land, 16 buildings and various structures located at Jidong Road Duanzhou District Zhaoqing City Guangdong Province The PRC	The property comprises 3 parcels of land with a total site area of approximately 61,302.61 sq.m., 16 buildings and various structures erected thereon which were completed in 2001. The 16 buildings have a total gross floor area of approximately 80,068.57 sq.m., mainly include teaching buildings, training buildings, dormitories, dining halls, a library and ancillary buildings. The structures mainly include ancillary facilities, sports ground, gates, boundary walls and roads. The land use rights of the property have been granted to the Group for terms expiring on March 25, 2047, April 5, 2048 and August 28, 2050 respectively for science and education uses.	The property is currently occupied by the Group for education and ancillary purposes except for portions of the property with a total lettable area of approximately 2,350 sq.m. which were leased to various tenants for supermarket and canteen purposes.	147,947,000

Notes:

1. Pursuant to 3 State-owned Land Use Rights Certificates – Zhao Fu Guo Yong (2015) Di Nos. 0030028, 0030029 and 0030030, the land use rights of 3 parcels of land, on which the property is situated, with a total site area of approximately 61,302.61 sq.m. have been granted to Guangdong Polytechnic College (廣東理工學院, a wholly-owned subsidiary of the Company) for terms expiring on March 25, 2047, April 5, 2048 and August 28, 2050 respectively for science and education uses.

2. Our valuation has been made on the following basis and analysis: we have made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The prices of these comparable land sites range from about RMB 967 to RMB 1,138 per sq.m. on floor area basis. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at our assumed unit rate.

3. Pursuant to 16 Building Ownership Certificates – Yue Fang Di Quan Zheng Zhao Zi Di Nos. 0100118978, 0100118979, 0100118984, 0100118985, 0100119007, 0100119009, 0100119012, 0100119013, 0100119014, 0100119023, 0100119024, 0100119027, 0100119030, 0100119040, 0100119042 and 0100119046, 16 buildings with a total gross floor area of approximately 80,068.57 sq.m. are owned by Guangdong Polytechnic College. The details are set out as follows:

No.	Certificate No.	Building name	Gross Floor Area	Date of Issue	Owner
1	0100118978	Student dormitory	4,532.46	17-Sep-2015	Guangdong Polytechnic College
2	0100119024	Training building	8,135.11	21-Sep-2015	Guangdong Polytechnic College
3	0100119030	Art building	3,252.77	21-Sep-2015	Guangdong Polytechnic College
4	0100119023	Laboratory building	3,583.67	21-Sep-2015	Guangdong Polytechnic College
5	0100119046	Teaching building	6,829.96	17-Sep-2015	Guangdong Polytechnic College
6	0100119027	Student dormitory	3,202.33	21-Sep-2015	Guangdong Polytechnic College
7	0100119042	Student dormitory	5,646.7	21-Sep-2015	Guangdong Polytechnic College
8	0100119040	Student dormitory	6,114.85	21-Sep-2015	Guangdong Polytechnic College
9	0100119014	Dining hall	3,733.97	7-Sep-2015	Guangdong Polytechnic College
10	0100119013	Training building	5,533.25	21-Sep-2015	Guangdong Polytechnic College
11	0100119007	Teaching building	5,842.62	21-Sep-2015	Guangdong Polytechnic College
12	0100118984	Library	5,385.39	21-Sep-2015	Guangdong Polytechnic College
13	0100119009	Student dormitory	2,945.43	21-Sep-2015	Guangdong Polytechnic College
14	0100118979	Student dormitory	5,110.02	21-Sep-2015	Guangdong Polytechnic College
15	0100118985	Student dormitory	5,110.02	21-Sep-2015	Guangdong Polytechnic College
16	0100119012	Student dormitory	5,110.02	7-Sep-2015	Guangdong Polytechnic College
		Total	80,068.57		

4. Pursuant to a Tenancy Agreement entered into between Guangdong Polytechnic College and Tan Hong, a third party, a portion of the property with a lettable area of approximately 150 sq.m. was leased for supermarket purpose with a term of 3 years at an annual rental receivable in 2018 of approximately RMB72,000 exclusive management fee.

5. Pursuant to 2 Tenancy Agreements entered into between Guangdong Polytechnic College and Xu Lihong, a third party, portions of the property with a total lettable area of approximately 2,200 sq.m. were leased for canteen purpose with a term of 5 years at a total annual rental receivable in 2018 of approximately RMB1,300,000 exclusive management fee.

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. Guangdong Polytechnic College legally owns the land use rights of the property and is the sole legal land user of the property. Guangdong Polytechnic College is entitled to legally use the land in accordance with valid term stipulated in the State-owned Land Use Rights Certificates. As the usage of the land is for education, the land use rights of the land cannot be mortgaged under the PRC laws. In addition to the foregoing legal restrictions, there are no other laws and regulations to restrict Guangdong Polytechnic College to transfer, lease, donate or use by permission the land use rights to third parties.

   b. Guangdong Polytechnic College legally owns the building ownership rights of the property mentioned in note 3 and is entitled to legally use the buildings. As the usage of the buildings is for education, the buildings cannot be mortgaged under the PRC laws. In addition to the foregoing legal restrictions, there are no other laws and regulations to restrict Guangdong Polytechnic College to transfer, lease, donate or use by permission the buildings to third parties.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at October 31, 2018
				RMB
3.	3 parcels of land, 15 buildings and various structures located at the junction of Qingyun Road and Guiwan Road Dinghu District Zhaoqing City Guangdong Province The PRC	The property comprises 3 parcels of land with a total site area of approximately 318,579.81 sq.m., 15 buildings and various structures erected thereon which were completed in 2016 and 2018. The 15 buildings have a total gross floor area of approximately 188,825.12 sq.m., mainly include teaching buildings, dormitories, dining halls, an administrative building, a library and ancillary buildings. The structures mainly include ancillary facilities, sports ground, gates, boundary walls and roads. The land use rights of the property have been granted to the Group for terms expiring on November 24, 2065 and November 9, 2066 for science and education uses.	The property is currently occupied by the Group for education and ancillary purposes except for portions of the property with a total lettable area of approximately 6,633 sq.m. which were leased to various tenants for supermarket and canteen purposes.	132,903,000

Notes:

1. Pursuant to 3 State-owned Land Use Rights Grant Contracts – 441203201500009, 441203201500010 and 44120320160008 dated on August 24, 2015 and October 10, 2016, the land use rights of 3 parcels of land, on which the property is situated, with a total site area of approximately 318,579.81 sq.m. were contracted to be granted to Guangdong Polytechnic College (廣東理工學院, a wholly-owned subsidiary of the Company) for a term of 50 years for science and education uses. The total land premium was in the sum of RMB103,292,753. As advised by the Group, the land premium has been fully paid.

2. Pursuant to 3 State-owned Land Use Rights Certificates – Zhao Ding Guo Yong (2015) Di No. 0080284, Zhao Ding Guo Yong (2016) Di No. 0080102 and Yue (2017) Zhao Qing Ding Guo Bu Dong Chan Quan Di No. 0003179, the land use rights of 3 parcels of land with a total site area of approximately 318,579.81 sq.m. have been granted to Guangdong Polytechnic College for terms expiring on November 24, 2065 and November 9, 2066 for science and education uses.

3. Our valuation has been made on the following basis and analysis: we have made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The prices of these comparable land sites range from about RMB 456 to RMB 462 per sq.m. on floor area basis. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at our assumed unit rate.

4. For the 15 buildings with a total gross floor area of approximately 188,825.12 sq.m., we have not been provided with any title certificates except for the following documents:-

   a. Pursuant to 16 Construction Work Planning Permits – Zhao Cheng Gui Ding Jian Zi Di Nos. (2016)08 to (2016)10, (2016)30 to (2016)35, (2017) 126 to (2017) 130, (2017) 20 and (2011) 21 in favor of Guangdong Polytechnic College, the buildings and structures of the property with a total gross floor area of approximately 189,311.9 sq.m. have been approved for construction.

b. Pursuant to 6 Construction Work Commencement Permits – Nos. 441203201611070101, 441203201611040101, 441203201611070201, 441203201611070301, 441203201802090101 and 441203201802090201 in favor of Guangdong Polytechnic College, permission by the relevant local authority was given to commence the construction work of the buildings and structures of the property with a total gross floor area of approximately 189,311.9 sq.m.

c. Pursuant to 9 Construction Work Completion and Inspection Certificates – Zhao Gui Jian Yan Zheng Ding Zi 2017 Di Nos. 164 to 172 in favor of Guangdong Polytechnic College, the construction of 11 buildings (including 4 dormitories, a dining hall, 3 teaching buildings, an office building, 2 ancillary buildings) of the property with a total gross floor area of approximately 125,203.16 sq.m. has been completed and passed the acceptance inspection.

5. As advised by the Group, Guangdong Polytechnic College is in process of applying for the relevant title certificates for the 15 buildings mentioned in note 4.

6. Pursuant to a Tenancy Agreement entered into between Guangdong Polytechnic College and Tan Hong, a third party, a portion of the property with a lettable area of approximately 400 sq.m. was leased for supermarket purpose with a term of 3 years at annual rental receivable in 2018 of approximately RMB180,000 exclusive management fee.

7. Pursuant to a Tenancy Agreement entered into between Guangdong Polytechnic College and Xu Lihong, a third party, a portion of the property with a lettable area of approximately 4,977 sq.m. was leased for canteen purpose with a term of one year at annual rental receivable in 2018 of approximately RMB600,000 exclusive management fee.

8. Pursuant to various Tenancy Agreements entered into between Guangdong Polytechnic College and various third parties, portions of the property with a total lettable area of approximately 1,256 sq.m. were leased to various tenants for retail purpose with a term 3 years at a total annual rental receivable in 2018 of approximately RMB3,681,500 exclusive management fee.

9. 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. Guangdong Polytechnic College legally owns the land use rights of the property and is the sole legal land user of the property. Guangdong Polytechnic College is entitled to legally use the land in accordance with valid term stipulated in the State-owned Land Use Rights Certificates. As the usage of the land is for education, the land use rights of the land cannot be mortgaged under the PRC laws. In addition to the foregoing legal restrictions, there are no other laws and regulations to restrict Guangdong Polytechnic College to transfer, lease, donate or use by permission the land use rights to third parties.

b. Guangdong Polytechnic College legally owns the building ownership rights of the property and is entitled to legally use the buildings. As the usage of the buildings is for education, the buildings cannot be mortgaged under the PRC laws. In addition to the foregoing legal restrictions, there are no other laws and regulations to restrict Guangdong Polytechnic College to transfer, lease, donate or use by permission the buildings to third parties.

c. For 4 buildings in use which have not been provided with Construction Work Completion and Inspection Certificates, Guangdong Polytechnic College will be subject to the following legal risks: (i) the relevant authority may order to make correction and impose a fine of 2% to 4% of contracted price; and (ii) if losses are caused by Guangdong Polytechnic College, liability for compensation shall be assumed lawfully

d. In the case that the relevant application materials are fully prepared, there is no substantive legal obstacle for Guangdong Polytechnic College to obtain the building ownership certificates for these buildings mentioned in note 4.

10. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the 15 buildings mentioned in note 4 which have not been obtained any proper title certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them (excluding land element) as at the valuation date would be RMB392,810,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on January 10, 2019 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 VII in "Documents Available for Inspection" in this prospectus.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on January 10, 2019 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$50,000 divided into 5,000,000,000 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 realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of traveling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized 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 authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably 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 canceled 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 authorized 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 authorized 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 authorized 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 authorized 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 authorized 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 recognized clearing house (or its nominee(s)) is a member of the Company it may authorize 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 authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized 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 authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorize). The annual general meeting shall be specified as such in the notices calling it.

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings shall also be convened on the written requisition of any one member which is a recognized clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

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 authorized 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.

2.10 Auditors

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 removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in 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.

2.11 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.

2.12 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled) 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 favor of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.13 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as canceled upon the repurchase.

2.14 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.

2.15 Dividends and other methods of distribution

Subject to the Companies Law and the 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, installments 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 check 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 check 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 check 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 checks for dividend entitlements or dividend warrants by post if such checks or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending checks for dividend entitlements or dividend warrants after the first occasion on which such a check 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.

2.16 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 favor 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 authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized 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.

2.17 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 installments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments 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 installment 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 installment 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 installment 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 installments 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.

2.18 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.19 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 authorized 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.

2.20 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.

2.21 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.

2.22 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 checks or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANIES 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 August 24, 2017 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized 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 cancelation 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 authorized 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 authorized 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 authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized 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 authorized 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 authorized by (a) a special resolution of each constituent company and (b) such other authorization, 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, ratably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company 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 (2011 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 advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to "Documents Available for Inspection" in Appendix VII. 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, SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on August 24, 2017. Our registered office address is at the offices of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. As our Company was incorporated in the Cayman Islands, our Company's corporate structure and Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of the relevant aspects of the Cayman Companies Law and our Memorandum and Articles is set out in "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix V of this prospectus.

Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on February 22, 2018 and our Company's principal place of business in Hong Kong is at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Ms. Leung Suet Wing has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong. The address for service of process is 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

As at the date of this prospectus, our Company's head office was located at Qifu Road, Gaoyao District, Zhaoqing City, Guangdong Province, PRC

2. Changes in share capital of our Company

As at the date of incorporation of our Company, the authorized share capital of our Company was US$50,000 divided into 50,000 Shares of US$1.00 each.

On the same date, our Company issued and allotted one Share of US$1.00 to the initial subscriber, at par, who then transferred such Share to Qiaoge Company.

On October 24, 2017, each Share with a par value of US $1.00 each in the authorized share capital of the Company (including the one issued Share and 49,999 unissued Shares) was subdivided into 100 Shares of a par value of US$0.01 each. Immediately following the share subdivision, the authorized share capital of the Company was US$50,000 divided into 5,000,000 Shares of US$0.01 each, and Qiaoge Company held 100 issued Shares of a par value of US$0.01 each.

On October 25, 2017, 557 Shares, 150 Shares, 100 Shares and 93 Shares, which were all fully paid or credited as fully paid, were allotted and issued at par value to Qiaoge Company, Chenye Company, Weixin Company and Shuye Company, respectively, at a subscription price of US$5.57, US$1.50, US$1.00 and US$0.93. Such number of Shares were issued in proportion to their respective equity interests in Zhaoqing Kepei, representing 65.7%, 15%, 10% and 9.3% of the then total issued share capital of our Company.

In February 2018, Qiaoge Company transferred 50 Shares and 157 Shares to Chenye Company and Shuye Company, respectively, at nil consideration. Immediately after such transfer, our Company was owned as to 45%, 25%, 20% and 10% by Qiaoge Company, Shuye Company, Chenye Company and Weixin Company, respectively.

Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation up to the date of this prospectus.

3. Changes in share capital of our subsidiaries and PRC Consolidated Affiliated Entities

Our Company's subsidiaries and our PRC Consolidated Affiliated Entities are referred to in the Accountants' Report in Appendix I to this prospectus. The following alterations in the share capital or registered capital of our subsidiaries and PRC Consolidated Affiliated Entities took place within the two years immediately preceding the date of this prospectus:

Zhaoqing Kepei

On July 14, 2017, the registered capital of Zhaoqing Kepei was increased from RMB62,000,000 to RMB100,000,000 through additional capital contributions made by Mr. Ye, Mr. Ye Xun and Mr. Ye Nianjiu in the amount of RMB19,200,000, RMB 15,000,000 and RMB3,800,000, respectively.

On February 12, 2018, Mr. Ye transferred his 15.7% and 5% equity interest in Zhaoqing Kepei to Ms. Shu and Mr. Ye Xun at nil consideration, respectively.

Save as disclosed above, there has been no alteration in the share capital or registered capital of the subsidiaries and PRC Consolidated Affiliated Entities of our Company within the two years preceding the date of this prospectus.

4. Written resolutions of the shareholders of our Company passed on January 10, 2019

Pursuant to the written resolutions of the shareholders of our Company entitled to vote at general meetings of our Company, which were passed on January 10, 2019:

(a) our Company conditionally approved and adopted the Memorandum and Association with effect from the Listing Date;

(b) the authorized share capital of our Company was subdivided from US$50,000 divided into 5,000,000 Shares of US$0.01 each to US$50,000 divided into 5,000,000,000 Shares of US$0.00001 each by the following steps:

  (i) each Share of a par value of US$0.01 each of the authorized share capital of our Company (including issued and unissued share capital) be subdivided into 1,000 Shares of a par value of US$0.00001 each (the "**Subdivision**");

  (ii) immediately following the Subdivision, the authorized share capital of our Company will be US$50,000 divided into 5,000,000,000 Shares of a par value of US$0.00001 each;

(c) conditional upon (1) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, on the Main Board, our Shares in issue and to be issued (pursuant to the Capitalization Issue, the Global Offering and the Over-allotment Option) as mentioned in this prospectus and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange; and (2) the Offer Price having been determined; (3) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) by the Joint Global Coordinators (on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements; and (4) the Underwriting Agreements having been duly executed by the Underwriters and the Company that:

(i) our Company approved and adopted the Articles of Association;

(ii) conditional on the share premium account of our Company being credited as a result of the Global Offering, the sum of US$14,900.00 be capitalized and applied in paying up in full at par value 1,499,000,000 Shares for allotment and issue to our Shareholders whose names appear on the register of members of our Company immediately prior to the Global Offering in proportion to their existing shareholdings in the issued share capital of the Company and such Shares (or as they may direct) to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respect with the existing issued Shares;

(iii) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus and in the relevant application forms;

(iv) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorized, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;

(v) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of options granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to Directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by our Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but before any exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within the next annual general meeting of our Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in general meetings of our Company varying or revoking the authority given to the Directors, whichever occurs first;

For the purpose of this paragraph, "Rights Issue" means an offer of shares in our Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by our Directors to holders of shares in our Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, or any recognized regulatory body or any stock exchange applicable to our Company);

(vi) a general unconditional mandate be and is hereby given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but before the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme in accordance with all applicable laws and the requirements of the Listing Rules, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in general meetings of our Company varying or revoking the authority given to the Directors, whichever occurs first;

(vii) the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (c)(iv) above by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to paragraph (c)(vi) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but before the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme be and is approved; and

Each of the general mandates referred to in paragraphs (c)(v), (c)(vi) and (c)(vii) above will remain in effect until whichever is the earliest of:

1. the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
2. the expiration of the period within which our Company is required by any applicable law of the Cayman Islands or the Articles of Association to hold our next annual general meeting; or
3. the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

5. Repurchase of our Shares

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarized below:

(i) Shareholders' approval

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions of the shareholders of our Company passed on January 10, 2019, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on the Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following completion of the Capitalization Issue and the Global Offering (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), further details of which have been described above in "A. Further information about our Company, Subsidiaries and Consolidated Affiliated Entities – 4. Written resolutions of the shareholders of our Company passed on January 10, 2019" in this Appendix.

(ii) Source of funds

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with our Articles of Association, the Listing Rules and the Cayman

Companies Law. We are not permitted to repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Shares to be repurchased

The Listing Rules provide that the Shares which are proposed to be repurchased by us must be fully-paid up.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing Shares, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account its current working capital position, our Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as it would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

We have not made any repurchases of our own securities in the past six months.

No core connected person has notified us that he/she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. CORPORATE REORGANIZATION

In order to streamline the corporate structure and rationalize our corporate structure for the Listing, our Group underwent the Corporate Reorganization. Please see "History, Reorganization and Corporate Structure – Corporate Reorganization" in this prospectus for details.

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of the material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus and are or may be material:

(a) a demerger agreement dated September 1, 2017 entered into between Zhaoqing Kepei and Zhaoqing Qiaoli, pursuant to which Zhaoqing Kepei continued to hold Guangdong Polytechnic College and Zhaoqing School and Zhaoqing Qiaoli was established to hold the other businesses then held by Zhaoqing Kepei;

(b) an equity transfer agreement dated December 27, 2017 entered into between Guangdong Polytechnic College and Huang Zhuoyu (黃焯宇), pursuant to which, Guangdong Polytechnic College agreed to transfer 50% equity interest in Zhaoqing Gaoyao District Bowen E-Commerce Co., Ltd. (肇慶市高要區博文電子商務有限公司) to Huang Zhuoyu (黃焯宇) for a consideration of RMB1.00;

(c) an equity transfer agreement dated December 27, 2017 entered into between Guangdong Polytechnic College and Lin Weiting (林偉廷), pursuant to which, Guangdong Polytechnic College agreed to transfer 50% equity interest in Zhaoqing Gaoyao District Bowen E-Commerce Co., Ltd. (肇慶市高要區博文電子商務有限公司) to Lin Weiting (林偉廷) for a consideration of RMB1.00;

(d) a business cooperation agreement dated April 26, 2018 entered into among Zhaoqing Information Technology, our PRC Consolidated Affiliated Entities and the Registered Shareholders, pursuant to which Zhaoqing Information Technology shall provide technical services, management support, consulting and other services necessary for the private education business, and in return, our PRC Consolidated Affiliated Entities shall make payments accordingly;

(e) an exclusive technical service and management consultancy agreement dated April 26, 2018 entered into among Zhaoqing Information Technology and our PRC Consolidated Affiliated Entities, pursuant to which Zhaoqing Information Technology agreed to provide exclusive technical services and exclusive management and consultancy services to our PRC Operating Schools and our School Sponsor, and as consideration, each of our PRC Operating Schools agreed to pay Zhaoqing Information Technology a service fee equal to all of their respective amount of annual surplus from operations (after deducting necessary costs, expenses, taxes, losses from the previous year (if required by the law) and the legally compulsory development fund of the respective school (if required by the law)) and other expenses required by the applicable PRC laws, and our School Sponsor agreed to pay Zhaoqing Information Technology a service fee equal to all of its annual net profit (after deducting all necessary costs, expenses, taxes, losses from the previous year (if required by law) and statutory provident funds (if required by the law);

(f) an exclusive call option agreement dated April 26, 2018 entered into among Zhaoqing Information Technology, our PRC Consolidated Affiliated Entities and the Registered Shareholders, pursuant to which, the Registered Shareholders have irrevocably and unconditionally granted Zhaoqing Information Technology or its designated purchaser the right to purchase all or part of the school sponsor's interest in our PRC Operating Schools and equity interest in our School Sponsor at the lowest price permitted under the PRC laws and regulations;

(g) an equity pledge agreement dated April 26, 2018 entered into among Zhaoqing Information Technology, Zhaoqing Kepei and the Registered Shareholders, pursuant to which each of the Registered Shareholders unconditionally and irrevocably agreed to pledge and grant first priority security interests over all of his or her equity interest in Zhaoqing Kepei together with all related rights thereto to Zhaoqing Information Technology as security for performance of the structured contracts and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Zhaoqing Information Technology as a result of any event of default on the part of the Registered Shareholders, our School Sponsor or each of our PRC Operating Schools and all expenses incurred by Zhaoqing Information Technology as a result of enforcement of the obligations of the Registered Shareholders, our School Sponsor and each of our PRC Operating Schools under the structured contracts;

(h) a registered shareholders' rights entrustment agreement dated April 26, 2018 entered into among Zhaoqing Information Technology, Zhaoqing Kepei and Registered Shareholders, pursuant to which each of the Registered Shareholders has irrevocably authorized and entrusted Zhaoqing Information Technology to exercise his or her rights as shareholders of Zhaoqing Kepei to the extent permitted by the PRC laws;

(i) a school sponsor's and directors' rights entrustment agreement dated April 26, 2018 entered into among Zhaoqing Information Technology, our PRC Consolidated Affiliated Entities and each director of each PRC Operating School appointed by Zhaoqing Kepei (namely, Ye Nianqiao (葉念喬), Zhang Xiangwei (張湘偉), Zhang Dongsheng (張東生), Wang Yining (王義寧), Zha Donghui (查東輝), Zhang Zongshan (張宗珊), Li Yan (李艷), Liu Xiangping (劉香萍), Liu Miao (劉淼), Ye Xun (葉潯), Tan Jinxing (譚錦興), Ye Nianjiu (葉念廄), Shen Xiaoming (沈小明), Huang Jing (黃靖), Zeng Deji (曾德基), Xie Guixiu (謝桂袖), Li Huiyan (李慧艷), He Deli (賀得利), Tan Jiean (譚傑安)) ("**Appointees**"), pursuant to which Zhaoqing Kepei has irrevocably authorized and entrusted Zhaoqing Information Technology to exercise all its rights as school sponsor of each of our PRC Operating Schools to the extent permitted by PRC laws and each of the directors of each PRC Operating Schools has irrevocably authorized and entrusted Zhaoqing Information Technology to exercise all his/her rights as directors of our PRC Operating Schools as appointed by our School Sponsor and to the extent permitted by PRC laws;

(j) registered shareholders' powers of attorney dated April 26, 2018 executed by each of the Registered Shareholder in favor of Zhaoqing Information Technology, pursuant to which each of the Registered Shareholders authorized and appointed Zhaoqing Information Technology, as his or her agent to act on his or her behalf to exercise or delegate the exercise of all his or her rights as shareholder of Zhaoqing Kepei;

(k) directors' powers of attorney dated April 26, 2018 executed by each of the Appointees in favor of Zhaoqing Information Technology, pursuant to which each of the Appointees authorized and appointed Zhaoqing Information Technology as his or her agent to act on his or her behalf to exercise or delegate the exercise of all of his or her rights as directors of our PRC Operating Schools;

(l) school sponsor's power of attorney dated April 26, 2018 executed by our School Sponsor in favor of Zhaoqing Information Technology, pursuant to which our School Sponsor authorized and appointed Zhaoqing Information Technology, as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of each of our PRC Operating Schools;

(m) spouse undertakings dated April 26, 2018 executed by each of Mr. Ye, Ms. Shu, Chen Xinni (陳欣妮) and Chen Chen (陳晨);

(n) a loan agreement dated April 26, 2018 and entered into by and among Zhaoqing Information Technology, our PRC Operating Schools and Zhaoqing Kepei, pursuant to which Zhaoqing Information Technology agreed to provide interest free loans to Zhaoqing Kepei for the purpose of capital injection to our PRC Operating Schools;

(o) a subscription agreement dated April 30, 2018 and entered into by and among our Company. Mr. Ye, Skyline Miracle Limited, Orchid Asia VII, L.P. and Orchid Asia VII Co-Investment, Limited, pursuant to which Skyline Miracle Limited has agreed to subscribe for a convertible bond in the aggregate principal amount of RMB330,000,000;

(p) a termination agreement dated July 10, 2018 entered into among the Registered Shareholders, Zhaoqing Information Technology, our PRC Consolidated Affiliated Entities, the Appointees (other than Liu Miao (劉淼)) ("New Appointees"), Chen Chen (陳晨) and Chen Xinni (陳欣妮), pursuant to which Zhaoqing Information Technology, our PRC Consolidated Affiliates Entities, the Registered Shareholders and Mr. Ye, Ms. Shu, Chen Xinni (陳欣妮) and Chen Chen (陳晨) agreed to terminate the control agreements as set out from (d) to (n) above and all the rights and obligations of the parties thereunder;

(q) a business cooperation agreement dated July 10, 2018 entered into among Tibet Kepei, our PRC Consolidated Affiliated Entities and the Registered Shareholders, pursuant to which Tibet Kepei shall provide technical services, management support, consulting and other services necessary for the private education business, and in return, our PRC Consolidated Affiliated Entities shall make payments accordingly;

(r) an exclusive technical service and management consultancy agreement dated July 10, 2018 entered into among Tibet Kepei and our PRC Consolidated Affiliated Entities, pursuant to which Tibet Kepei agreed to provide exclusive technical services and exclusive management and consultancy services to our PRC Operating Schools and our School Sponsor, and as consideration, each of our PRC Operating Schools agreed to pay Tibet Kepei a service fee equal to all of their respective amount of annual surplus from operations (after deducting necessary costs, expenses, taxes, losses from the previous year (if required by the law) and the legally compulsory development fund of the respective school (if required by the law)) and other expenses required by the applicable PRC laws, and our School Sponsor agreed to pay Tibet Kepei a service fee equal to all of its annual net profit (after deducting all necessary costs, expenses, taxes, losses from the previous year (if required by law) and statutory provident funds (if required by law);

(s) an exclusive call option agreement dated July 10, 2018 entered into by and among Tibet Kepei, our PRC Consolidated Affiliated Entities and the Registered Shareholders, pursuant to which, the Registered Shareholders have irrevocably and unconditionally granted Tibet Kepei or its designated purchaser the right to purchase all or part of the school sponsor's interest in our PRC Operating Schools and equity interest in our School Sponsor at the lowest price permitted under the PRC laws and regulations;

(t) an equity pledge agreement dated July 10, 2018 entered into by and among Tibet Kepei, Zhaoqing Kepei and the Registered Shareholders, pursuant to which each of the Registered Shareholders unconditionally and irrevocably agreed to pledge and grant first priority security interests over all of his or her equity interest in Zhaoqing Kepei together with all related rights thereto to Tibet Kepei as security for performance of the Structured Contracts and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Tibet Kepei as a result of any event of default on the part of the Registered Shareholders, our School Sponsor or each of our PRC Operating Schools and all expenses incurred by Tibet Kepei as a result of enforcement of the obligations of the Registered Shareholders, our School Sponsor and each of our PRC Operating Schools under the Structured Contracts;

(u) a registered shareholders' rights entrustment agreement dated July 10, 2018 entered into among Tibet Kepei, Zhaoqing Kepei and Registered Shareholders, pursuant to which each of the Registered Shareholders has irrevocably authorized and entrusted Tibet Kepei to exercise his or her rights as shareholders of Zhaoqing Kepei to the extent permitted by the PRC laws;

(v) a school sponsor's and directors' rights entrustment agreement dated July 10, 2018 entered into by and among Tibet Kepei, our PRC Consolidated Affiliated Entities and the New Appointees, pursuant to which Zhaoqing Kepei has irrevocably authorized and entrusted Tibet Kepei to exercise all its rights as school sponsor of each of our PRC Operating Schools to the extent permitted by PRC laws and each of the directors of each PRC Operating Schools has irrevocably authorized and entrusted Tibet Kepei to exercise all his/her rights as directors of our PRC Operating Schools as appointed by our School Sponsor and to the extent permitted by PRC laws;

(w) registered shareholders' powers of attorney dated July 10, 2018 executed by each of the Registered Shareholder in favor of Tibet Kepei, pursuant to which, each of the Registered Shareholders authorized and appointed Tibet Kepei, as his or her agent to act on his or her behalf to exercise or delegate the exercise of all his or her rights as shareholder of Zhaoqing Kepei;

(x) directors' powers of attorney dated July 10, 2018 executed by each of the New Appointees in favor of Tibet Kepei, pursuant to which each of the New Appointees authorized and appointed Tibet Kepei as his or her agent to act on his or her behalf to exercise or delegate the exercise of all of his or her rights as directors of our PRC Operating Schools;

(y) school sponsor's power of attorney dated July 10, 2018 executed by our School Sponsor in favor of Tibet Kepei, pursuant to which our School Sponsor authorized and appointed

Tibet Kepei as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of each of our PRC Operating Schools;

(z) spouse undertakings dated July 10, 2018 executed by each of Mr. Ye, Ms. Shu, Chen Xinni (陳欣妮) and Chen Chen (陳晨);

(aa) a loan agreement dated July 10, 2018 and entered into among Tibet Kepei, our PRC Operating Schools and Zhaoqing Kepei, pursuant to which Tibet Kepei agreed to provide interest free loans to Zhaoqing Kepei for the purpose of capital injection to our PRC Operating Schools;

(bb) the cornerstone investment agreement dated January 10, 2019 entered into among our Company, China Orient Multi-Strategy Master Fund, Citigroup Global Markets Asia Limited, and CCB International Capital Limited, details of which are included in the section headed "Our Cornerstone Investors" in this prospectus;

(cc) the cornerstone investment agreement dated January 11, 2019 entered into among our Company, CCT China Merchant Buyout Fund (深圳國調招商併購股權投資基金合夥企業(有限合夥)), Citigroup Global Markets Asia Limited, and CCB International Capital Limited, details of which are included in the section headed "Our Cornerstone Investors" in this prospectus;

(dd) the Deed of Indemnity;

(ee) the Deed of Non-competition; and

(ff) the Hong Kong Underwriting Agreement;

2. Intellectual property rights

2.1 Trademarks

As at the Latest Practicable Date, our Group had not registered or applied for the registration of any trademarks in the PRC or Hong Kong which we consider to be or may be material to our business.

2.2 Domain Names

As at the Latest Practicable Date, we have registered following names in the PRC which we consider to be or may be material to our business:

Number	Registrant	Domain name	Date of registration	Expiration date
1.	Guangdong Polytechnic College	gdlgxy.com	March 3, 2014	March 3, 2021
2.	Zhaoqing School	zqkjxx.com	February 26, 2009	February 26, 2019

2.3 Patents

a. As at the Latest Practicable Date, our Group has registered following patents in the PRC which we consider to be or may be material to our business:

Number	Name of the Patent	Owner of the Patent	Patent Number	Validity period	Patent Category
1.	Processing method of shaft compression molding precision holes	Guangdong Polytechnic College; Guangdong HT Technology Company Limited (廣東鴻泰科技股份有限公司)	ZL201310590047.3	2013-11-20 to 2033-11-19	Invention
2.	Multifunctional bookmark installed on loose-leaf notebook	Guangdong Polytechnic College	ZL201621135228.2	2016-10-19 to 2026-10-18	Utility model
3.	Keyboard for developing software	Guangdong Polytechnic College	ZL201621122722.5	2016-10-14 to 2026-10-13	Utility model
4.	Non-ferrous metals casting weighing equipment	Guangdong Polytechnic College	ZL201621122681.X	2016-10-14 to 2026-10-13	Utility model
5.	Smart computer network security gateway	Guangdong Polytechnic College	ZL20161188905.7	2016-11-04 to 2026-11-03	Utility model
6.	Vacuum-assisted die casting equipment	Guangdong Polytechnic College; Guangdong HT Technology Company Limited	ZL201320719372.0	2013-06-21 to 2023-06-20	Utility model
7.	Ventilating die-casting overall pressure chambers	Guangdong Polytechnic College; Guangdong HT Technology Company Limited	ZL201320723710.8	2013-11-13 to 2023-11-12	Utility model
8.	Angular coring equipment of molds for die casting aluminum alloy	Guangdong Polytechnic College; Guangdong HT Technology Company Limited	ZL201320754996.6	2013-11-25 to 2023-11-24	Utility model
9.	Anti-skidding processing equipment on the surfaces of die-casting steps	Guangdong Polytechnic College; Guangdong HT Technology Company Limited	ZL201320856868.2	2013-12-24 to 2023-12-23	Utility model

Number	Name of the Patent	Owner of the Patent	Patent Number	Validity period	Patent Category
10.	Step drills (including the processing equipment around the holes of the drills)	Guangdong Polytechnic College; Guangdong HT Technology Company Limited	ZL201320856077.X	2013-12-23 to 2023-12-22	Utility model
11.	Displacement pump fault monitoring device	Guangdong Polytechnic College	ZL201621130799.7	2016-10-18 to 2026-10-17	Utility model
12.	Chopstick assembly with chopstick holder	Guangdong Polytechnic College	ZL201621135735.6	2016-10-19 to 2026-10-18	Utility model
13.	Stamping machine mold automatic waste discharging device	Guangdong Polytechnic College	ZL201720033058.5	2017-1-10 to 2027-1-9	Utility model
14.	School bus anti-theft and unlocking system	Guangdong Polytechnic College	ZL201720288362.4	2017-3-22 to 2027-3-21	Utility model
15.	Safety system based on passing firewall of special gas pipeline in clean factory	Guangdong Polytechnic College	ZL201720216259.9	2017-3-7 to 2027-3-6	Utility model
16.	Adjustable torque damping shaft	Guangdong Polytechnic College	ZL201720216229.8	2017-3-7 to 2027-3-6	Utility model
17.	Machine vision device for detecting surface defects of cylindrical workpieces	Guangdong Polytechnic College	ZL201621120218.1	2016-10-13 to 2026-10-12	Utility model
18.	Imaging device for detecting surface defects of cylindrical workpieces	Guangdong Polytechnic College	ZL201621120108.5	2016-10-13 to 2026-10-12	Utility model
19.	Ball screw nut assembly	Guangdong Polytechnic College	ZL201621168104.4	2016-11-2 to 2026-11-1	Utility model
20.	Adjustable knife holder	Guangdong Polytechnic College	ZL201621168105.9	2016-11-2 to 2026-11-1	Utility model
21.	Automatic opening and closing mechanism with locking function	Guangdong Polytechnic College	ZL201720268059.8	2017-3-20 to 2027-3-19	Utility model
22.	Car Perfume Containers	Guangdong Polytechnic College	ZL201730010372.7	2017-01-11 to 2027-01-10	Industrial Design
23.	Jacuzzis	Guangdong Polytechnic College	ZL201630503563.2	2016-10-14 to 2026-10-13	Industrial Design
24.	Multifunctional Bookmarks	Guangdong Polytechnic College	ZL201630509545.5	2016-10-19 to 2026-10-18	Industrial Design
25.	Infant Seats	Guangdong Polytechnic College	ZL201730010417.0	2017-01-11 to 2027-01-10	Industrial Design

Number	Name of the Patent	Owner of the Patent	Patent Number	Validity period	Patent Category
26.	Tables with Detachable Fixing Structure	Guangdong Polytechnic College	ZL201630503734.1	2016-10-14 to 2026-10-13	Industrial Design
27.	Rocking chair	Guangdong Polytechnic College	ZL201730010418.5	2017-01-11 to 2027-01-10	Industrial Design
28.	Intelligence Blood Oxygen Monitoring Ring	Guangdong Polytechnic College	ZL201630503611.8	2016-10-14 to 2026-10-13	Industrial Design
29.	Expressway payment card reader	Guangdong Polytechnic College	ZL201730010555.9	2017-1-11 to 2027-1-10	Industrial Design
30.	Computer Case	Guangdong Polytechnic College	ZL201730010343.0	2017-1-11 to 2027-1-10	Industrial Design
31.	Multimedia desk	Guangdong Polytechnic College	ZL201730062863.6	2017-3-7 to 2027-3-6	Industrial Design
32.	Electric bicycle	Guangdong Polytechnic College	ZL201730062864.0	2017-3-7 to 2027-3-6	Industrial Design
33.	Smart watch	Guangdong Polytechnic College	ZL201730062877.8	2017-3-7 to 2027-3-6	Industrial Design
34.	Table lamp	Guangdong Polytechnic College	ZL201730063027.X	2017-3-7 to 2027-3-6	Industrial Design
35.	Eco Bag (bow)	Guangdong Polytechnic College	ZL201730253889.9	2017-6-20 to 2027-6-19	Industrial Design
36.	Solar wireless charger	Guangdong Polytechnic College	ZL201730227983.7	2017-6-7 to 2027-6-6	Industrial Design
37.	Baby carriage	Guangdong Polytechnic College	ZL201730043360.4	2017-2-18 to 2027-2-17	Industrial Design

As at the Latest Practicable Date, our Group had not applied for registration of any patents which we consider to be or may be material to our business.

2.4 Copyright

As at the Latest Practicable Date, our Group had registered the following copyrights in the PRC which we consider to be or may be material to our business:

Number	Name of the Software	Owner of the Copyright	Registration Number	Completion date to development
1.	Dormitory management system V1.0 of higher vocational school (高職高專學校宿舍管理系統V1.0)	Guangdong Polytechnic College	ZL2016SR097021	2014-11-01
2.	Face Recognition System V1.0 by Guangdong Polytechnic College (廣東理工學院人臉識別系統V1.0)	Guangdong Polytechnic College	ZL2016SR096602	2014-11-01
3.	Personnel Management System V1.0 by Guangdong Polytechnic College (廣東理工學院人事管理系統V1.0)	Guangdong Polytechnic College	ZL2016SR096545	2014-08-01
4.	Mobile Phone-Aided Platform for Mnemonic Learning of English V1.0 by Guangdong Polytechnic College (廣東理工學院手機輔助英語記憶學習平臺V1.0)	Guangdong Polytechnic College	ZL2016SR096472	2014-11-01
5.	Dormitory Management System V1.0 of Guangdong Polytechnic College (廣東理工學院宿舍管理系統V1.0)	Guangdong Polytechnic College	ZL2016SR097022	2014-11-01
6.	Information Management System of Students V1.0 of Guangdong Polytechnic College (廣東理工學院學生資訊管理系統V1.0)	Guangdong Polytechnic College	ZL2016SR096502	2014-08-01
7.	Online Maintenance Request System V1.0 of Guangdong Polytechnic College (廣東理工學院線上報修系統V1.0)	Guangdong Polytechnic College	ZL2016SR096506	2014-10-01
8.	Android-based Online Snack-Shopping System (Snack-Shopping System) V1.0 (基於 Android 的零食購物系統(簡稱：零食購物系統) V1.0)	Guangdong Polytechnic College	ZL2016SR387210	2016-06-18
9.	Android-based Contact List System (Contacts System) V1.0 (基於Android的通訊錄系統(簡稱：通訊錄系統) V1.0)	Guangdong Polytechnic College	ZL2016SR386160	2016-06-18
10.	Android-based Network Music Player System (Network Music Player System) V1.0 (基於Android的網絡音樂播放器系統(簡稱：網絡音樂播放器系統) V1.0)	Guangdong Polytechnic College	ZL2016SR386164	2016-06-08
11.	Java-based Hotel Guest Room Management System (Hotel Guest Room Management System) V1.0 (基於Java的酒店客房管理系統(簡稱：酒店客房管理系統) V1.0)	Guangdong Polytechnic College	ZL2016SR386794	2016-06-08
12.	Payroll Management System V1.0 of Civilian-run Universities (民辦高校工資管理系統V1.0)	Guangdong Polytechnic College	ZL2014SR214057	2014-09-20
13.	Easylife Mobile Phone Application Platform V1.0 (Easylife) (生活易手機應用平臺(簡稱：生活易)V1.0)	Guangdong Polytechnic College	ZL2014SR201817	2014-10-23
14.	Image Processing Software V1.0 (圖像編輯器軟體V1.0)	Guangdong Polytechnic College	ZL2016SR193893	2016-03-17
15.	Campus Network Teaching Management System V1.0 (校園網教學管理系統V1.0)	Guangdong Polytechnic College	ZL2014SR201901	2014-10-23
16.	Web-based Purchase, Sales and Inventory Management System V1.0 (Web進銷存管理系統V1.0)	Guangdong Polytechnic College	ZL2017SR005395	2016-09-30

3. Further information about our PRC establishments

- **Zhaoqing Information Technology**

(i)	nature of the company:	limited liability company
(ii)	incorporation date:	January 17, 2018
(iii)	term of business operation:	long-term
(iv)	registered capital:	RMB1,000,000[Note]
(v)	attributable interest of the company:	100%
(vi)	scope of business:	Software development; information technology services; data processing; engagement in system application management and maintenance through undertaking outsourcing services; information technology and business process outsourcing services; private non-enterprise unit management consulting; corporate management consulting; market information consulting; marketing planning; brand marketing; corporate management; corporate image planning; public relations planning; conference services; exhibition services; sales on computer hardware & software, daily necessities and office supplies

Note: The registered capital has not been fully paid.

- **Zhaoqing Kepei**

(i)	nature of the company:	limited liability company
(ii)	incorporation date:	March 8, 2000
(iii)	term of business operation:	long-term
(iv)	registered capital:	RMB 25,000,000[Note]
(v)	attributable interest of the company:	100%
(vi)	scope of business:	Investment in education; sales on office supplies, teaching equipment and daily necessities; computer software development

Note: The registered capital has not been fully paid.

- **Tibet Kepei**

(i)	nature of the company:	limited liability company
(ii)	incorporation date:	June 4, 2018
(iii)	term of business operation:	long-term
(iv)	registered capital:	RMB 1,000,000
(v)	attributable interest of the company:	100%
(vi)	scope of business:	management and maintenance of system applications, information technology, data management, information technology and business procedure outsourcing service, education management service (excluding training),

marketing planning, public relations planning, corporate management service, corporate image planning, sales of computer software, commodities and office suppliers by means of undertaking outsourced service

- **Guangdong Polytechnic College**

(i) nature of the company:	private non-enterprise unit
(ii) incorporation date:	December 8, 2005
(iii) term of business operation:	From December 8, 2005
(iv) registered capital:	RMB90,000,000
(v) attributable interest of the company:	100%
(vi) scope of business:	Undergraduate education, junior college education and adult education

- **Zhaoqing School**

(i) nature of the company:	private non-enterprise unit
(ii) incorporation date:	May 19, 2000
(iii) term of business operation:	From May 19, 2000
(iv) registered capital:	RMB2,000,000
(v) attributable interest of the company:	100%
(vi) scope of business:	Formal secondary vocational education

- **Research Institute**

(i) nature of the company:	limited liability company
(ii) incorporation date:	May 11, 2016
(iii) term of business operation:	long-term
(iv) registered capital:	RMB5,000,000
(v) attributable interest of the company:	49%
(vi) scope of business:	Research and development on intelligent manufacturing technology; research and development on printing technology as well as development on printing equipment; research and development on industry automation technology; development, manufactures, sales, testing, maintenance, and technical guidance services of automation equipment; technology investment; training and introduction of talents

D. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Directors' service contracts

Each of our executive Directors has entered into a service contract with us for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of our non-executive and independent non-executive Directors has entered into a letter of appointment with us for an initial fixed term of one year commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing by served by either party on the other, which notice shall not expire until after the fixed term.

Save as disclosed above, none of our Directors has entered into, or has proposed to enter into, a service contract with us (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

2. Directors' remuneration during the Track Record Period

For the three years ended December 31, 2015, 2016 and 2017 and for the eight months ended August 31, 2018 the aggregate of the remuneration paid and benefits in kind granted to our Directors by our Company and any of our subsidiaries was RMB1.2 million, RMB1.3 million, RMB1.4 million and RMB0.9 million respectively.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending December 31, 2019 would be approximately RMB3.40 million.

During the Track Record Period, no emoluments were paid out by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. None of our Directors had waived any remuneration during the Track Record Period. Save as disclosed in this prospectus, no other payments have been made, or are payable, by any member of the Group to the Directors during the Track Record Period.

E. DISCLOSURE OF INTERESTS

1. Disclosure of interests

(a) ***Interests and short positions of our Directors in our share capital and our associated corporations following the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering***

Immediately following the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of our Directors and the chief executive of our Company in our Shares, underlying Shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(1) *Interest in our Company*

Name of Directors or chief executive	Capacity/Nature of interest	Number of shares	Approximate percentage of shareholding immediately after the Global Offering and the Capitalization Issue[(1)]
Mr. Ye	Interest in a controlled corporation[(2)]	675,000,000(L)	33.75%
	Interest of spouse[(3)]	375,000,000(L)	18.75%
Mr. Ye Xun	Interest in a controlled corporation[(4)]	300,000,000(L)	20%

Notes:

(1) Assuming the Over-allotment Option is not exercised, and the letter "L" denotes the person's long position in our Shares and the letter "S" denotes the person's short position in our Shares.

(2) Qiaoge Company is beneficially and wholly-owned by Mr. Ye Niaoqiao. By virtue of Part XV of the SFO, Mr. Ye Niaoqiao is deemed to be interested in the Shares held by Qiaoge Company.

(3) Mr. Ye Nianqiao is the husband of Ms. Shu Liping. By virtue of the SFO, Mr. Ye Nianqiao is deemed to be interested in our Shares indirectly held by Ms. Shu Liping through Shuye Company.

(4) Chenye Company is beneficially and wholly-owned by Mr. Ye Xun. By virtue of Part XV of the SFO, Mr. Ye Xun is deemed to be interested in the Shares held by Chenye Company upon the Listing.

(5) Qiaoge Company has pledged 250 Shares to the Pre-IPO Investor, which will be automatically released upon Listing. Please see "History, Reorganization and Corporate Structure—Pre-IPO Investment—The Pre-IPO Investor" of this prospectus.

(2) Interest in associated corporation

Name of Directors or chief executive	Capacity/Nature of interest	Associated corporation	Approximate percentage of shareholding in the associated corporation
Mr. Ye	Beneficial owner	Zhaoqing Kepei	45%
	Interest of spouse		25%
Mr. Ye Xun	Beneficial owner	Zhaoqing Kepei	20%
Ms. Shu	Beneficial owner	Zhaoqing Kepei	25%
	Interest of spouse	Zhaoqing Kepei	45%

(b) Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

So far as our Directors are aware, for information on the persons who will, as of the Latest Practicable Date and immediately following the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, having or be deemed or taken to have interests or short positions in our Shares or underlying Shares which are required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

		As of the Latest Practicable Date		Immediately following the completion of the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering[1]	
Name of Shareholder	**Nature of Interest**	**Number of shares**	**Percentage (approximate)**	**Number of shares**	**Percentage (approximate)**
Skyline Miracle Limited	Beneficial owner	N/A (L)[2]	N/A	146,666,667 (L)	7.33%
Ms. Lam Lai Ming	Interest of a controlled corporation[3]	N/A (L)[2]	N/A	146,666,667 (L)	7.33%
Mr. Gabriel Li	Interest of a controlled corporation[3]	N/A (L)[2]	N/A	146,666,667 (L)	7.33%

Notes:

(1) The letter "L" denotes the person's long position in our Shares and the letter "S" denotes the person's short position in our Shares.

(2) Qiaoge Company has pledged 250 Shares to Skyline Miracle Limited which will be automatically released upon Listing.

(3) So far as our Directors are aware, Skyline Miracle Limited, which shall subscribe for 146,666,667 Shares (being the Conversion Shares to be issued pursuant to the terms of the Convertible Bond Subscription Agreement and the Convertible Bond), was beneficially owned by Orchid Asia VII, L.P. as to 93% and Orchid Asia VII Co-Investment, Limited as to 7%. So far as our Directors are aware, Orchid Asia VII, L.P. was wholly controlled by OAVII Holdings, L.P. (in its capacity as general partner of Orchid Asia VII, L.P.), which was in turn wholly controlled by Orchid Asia VII GP, Limited (in its capacity as general partner of OAVII Holdings, L.P.), which was in turn wholly owned by Orchid Asia V Group Management, Limited, which was in turn wholly owned by Orchid Asia V Group, Limited, which was in turn wholly owned by Areo Holdings Limited.

So far as our Directors are aware, Areo Holdings Limited was wholly owned by Ms. Lam Lai Ming. Areo Holdings Limited was also controlled by Mr. Gabriel Li by virtue of his directorship therein. Accordingly, Ms. Lam Lai Ming and Mr. Gabriel Li were taken to be interested in the Conversion Shares in which Areo Holdings Limited was interested by virtue of Part XV of the SFO.

Except as disclosed above and in "Substantial Shareholders" in this prospectus, our Directors are not aware of any person will, immediately prior to and following the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in any Shares or underlying Shares, which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, and who is, directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of any member of our Group.

2. Disclaimers

Save as disclosed in this prospectus:

(a) our Directors are not aware of any person (not being our Director or chief executive) who will, immediately after the conversion of the Convertible Bond and completion of the Capitalization Issue and the Global Offering (without taking into account Shares which may be issued upon the exercise of the Over-allotment Option or the Shares which may be issued upon the exercise of options granted under the Share Option Scheme and the Capitalization Issue), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group;

(b) none of our Directors has any interest or short position in any of our Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once our Shares are listed;

(c) none of our Directors nor any of the parties listed in "G. Other Information—10. Consents of experts" in this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;

(d) none of our Directors nor any of the parties listed in "G. Other Information—10. Consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(e) save in connection with the Underwriting Agreements, none of the parties listed in "G. Other Information—10. Consents of experts" in this Appendix:

  (i) is interested legally or beneficially in any securities of any member of our Group; or

  (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of our Group;

(f) none of our Directors or their close associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

F. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders. The terms of the Share Option Scheme comply with the provisions of Chapter 17 of the Listing Rules. The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the Shares in issue as on the date of Listing.

1. Purpose

The purpose of the Share Option Scheme is to provide incentives and rewards to the directors, employees, advisors, consultants and business partners of our Group for their contribution, and to align the corporate objectives and interests between our Group and our key talents.

2. Who may join

The Board may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to any director, employee, adviser, consultant and business partners of our Group (collectively, the "Eligible Participant").

In determining the basis of offering options to an Eligible Participant, our Board shall take into account, without limitations, the employee grade, years of service, overall performance of such Eligible Participant, and/or such factors as our Board may at its discretion consider appropriate, for the purpose of management.

3. Maximum number of Shares in respect of which options may be granted

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company must not in aggregate exceed 200,000,066 Shares, representing 10% of our Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**"), excluding for this purpose options lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company, provided that:

(a) our Company may at any time as our Board think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of our Shares in issue as at the date on which the shareholders of our Company approve the refreshment of the Scheme Mandate Limit. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, canceled, lapsed or exercised in accordance with the terms of the relevant scheme) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the information required under Chapter 17 of the Listing Rules;

(b) our Company may seek separate approval from our Shareholders in general meeting for granting options to any Eligible Participant specifically identified by them which would cause the Scheme Mandate Limit to be exceeded. Our Company shall send to our Shareholders a circular containing, among other things, a generic description of the specified Participant who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Participant with an explanation as to how the terms of the options serve such purpose and such other information required under Chapter 17 of the Listing Rules; and

(c) the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time.

The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company shall certify in writing to the Board to be fair and reasonable, in the event of any alteration to the capital structure of our Company whether by way of capitalization of profits or reserves, open offer, rights issue, consolidation, reclassification, reconstruction, subdivision of shares, or reduction of the share capital of our Company but shall not in any event exceed the limits imposed by the Listing Rules.

4. Maximum entitlement of each participant

No option may be granted to any Participant which, if exercised, would result in such Participant becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all Options granted to him (including exercised, canceled and outstanding Options) in the 12-month period up to and including the date of offer, exceeds 1% of the Shares in issue at such date. Any further grant of options in excess of this 1% limit shall be subject to the approval of our shareholders in general meeting with such Participant and his associates (as defined in the Listing Rules) abstaining from voting. Our Company shall send to our Shareholders a circular containing the identity of the Participant, the number and terms of the options to be granted (and options previously granted to such Participant) and such other information required under Chapter 17 of the Listing Rules.

The number and terms (including the exercise price) of the options to be granted to such Participant must be fixed before our Shareholders' approval and the date of the Board meeting approving such further grant shall be taken as the date of grant for the purpose of determining the exercise price of the options.

5. Granting Options to connected persons

Any grant of options to a Director (including an independent non-executive Director), chief executive or substantial shareholder (as defined in the Listing Rules) of the Company, or any of their respective associates (as defined in the Listing Rules), under the Share Option Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).

Where any grant of options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates (as defined in the Listing Rules), will result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the Shares in issue; and

(b) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5.0 million, such further grant of options by the Board must be approved by the shareholders of our Company. Any shareholder of our Company who is a connected person (as defined in the Listing Rules) of our Company must abstain from voting on the resolution to approve such further grant of options, except that such a connected person (as defined in the Listing Rules) may vote against such resolution subject to the requirements under Chapter 17 of the Listing Rules. Our Company shall send to our shareholders a circular containing the information required under Chapter 17 of the Listing Rules.

6. Acceptance of an offer of options

An offer of options shall be open for acceptance for such period (not exceeding 30 calendar days from, and inclusive of, the date of grant) as the Board may determine and notify to the Eligible Participant concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Share Option Scheme or after the Share Option Scheme has been terminated. An offer of options not accepted within this period shall lapse. An amount of HK$1.00 is payable upon acceptance of the grant of options and such payment shall not be refundable and shall not be deemed to be a part of payment of the exercise price.

7. Exercise price

The exercise price in respect of any option shall be such price as determined by the Board and notified to an option holder and which shall not be less than the higher of:

(a) the closing price of our Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a business day;

(b) the average closing price of our Shares on the Stock exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and

(c) the nominal value of our Shares.

8. Duration of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the adoption date of the Share Option Scheme after which no further options will be granted, but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme.

9. Time of vesting and exercise of options

Any option shall be vested on an option holder immediately upon his acceptance of the offer of options. Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed 10 years from the grant date of the option.

An option shall be subject to such terms and conditions (if any) as may be determined by the Board at the date of offer and specified in the offer of the option. Notwithstanding the above, there is no minimum period for which any option must be held before it can be exercised and no performance target which needs to be achieved by an option holder before the option can be exercised.

10. Restriction on the time of grant of Options

The Board may not grant any options after inside information has come to its knowledge until such inside information has been published in accordance with the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

(a) 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

(b) the deadline for our Company to publish an announcement of its 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 ending on the date of the results announcement, no option may be granted. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

11. Ranking of the Shares

Shares allotted and issued on the exercise of an option will rank equally in all respect with the Shares in issue on the date of allotment. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

12. Rights are personal to the option holders

An option shall be personal to the grantee and shall not be assignable or transferable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any option.

13. Rights on winding up

In the event notice is given by our Company to our Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, we shall forthwith give notice thereof to the grantee and the grantee may, by notice in writing to our Company accompanied by the remittance for the total subscription price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than two business days prior to the proposed meeting) exercise the option (to the extent exercisable as of the date of the notice to the grantee and not exercised) either in full or in part.

14. Rights on company reconstructions

In the event of a compromise or arrangement, our Company shall give notice to all option holders on the same date as it gives notice of the meeting to its shareholders or creditors to consider such a compromise or arrangement and each option holder may exercise all or any of his options in whole or in part (to the extent exercisable as of the date of the notice from our Company and not exercised), subject to our Company receiving the exercise notice no later than two business day immediately prior to the date of the proposed general meeting. Any options not so exercised will lapse.

15. Lapse of option

An option will lapse automatically and not be exercisable (to the expense not already exercised) on the earliest of (a) the expiry of the option period; (b) the expiry of any of the period referred to in sub-paragraph 13, or otherwise in accordance with the terms of the Share Option Scheme; and (c) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated under the terms of the Share Option Scheme; (d) the date on which our Board exercise our Company's right to cancel or forfeit an option if a grantee commits a breach; (e) the date on which the options are cancelled (f) the date on which the Share Option Scheme is terminated by reason of the non-occurrence of any of the events contemplated under the terms of the Share Option Scheme.

16. Effect of alteration to capital

In the event of any alteration to the capital structure of the Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, open offer, rights issue, consolidation, reclassification, reconstruction, subdivision of shares, or reduction of share capital of our Company, such corresponding adjustment (if any) shall be made to the number of Shares, the price at which the options are exercisable and the maximum number of Shares for which further option may be granted under the Share Option Scheme.

Except alterations made on a capitalization issue, any alteration to the number of Shares which is the subject of the options and/or the subscription price shall be conditional on the auditors or the independent financial adviser appointed by our Company confirming by the issue of certificate to our Board that the alteration is in their opinion fair and reasonable, is made on the basis that the proportion of the issued share capital of our Company to which a grantee is entitled after such alteration shall remain the same as that to which he was entitled before such alteration. No such alteration shall be made to the effect which would be to enable any Share to be issued at less than its nominal value (where applicable) or which would result in the aggregate amount payable on the exercise of any options in full being increased.

17. Cancelation of options

Any cancellation of option granted but not exercised must be approved by the grantee in writing. If our Board elects to cancel any option and a new option is proposed to be issued to the same grantee, the issue of such new option may only be made with available ungranted options (excluding for this purpose all the cancelled options) within the Scheme Mandate Limit.

18. Alteration of the Share Option Scheme

The Board may amend any of the provisions of the Share Option Scheme at any time except the following, which shall be approved by our Shareholders in general meeting:

(a) any changes to the definitions of Eligible Participant, grantee and exercise period in the Share Option Scheme;

(b) Any amendments to the terms and conditions of the Share Option Scheme which are of a material nature;

(c) Any amendments to the terms of options granted; and

(d) Any change to the authority of our Board in relation to any amendment of the rules of the Share Option Scheme.

19. Conditions of the Share Option Scheme

The adoption of the Share Option Scheme is conditional upon:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; and

(b) the commencement of the dealings in the Shares on the Hong Kong Stock Exchange.

G. OTHER INFORMATION

1. Litigation

Save as disclosed in this prospectus and so far as our Directors are aware, as at the Latest Practicable Date, neither we nor any of our subsidiaries were/was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on its results of operations or financial condition.

2. Preliminary expenses

Our preliminary expenses were approximately US$3,000 and have been paid by us.

3. Estate duty

Our Directors confirmed that no material liability for estate duty is likely to fall on any member of our Group.

4. Promoter

There are no promoters of our Company.

5. Sponsors

The Joint Sponsors made an application on our behalf to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein, the Shares to be issued pursuant to the Capitalization Issue and any Shares falling to be issued pursuant to the exercise of the Over-allotment Option, and the Shares that may be issued upon the exercise of options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS. Each of the Joint Sponsors confirms that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Joint Sponsors, pursuant to which our Company agreed to pay the Joint Sponsors a total fee of US$1 million to act as sponsors to our Company in the Global Offering.

6. No material adverse change

Our Directors confirm that there has been no material adverse change in our Company's financial or trading position or prospects since August 31, 2018 (being the date to which our latest audited consolidated financial statements were made up).

7. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance (Chapter 32 of the Laws of Hong Kong) so far as applicable.

8. Miscellaneous

(1) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

  (a) no share or loan capital of any member of our Group has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;

  (b) no share or loan capital of any member of our Group is under option or is agreed conditionally or unconditionally to be put under option; and

  (c) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(2) Save as disclosed in this prospectus:

  (a) there are no founder, management or deferred shares nor any debentures in any member of our Group;

  (b) no share or loan capital or debenture of any member of our Group is under option or is agreed conditionally or unconditionally to be put under option; and

  (c) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.

(3) Save as disclosed in "—C. Further Information about Our Business—1. Summary of the Material Contracts" in this section, none of our Directors or proposed Directors or experts (as named in this document), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

(4) 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 document within the two years immediately preceding the date of this document.

(5) Save as disclosed in this prospectus, no equity or debt securities of any company within our Group is presently listed on any stock exchange or traded on any trading system nor is any listing or permission to deal being or proposed to be sought.

(6) Save as disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures.

(7) There is no arrangement under which future dividends are waived or agreed to be waived.

9. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Citigroup Global Markets Asia Limited	A corporation licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO
CCB International Capital Limited	A corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Jingtian & Gongcheng	Qualified PRC lawyers
Maples and Calder (Hong Kong) LLP	Cayman Islands attorney-at-law
Ernst & Young	Certified Public Accountants
Frost & Sullivan (Beijing) Inc. Shanghai Branch Co.	Independent industry consultant
Asia-Pacific Consulting and Appraisal Limited	Independent property valuer

10. Consents of experts

Each of the experts named in paragraph 9 of this Appendix has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

11. Bilingual prospectus

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Deed of Indemnity

The Controlling Shareholders have entered into the Deed of Indemnity in favor of our Company (for itself and as trustee for our subsidiaries) to jointly and severally indemnify in full each member of our Group against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by any member of our Group arising from or in connection with the non-compliance with laws and regulations in relation to certain properties of our Group on or before the Listing Date as disclosed in the section headed "Business—Properties—Non-compliance of certain buildings owned by us" in this prospectus.

The indemnity given by the Controlling Shareholders does not cover, and the Controlling Shareholders shall be under no liability in respect of, the liabilities arising from the non-compliance with laws and regulations which are promulgated or amended after the Listing Date.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

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) a copy of each of material contracts referred to in "C. Further Information about Our Business—1. Summary of the material contracts" in Appendix VI to this prospectus;

(c) a copy of each the written consents referred to in "G. Other Information—10. Consents of experts" in Appendix VI to this prospectus; and

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Clifford Chance at 27/F, Jardine House, One Connaught Place, 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;

(b) the Accountants' Report from Ernst & Young, the text of which is set out in Appendix I to this prospectus;

(c) the audited consolidated financial statements of our Group for the three years ended December 31, 2017, and the eight months ended August 31, 2018;

(d) the report from Ernst & Young on the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(e) the letter from Ernst & Young and the Joint Sponsors relating to the profit estimate, the texts of which are set out in Appendix III to this prospectus;

(f) the material contracts referred to in "C. Further Information about Our Business—1. Summary of the material contracts" in Appendix VI to this prospectus;

(g) the written consents referred to in "G. Other Information—10. Consents of experts" in Appendix VI to this prospectus;

(h) the contracts referred to in "D. Further Information about Our Directors—A. Directors' service contracts" in Appendix VI to this prospectus;

(i) the legal opinion issued by Jingtian & Gongcheng, our legal advisers as to PRC law, in respect of our general matters and property interests;

(j) the letter of advice prepared by Maples and Calder (Hong Kong) LLP Summarizing certain aspects of Companies Law referred to in Appendix V to this prospectus;

(k) the industry report issued by Frost & Sullivan;

(l) the property valuation report issued by Asia-Pacific Consulting & Appraisal Limited, the text of which is set out in Appendix IV to this prospectus;

(m) the Cayman Islands Companies Law; and

(n) the rules of the Share Option Scheme.

China Kepei Education Group Limited
中國科培教育集團有限公司