

# CHINA EAST EDUCATION HOLDINGS LIMITED 中國東方教育控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 667

## GLOBAL OFFERING



*Sole Sponsor*



**BNP PARIBAS**

*Joint Global Coordinators*



**BNP PARIBAS**



**CICC  
中金公司**



**海通國際  
HAITONG**

*Joint Bookrunners and Joint Lead Managers*



**BNP PARIBAS**



**CICC  
中金公司**



**海通國際  
HAITONG**



**國泰君安國際  
GUOTAI JUNAN INTERNATIONAL**



**招銀國際  
CMB INTERNATIONAL**



**農銀國際  
ABC INTERNATIONAL**

# IMPORTANT

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

## CHINA EAST EDUCATION HOLDINGS LIMITED

中國東方教育控股有限公司

(Incorporated in the Cayman Islands with limited liability)

### GLOBAL OFFERING

<b>Total Number of Offer Shares under the Global Offering</b>	<b>: 435,800,000 Shares (subject to the Over-allotment Option)</b>
<b>Number of Hong Kong Offer Shares</b>	<b>: 43,580,000 Shares (subject to adjustment)</b>
<b>Number of International Placing Shares</b>	<b>: 392,220,000 Shares (subject to the Over-allotment Option and adjustment)</b>
<b>Offer Price</b>	<b>: Not more than HK\$12.26 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)</b>
<b>Nominal value</b>	<b>: HK\$0.0001 per Share</b>
<b>Stock code</b>	<b>: 667</b>

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Cap. 32 Companies (WUMP) Ordinance. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators, on behalf of the Underwriters, and our Company on or before Tuesday, June 4, 2019 or such later time as may be agreed between the parties, but in any event, no later than Wednesday, June 5, 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 Wednesday, June 5, 2019, the Global Offering will not proceed and will lapse immediately. The Offer Price will be not more than HK\$12.26 per Share and is expected to be not less than HK\$9.80 per Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum offer price of HK\$12.26 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\$9.80. The Joint Global Coordinators, on behalf of the Underwriters, may, with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of such reduction will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.chinaeastedu.com](http://www.chinaeastedu.com) as soon as practicable but in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

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

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

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities law of the United States and may not be offered, sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are offered and sold (i) within the United States to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act or another exemption from registration under the U.S. Securities Act; and (ii) in offshore transactions outside the United States in reliance on Regulation S under the U.S. Securities Act.

May 30, 2019

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## EXPECTED TIMETABLE<sup>(1)</sup>

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

Latest time to complete electronic applications under  
**White Form eIPO** service through the designated  
website **www.eipo.com.hk**<sup>(2)</sup> ..... 11:30 a.m. on  
Tuesday, June 4, 2019

Application lists of the Hong Kong Public Offering  
open<sup>(3)</sup> ..... 11:45 a.m. on  
Tuesday, June 4, 2019

Latest time to lodge **WHITE** and **YELLOW** Application  
Forms ..... 12:00 noon on  
Tuesday, June 4, 2019

Latest time to give **electronic application**  
**instructions** to HKSCC<sup>(4)</sup> ..... 12:00 noon on  
Tuesday, June 4, 2019

Latest time to complete payment of **White Form eIPO**  
applications by effecting internet banking transfer(s)  
or PPS payment transfer(s) ..... 12:00 noon on  
Tuesday, June 4, 2019

Application lists of the Hong Kong Public  
Offering close ..... 12:00 noon on  
Tuesday, June 4, 2019

Expected Price Determination Date<sup>(5)</sup> ..... Tuesday, June 4, 2019

Announcement of:

- the Offer Price;
- an indication of the level of interest in the International Placing;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Offer Shares,

to be published in South China Morning Post  
(in English) and Hong Kong Economic Times  
(in Chinese) and on the websites of the Stock Exchange  
at **www.hkexnews.hk** and our Company at  
**www.chinaeastedu.com** on or before<sup>(6)</sup> ..... Tuesday, June 11, 2019

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the websites of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.chinaeastedu.com** (see paragraph entitled "11. Publication of Results" in the section headed "How to Apply for Hong Kong Offer Shares") from . . . . . Tuesday, June 11, 2019

A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk**<sup>(7)</sup> and the Company's website at **www.chinaeastedu.com**<sup>(8)</sup> from . . . . . Tuesday, June 11, 2019

Results of allocations for 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 . . . . . Tuesday, June 11, 2019

Dispatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before<sup>(6)</sup> . . . . . Tuesday, June 11, 2019

Dispatch of White Form e-Refund payment instructions/refund cheques on or before<sup>(9)</sup> . . . . . Tuesday, June 11, 2019

Dealings in Shares on the Stock Exchange to commence at 9:00 a.m. on . . . . . Wednesday, June 12, 2019

*Notes:*

- (1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Tuesday, June 4, 2019, the application lists will not open on that day. See the section headed "How to Apply for the Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists".
- (4) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to Apply for the Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS".
- (5) The Price Determination Date is expected to be on or around Tuesday, June 4, 2019, and, in any event, not later than Wednesday, June 5, 2019. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and our Company by 5:00 p.m. on Wednesday, June 5, 2019, the Global Offering will not proceed and will lapse immediately.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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- (6) Share certificates are expected to be issued on Tuesday, June 11, 2019 but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at around 8:00 a.m. on Wednesday, June 12, 2019. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates and before they become valid do so entirely of their own risk.
- (7) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application.

**The above expected timetable is a summary only. You should read carefully the sections headed “Underwriting”, “Structure of the Global Offering” and “How to Apply for the Hong Kong Offer Shares” for details relating to the structure of the Global Offering, procedures on the applications for the Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and Share certificates.**

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### IMPORTANT NOTICE TO INVESTORS

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

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

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## SUMMARY

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

### OVERVIEW

We are the largest vocational training education provider in China with a market share of approximately 1.7% and 2.5% in terms of average students enrolled and revenue generated for the year ended December 31, 2017, respectively, according to the Frost & Sullivan Report. We have a leading position in China in providing vocational training education in three segments, namely, culinary arts, information technology and internet technology, as well as auto services, where we ranked first in each segment in terms of average students enrolled for the year ended December 31, 2017, according to the Frost & Sullivan Report. Headquartered in Hefei, Anhui province, we have established a nationwide school network consisting of 145 Schools in operation as of December 31, 2018 spanning 29 of the 31 provinces in mainland China and Hong Kong. We also provide secondary vocational education through 26 Schools. We operate our business and establish our Schools under five renowned school brands, namely, New East Culinary Education, Omick Education of Western Cuisine and Pastry, Xinhua Internet Technology Education, Wisezone Data Technology Education and Wontone Automotive Education. For the year ended December 31, 2018, our average students enrolled under these brands were 69,141, 3,106, 31,023, 1,364 and 19,323, respectively. As of December 31, 2018, we also operated 18 customized catering experience centers under Cuisine Academy.

We are a pioneer in providing vocational training education in China in culinary arts, information technology and internet technology, as well as auto services. These industry sectors are areas in China where there is significant unmet demand for vocational training education to bridge the supply and demand gap between employers and students. Our primary goal is to provide students with solid knowledge and practical skills in their chosen profession that are tailored to the needs of employers with a view to increasing graduates' employability and their average compensation levels. Between December 31, 2016 and December 31, 2018, the number of our Schools and our average students enrolled grew at a CAGR of 26.9% and 8.6%, respectively.

We have established a centralized and standardized management system across our business operations throughout China, which we believe is essential to our success as it enables us to expand our school and center network into new geographic markets in an efficient manner while maintaining our quality standards. We centrally manage different aspects of our operations, including, among others, teaching, logistics, procurement, accounting and finance, the research and design of our curriculums, career advice services, and talent cultivation so that all of our Schools and centers are able to maintain consistent standards in terms of their quality of education, business operations and efficiencies of financial management, while sharing and utilizing resources in terms of market information and career opportunities on a nationwide basis. Our efficient centralized and differentiated management approach, our consolidated financial resources and our strong brand reputation have allowed us to expand our school and center network effectively and to capitalize on the business opportunities in China's private vocational education industry.

During the Track Record Period, there were some immaterial non-compliance incidents in our business operations. In order to prevent the recurrence of such non-compliance incidents, we have established and implemented policies and procedures to monitor the ongoing compliance with applicable rules and regulations in our operations. See "Business — Immaterial Non-compliance Incidents — Rectification actions and enhanced internal control measures" of this prospectus for details. We have established a compliance committee comprising Mr. Sha Xu, the vice president of our Group, Mr. Au Yeung Siu Kei, the chief financial officer of our Group and Mr. Mao Chaosheng, the joint company secretary of our Group, to oversee our Group's compliance in respect of business, finance and legal related matters, respectively. In



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## SUMMARY

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May 2019, after obtaining advice from our PRC Legal Advisors and our Internal Control Consultant on the improvement of our internal control measures, we designed a school opening checklist in an effort to ensure full compliance with applicable rules and regulations before operating a school or a Regional Center, subject to any consents or waivers relevant local authorities may grant. Our compliance committee will only approve for a new school or Regional Center to commence operations if all items on this school opening checklist have been properly addressed to their satisfaction. See “Business — Internal Control and Risk Management — Internal Control” of this prospectus for details. With assistance from our legal advisors, we intend to continuously monitor the development and promulgation of new laws and regulations, as well as review the checklist every six months. Our legal affairs department will be responsible for updating the checklist based on the advice of our legal advisors and notify all relevant departments of our Group. In addition, before making any acquisition of land or buildings, we will engage legal advisors to issue legal opinions on the regulatory compliance of the land and buildings to be purchased. We will only make the purchases if the legal advisors confirm that the land and buildings to be purchased are in compliance with the relevant rules and regulations.

### **OUR BUSINESS SEGMENTS**

#### **New East Culinary Education**

New East Culinary Education has been providing comprehensive culinary training programs to students who pursue a career in becoming professional chefs. We teach our students the cooking traditions and practices of diversified Chinese cuisines, including the well-known and widely recognized eight regional cuisines in China, supported by an integration of classic Chinese and Western culinary skills. As of December 31, 2018, we had 50 Schools in operation under New East Culinary Education. Each of our Schools under New East Culinary Education offers various culinary training programs with different program lengths to meet students’ differentiated learning focuses and demands.

#### **Omick Education of Western Cuisine and Pastry**

Omick Education of Western Cuisine and Pastry offers high-quality western style catering education, which is committed to providing specialized culinary training to students with a focus on western pastry and western food. As of December 31, 2018, we operated 23 Schools under our Omick Education of Western Cuisine and Pastry. We offer a variety of courses, including baking, desserts, western cuisines, bartending, and barista training.

#### **Xinhua Internet Technology Education**

We provide information technology and internet technology-related training programs under Xinhua Internet Technology Education. As of December 31, 2018, we had 24 Schools in operation under Xinhua Internet Technology Education, providing a wide range of information technology and internet technology-related training to students, including 125 courses with different course lengths.

#### **Wisezone Data Technology Education**

Wisezone Data Technology Education primarily provides short-term programs to junior college and university students who have possessed the basic knowledge and seek to further develop relevant practical skills. By cooperating with a number of technology enterprises and higher education institutions, we have set up 22 Schools in China to train professional data technology engineers as of December 31, 2018.

#### **Wontone Automotive Education**

We focus on provides hands-on auto repair skill training as well as practical training of other auto services, such as automobile commerce. As of December 31, 2018, we had 26 Schools in operation under Wontone Automotive Education in China.

#### **Customized Catering Experience Center**

We founded Cuisine Academy in 2017 with a view to providing customized catering experience services to customers who are interested in cooking or who plan to establish their own businesses in the catering industry. Cuisine Academy primarily providing customers with customized catering experience programs. As of December 31, 2018, we operated 18 customized catering experience centers under Cuisine Academy in the PRC.

## SUMMARY

### OUR COMPETITIVE STRENGTHS

We seek to leverage our competitive strengths to strengthen our market position and expand our business operations. We believe that the following competitive strengths have contributed to our success and will continue to distinguish us from our competitors: (i) largest vocational training education provider in China with a portfolio of renowned brands; (ii) nationwide self-operated school and center network empowered by our highly replicable business model; (iii) innovative work simulation teaching methodologies to equip our students with readily applicable job skills; (iv) renowned track record in offering well-established curriculums catering the economy needs; (v) strong job placement results supplemented by our professional career counselling services and alumni network; and (vi) visionary, strong and stable management team.

### OUR BUSINESS STRATEGIES

Our goal is to provide the best vocational training education in China. We intend to continue to expand our business and school and center network and enhance our market position. To achieve these goals, we plan to: (i) continue to strengthen our market leadership and reputation; (ii) expand school and center network domestically and internationally; (iii) continue to diversify and innovate our course offerings and curriculums; (iv) further improve our practical training methods and facilities; and (v) further emphasize our corporate social responsibility.

### SUMMARY OF OUR OPERATING DATA

The following table sets forth the average students enrolled under each school brand and the average number of customers registered in Cuisine Academy for the years indicated:

Segments and Brands	Year ended December 31,		
	2016	2017	2018
<b>Average Students Enrolled<sup>(1)</sup></b>			
<b>CULINARY ARTS</b>			
New East . . . . .	62,122	71,180	69,141
Omick . . . . .	—	1,114	3,106
<b>INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY</b>			
Xinhua Internet . . . . .	23,764	24,981	31,023
Wisezone . . . . .	1,138	1,165	1,364
<b>AUTO SERVICES</b>			
Wontone . . . . .	18,071	18,100	19,323
<b>Total</b> . . . . .	105,095	116,540	123,957
<b>Average Number of Customers Registered<sup>(2)</sup></b>			
<b>Cuisine Academy</b> . . . . .	—	63	577

*Notes:*

- (1) As our Schools provide various vocational training education programs during a year and the course length and the program commencement date varies for our different long-term and short-term programs, we believe that the average students enrolled is a measure that is comparable to that of our competitors and therefore can fairly present our ranking and market position in the industry. Our average students enrolled for a year is only an approximation of the average number of students enrolled during a certain period, representing the sum of the number of students enrolled at our operating Schools at the end of each month divided by the number of months during such period, without taking into account any transfer or withdrawal. See “Business — Pricing Policy — Student/Customer Withdrawal and Refund Policy” for more information.
- (2) Our average number of customers registered for a year represents the sum of the number of customers registered at Cuisine Academy at the end of each month divided by the number of months during such period, without taking into account any withdrawal. The courses for one month or shorter are regarded as one-month programs for the calculation.

## SUMMARY

The following table sets forth the new student enrollments under each school brand and the number of new customers registered in our Cuisine Academy for the years ended December 31, 2016, 2017 and 2018:

Segments and Brands	Year ended December 31,		
	2016	2017	2018
<b>New Student Enrollment<sup>(1)</sup></b>			
<b>CULINARY ARTS</b>			
New East . . . . .	65,306	71,942	71,335
Omick . . . . .	—	2,788	9,180
<b>INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY</b>			
Xinhua Internet . . . . .	17,243	19,369	24,415
Wisezone . . . . .	3,465	3,573	4,558
<b>AUTO SERVICES</b>			
Wontone . . . . .	14,449	16,203	20,263
<b>Total</b> . . . . .	<b>100,463</b>	<b>113,875</b>	<b>129,751</b>
<b>Number of New Customers Registered<sup>(2)</sup></b>			
<b>Cuisine Academy<sup>(2)</sup></b> . . . . .	<b>—</b>	<b>146</b>	<b>5,778</b>

*Notes:*

- (1) New student enrollment represents the total number of students newly enrolled at our operating schools in a certain period. We use new student enrollment to reflect our ability of student recruitment and the popularity of our programs.
- (2) We commenced operations of Cuisine Academy in 2017. Number of new customers registered represent the total number of new customers attending our customized catering experience programs of Cuisine Academy in a certain period.

### THE 2016 DECISION AND THE MOJ DRAFT FOR COMMENTS

On November 7, 2016, the Standing Committee of the NPC published the *Decision on Amendment of the Law for Promoting Private Education of the PRC* (《關於修改〈中華人民共和國民辦教育促進法〉的決定》). Under the 2016 Decision, school sponsors of an existing not-for-profit private school may elect to register the school as a non-profit or for-profit private schools at their own discretion.

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 MOJ Draft for Comments may have certain implications on our expansion strategy through acquisition. The scope of our acquisition may be limited to for-profit private schools only. Please see “Business — Potential Implications of the 2016 Decision and the MOJ Draft for Comments” in this prospectus for more details.

### RISK FACTORS

Our operations and the Global Offering involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to invest in us and/or the value of your investment. See “Risk Factors” in this prospectus for details of our risk factors. Some of the major risks we face include: (i) we are dependent on the market recognition of our brand; our failure to maintain or enhance our brand recognition could materially and adversely affect our business, financial condition and result of operations; (ii) we face intense competition in the PRC vocational education industry and our business, financial condition and results of operations may be adversely affected if we are unable to compete effectively; (iii) our graduates’ employment rates and average starting salaries may decrease and satisfaction with our vocational training programs may otherwise decline; (iv) we may not be able to improve the content of our existing courses or to develop new courses on a timely basis and in a cost-effective manner; and (v) failure to effectively and efficiently manage the expansion of our school and center network may materially and adversely affect our ability to capitalize on new business opportunities.

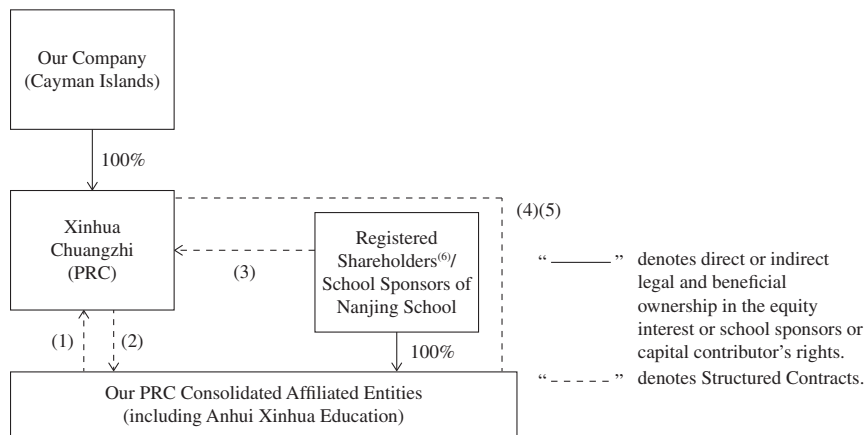
## SUMMARY

### CUSTOMERS AND SUPPLIERS

Our customers primarily consist of students of our Schools and their parents as well as customers of our customized catering experience centers of Cuisine Academy. For the years ended December 31, 2016, 2017 and 2018, we did not have any single customer who accounted for more than 5% of our revenue for each of the period. Our suppliers primarily consist of providers of advertising services, construction services, teaching equipment, and raw materials. For the years ended December 31, 2016, 2017 and 2018, purchases from our five largest suppliers amounted to RMB121.9 million, RMB162.4 million and RMB207.4 million, respectively, accounting for 11.5%, 12.2% and 13.0% of our total purchases for the relevant periods. See “Business — Customers and Suppliers” in this prospectus for further details.

### STRUCTURED CONTRACTS

The following simplified diagram illustrates the flow of economic benefits from our PRC Consolidated Affiliated Entities (including Nanjing School) to our Group stipulated under the Structured Contracts. See “Structured Contracts — Operation of the Structured Contracts” in this prospectus for further details.



#### Notes:

- (1) Payment of service fees. See “Structured Contracts — Summary of the Material Terms of the Structured Contracts — (1) Exclusive Management Consultancy and Business Cooperation Agreements under Structured Contracts I and Structured Contracts II” for further details.
- (2) Provision of services. See “Structured Contracts — Summary of the Material Terms of the Structured Contracts — (1) Exclusive Management Consultancy and Business Cooperation Agreements under Structured Contracts I and Structured Contracts II” for further details.
- (3) Powers of attorney to exercise all shareholders’ rights in our PRC Consolidated Affiliated Entities (excluding Nanjing School) and entrustment of school sponsors’ or capital contributors’ rights by the school sponsors or capital contributors of Nanjing School including the school sponsor’s or capital contributor’s powers of attorney. See “Structured Contracts — Summary of the Material Terms of the Structured Contracts — (4) Powers of attorney under Structured Contracts I”, “Structured Contracts — Summary of the Material Terms of the Structured Contracts — (6) School Sponsors’ or Capital Contributors’ Rights Entrustment Agreement under Structured Contracts II”, and “Structured Contracts — Summary of the Material Terms of the Structured Contracts — (7) School Sponsor’s or Capital Contributor’s Powers of Attorney under Structured Contracts II” for further details.
- (4) Exclusive call option to acquire all or part of the equity interest in our PRC Consolidated Affiliated Entities. See “Structured Contracts — Summary of the Material Terms of the Structured Contracts — (2) Exclusive Call Option Agreements under Structured Contracts I and Structured Contracts II” for further details.
- (5) Pledge of all the equity interest in Anhui Xinhua Education and pledge of all accounts receivable of Nanjing School. See “Structured Contracts — Summary of the Material Terms of the Structured Contracts — (3) Equity Pledge Agreement under Structured Contracts I” and “Structured Contracts — Summary of the Material Terms of the Structured Contracts — (5) Accounts Receivable Pledge Agreement under Structured Contracts II” for further details.
- (6) Registered Shareholders refer to the registered shareholders of Anhui Xinhua Education, namely, Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing.

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## SUMMARY

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### PRE-IPO INVESTMENT

On October 26, 2018, Lu Lu Education subscribed for and our Company issued and allotted 30 Shares to Lu Lu Education for a consideration of HK\$600,000. After issuance and allotment of 30 Shares to Lu Lu Education, our Company became owned as to 42.6654% by Wu Junbao Education, 29.2213% by Wu Wei Education, 28.1103% by Xiao Guoqing Education and 0.0030% by Lu Lu Education. There were no special rights granted to Lu Lu Education that will survive the Listing. See “History and Corporate Structure — Corporate Reorganization — 12. Pre-IPO investment into our Company by Lu Lu Education” in this prospectus for further details.

### OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders upon Listing are Mr. Wu Junbao and Wu Junbao Education, which is wholly-owned by Mr. Wu Junbao. Immediately after completion of the Capitalization Issue and the Global Offering, our Controlling Shareholders will together control the exercise of voting rights of more than 30% of the Shares eligible to vote in the general meeting of our Company (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme or the Share Option Scheme). See “Relationship with Our Controlling Shareholders” in this prospectus for details.

### PRE-IPO SHARE OPTION SCHEME

On December 7, 2018, our Company conditionally adopted the Pre-IPO Share Option Scheme and on the same date, we granted options under the Pre-IPO Share Option Scheme to 178 grantees, including one Director, to subscribe for an aggregate of 135,244,720 Shares, representing 6.206% of the issued Shares immediately following the completion of the Capitalization Issue and the Global Offering (assuming no exercise of the Over-allotment Option or any options that may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme). The diluted earnings per share from continuing operations for the year ended December 31, 2018 was RMB10.35 cents. Assuming full exercise of the outstanding options granted under the Pre-IPO Share Option Scheme, the shareholding of the Shareholders immediately following completion of the Capitalization Issue and the Global Offering (assuming no exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme) will be diluted by approximately 5.84% as calculated based on 2,314,244,720 Shares then in issue. The principal terms of the Pre-IPO Share Option Scheme are summarized in “F. Pre-IPO Share Option Scheme and Share Option Scheme — 1. Pre-IPO Share Option Scheme” in Appendix V to this prospectus.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on May 21, 2019. Subject to our Shareholders’ approval on refreshing or granting options beyond the Scheme Mandate Limit, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes (including but not limited to the Pre-IPO Share Option Scheme) of the Company must not in aggregate exceed 10% of the total number of Shares in issue as of the Listing Date, namely 217,900,000 Shares, excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option granted by our Company. The principal terms of the Share Option Scheme are summarized in “F. Pre-IPO Share Option Scheme and Share Option Scheme — 2. Share Option Scheme” in Appendix V to this prospectus.

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary of consolidated financial information as of and for the years ended December 31, 2016, 2017 and 2018. You should read this summary together with the consolidated financial information set forth in the Accountants’ Report of the Group in Appendix I to this prospectus, including the related notes, and the information set forth in “Financial Information” in this prospectus.

## SUMMARY

### Selected Consolidated Statements of Profit or Loss Data

	Year ended December 31,		
	2016	2017	2018
	<i>(RMB'000)</i>		
<b>Continuing operations</b>			
Revenue .....	2,335,730	2,850,165	3,264,964
Gross profit .....	1,321,465	1,568,826	1,705,108
Profit before taxation .....	719,657	832,155	687,004
Profit and total comprehensive income for the year from continuing operations .....	587,379	661,190	515,141
<b>Discontinued operation</b>			
Loss and total comprehensive expense for the year from discontinued operation .....	(21,901)	(19,569)	(5,048)
<b>Profit and total comprehensive income for the year .....</b>	<b>565,478</b>	<b>641,621</b>	<b>510,093</b>

During the Track Record Period, we experienced stable growth in our revenue from our continuing operations, which was mainly due to an increase in revenue from tuition fees as a result of the increase in our student enrollment.

Our profit and total comprehensive income from continuing operations increased by 12.6% from RMB587.4 million for the year ended December 31, 2016 to RMB661.2 million for the year ended December 31, 2017. Our average students enrolled grew cumulatively from 105,095 for the year ended December 31, 2016 to 123,957 for the year ended December 31, 2018, representing a CAGR of 8.6%. Our profit and total comprehensive income from continuing operations decreased by 22.1% to RMB515.1 million for the year ended December 31, 2018, primarily due to a significant increase in our selling expenses to promote our brand name and facilitate the student recruitment of our newly established schools as well as a significant increase in our administrative expenses because we hired additional administrative staff and professional consultants to meet the needs of our expanded school network.

During the Track Record Period, our gross profit also steadily increased, which was in line with the growth of our business. However, our gross profit margin decreased from 56.6% for the year ended December 31, 2016 to 55.0% for the year ended December 31, 2017 and further to 52.2% for the year ended December 31, 2018 as we operated 36 new Schools and six new centers in 2017 and 19 new Schools and 12 new centers in 2018. Generally, the establishment of new schools has a negative impact on our gross profit margin. During the initial ramp-up period after a new school commences operations, we will incur substantial fixed costs for teaching staff salaries and benefits, leasing expenses, and other fixed costs while initial revenue from the new school is limited due to the relatively small number of student enrollment in their ramp-up period.

During the Track Record Period, our cost of revenue increased, which was mainly due to (i) the increases in teaching staff salaries and benefits as we hired additional teaching staff to meet needs of the increased number of students and we increased our teaching staff's salary in 2016 and 2017; (ii) the increases in teaching related consumables and other costs as a result of the increased cost of procuring practical training raw materials to meet the needs of the increased number of students; (iii) the increases in campus maintenance and depreciation mainly due to the increase in expenses for renovating school facilities in connection with the expansion of our school network; and (iv) the increases in leasing expenses for our newly opened Schools.

During the Track Record Period, our net profit margin decreased from 25.1% for the year ended December 31, 2016 to 23.2% for the year ended December 31, 2017, primarily due to we operated 36 new Schools in 2017 which has a negative impact on our net profit margin during the ramp-up period. Our net profit margin decreased to 15.8% for the year ended December 31, 2018, primarily due to the same reason.

For the years ended December 31, 2016, 2017 and 2018, we opened 19, 36 and 19 new Schools, respectively. Besides, we commenced operations of Cuisine Academy in 2017 and opened six and 12 new centers in 2017 and 2018. Our new Schools and centers generally incur significant fixed costs while their initial revenue is limited due to

## SUMMARY

the relatively small number of student enrollment or customer registration in their ramp-up periods, which typically range from two to three years on average. Therefore, new Schools and centers generally have a negative impact on our gross profit, net profit and the relevant profit margins which may give the investors an inaccurate impression of the performance of our Schools and centers. In the table below, new Schools and centers in a period mainly represent Schools and centers that began to generate revenue for the first time during the period. The following table is presented because our management believes that such information will be helpful for investors to assess our performance and the profitability of our Schools and centers that had been in relatively stable operations for an extended period of time.

	Year ended December 31,		
	2016	2017	2018
	(RMB'000)		
<b>Profit and total comprehensive income for the year from continuing operations . . . . .</b>	587,379	661,190	515,141
<b>Profit/(loss) in relation to new schools/centers:</b>			
Aggregate amount of net profit/(loss) of Schools/centers commenced to generate revenue from 2015 <sup>(1)</sup> . . . .	(10,912)	5,864	11,431
Aggregate amount of net profit/(loss) of Schools/centers commenced to generate revenue from 2016 <sup>(1)</sup> . . . .	(21,373)	(7,505)	(37,727)
Aggregate amount of net profit/(loss) of Schools/centers commenced to generate revenue from 2017 <sup>(1)</sup> . . . .	—	(116,314)	(115,592)
Aggregate amount of net profit/(loss) of Schools/centers commenced to generate revenue from 2018 <sup>(1)</sup> . . . .	—	—	(81,324)

Note:

- (1) These new Schools disclosed in the above table do not take into account the 11 New Technical Schools (技工學校) that commenced to generate revenue from 2015 to 2018 as they did not go through the initial ramp-up period ranging from six months to 18 months.

Our new Schools/centers that commenced operations in 2015 incurred net losses for 2016, began to generate a net profit for 2017 and their profitability continued to improve in 2018 compared with 2017. Our new Schools that commenced operations in 2016 recorded a decrease in net loss for 2017 but had an increase net losses for 2018 primarily because we opened 16 new Schools under our Wisezone brand in 2016 and the profitability of these Schools under Wisezone Data of Technology Education decreased between these years. Wisezone Data Technology Education's gross profit margin decreased from 20.8% for the year ended December 31, 2017 to 4.7% for the year ended December 31, 2018, primarily because this business segment was still in the stage of market development and had not yet established stable operations as a whole. We made continuous investments in the brand of Wisezone Data Technology Education during the Track Record Period to promote its future development and drive sustainable, profitable growth for our Group. However, due to the fierce competition and limited brand awareness of Wisezone Data Technology Education in the vocational training market, the growth rates of the fixed costs incurred were much higher than the growth rate of revenue during the Track Record Period. See "Financial Information — Key Components of Our Results of Operations — Continuing Operations — Gross Profit and Gross Profit Margin" in this prospectus for further details.

## SUMMARY

We had 32 Schools of New East Culinary Education, 19 Schools of Xinhua Internet Technology Education and 12 Schools of Wontone Automotive Education, which commenced operations before 2015. We did not operate any Schools or centers under Omick Western Catering Education, Wisezone Data Technology Education and Cuisine Academy before 2015. The following table sets forth a breakdown of gross profit and gross profit margin of the Schools that commenced operations before 2015 by brand for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
		%		%		%
	<i>(RMB'000 except percentages)</i>					
<b>Gross profit from continuing operations</b>						
New East <sup>(1)</sup>	746,735	57.3	914,188	60.2	855,830	55.7
Xinhua Internet <sup>(2)</sup>	253,661	51.7	279,078	51.6	343,745	56.7
Wontone <sup>(3)</sup>	184,456	52.9	190,269	51.5	198,159	53.1
<b>Total</b>	<b>1,184,852</b>	<b>55.3</b>	<b>1,383,535</b>	<b>57.0</b>	<b>1,397,734</b>	<b>55.6</b>

**Notes:**

- (1) The gross profit margin of New East Culinary Education increased from 2016 to 2017 primarily because the operations of newly established Schools became mature after the initial ramp-up period, and decreased in 2018 primarily because the rent and amortization of construction cost of certain Schools increased slightly but the revenue generated remained relatively stable.
- (2) The gross profit margin of Xinhua Internet Technology Education increased from 2017 to 2018 primarily due to increases in the average students enrolled and the tuition fee, which resulted in increases in our revenue while our cost of revenue remained relatively stable.
- (3) The gross profit margin of Wontone Automotive Education decreased from 2016 to 2017, primarily due to the growth of our new student enrollment slowed down but cost of revenue increased due to the expansion, and increased in 2018 primarily due to a decrease in cost of revenue and other expenses as we enhanced our cost control measures.

The following table sets forth a breakdown of our revenue from continuing operations by brand for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total
	<i>(RMB'000 except percentages)</i>					
<b>Revenue from continuing operations</b>						
New East	1,432,112	61.3	1,738,743	61.0	1,900,126	58.2
Xinhua Internet	480,533	20.6	542,249	19.0	604,413	18.5
Wontone	354,256	15.2	419,347	14.7	444,305	13.6
Omick	—	—	74,838	2.6	213,256	6.5
Wisezone	53,188	2.3	64,139	2.3	70,076	2.2
Cuisine Academy	—	—	333	—	20,797	0.6
Other Miscellaneous Businesses <sup>(1)</sup>	15,641	0.6	10,516	0.4	11,991	0.4
<b>Total</b> <sup>(2)</sup>	<b>2,335,730</b>	<b>100</b>	<b>2,850,165</b>	<b>100</b>	<b>3,264,964</b>	<b>100</b>

**Notes:**

- (1) Other miscellaneous businesses primarily include revenue from the internet technology solution and staff outsourcing services provided by Langjie Technology to Independent Third Parties.
- (2) The total revenue and percentages do not include inter-segment sales which are eliminated upon consolidation.



## SUMMARY

The following table sets forth a breakdown of our gross profit and gross profit margin by brand for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	%		%		%	
	<i>(RMB'000 except percentages)</i>					
<b>Gross profit from continuing operations</b>						
New East	826,305	57.7	1,029,223	59.2	1,073,709	56.5
Xinhua Internet	266,272	55.4	302,337	55.8	362,584	60.0
Wontone	197,890	55.9	216,611	51.7 <sup>(2)</sup>	197,652	44.5
Omick	—		5,890	7.9	73,354	34.4
Wiszone <sup>(3)</sup>	22,390	42.1	13,342	20.8	3,297	4.7
Cuisine Academy <sup>(4)</sup>	—		(2,664)	-800.0	(10,257)	-49.3
Other Miscellaneous Businesses <sup>(5)</sup>	8,608	55.0	4,087	38.9	4,769	39.8
<b>Total</b>	<b>1,321,465</b>	<b>56.6</b>	<b>1,568,826</b>	<b>55.0</b>	<b>1,705,108</b>	<b>52.2</b>

**Notes:**

- (1) The establishment of new Schools and centers under a segment has a negative impact on our gross profit margin for the relevant segment. During the initial ramp-up period after a new School or center commences operations, we incur substantial fixed costs for teaching staff salaries and benefits, leasing expenses, and other fixed costs while initial revenue from the new Schools and centers are limited due to the relatively small number of student enrollment or customer registration in the ramp-up period of the Schools and centers.
- (2) Wontone Automotive Education's gross profit margin decreased from 55.9% for the year ended December 31, 2016 to 51.7% for the year ended December 31, 2017 as we operated eight new Schools in 2017 which had a negative impact on our gross profit margin during the initial ramp-up period. For the same reason, the gross profit margin of Wontone Automotive Education decreased to 44.5% for the year ended December 31, 2018.
- (3) Wiszone Data Technology Education's gross profit margin decreased during the Track Record Period primarily because this business segment was still in the stage of market development and had not yet established stable operations as a whole. We made continuous investments in the brand of Wiszone Data Technology Education during the Track Record Period to promote its future development and drive sustainable, profitable growth for our Group. However, due to the fierce competition and limited brand awareness of Wiszone Data Technology Education in the vocational training market, the growth rates of the fixed costs incurred were much higher than the growth rate of revenue during the Track Record Period. See "Financial Information — Key Components of our Results of Operations — Continuing Operations — Gross Profit and Gross Profit Margin" for more information.
- (4) Cuisine Academy incurred losses for 2017 and 2018 primarily because we commenced our operations of Cuisine Academy in 2017 and incurred significant fixed costs at the beginning but the revenue was still limited at the initial stage of operations. See "Financial Information — Key Components of our Results of Operations — Continuing Operations — Gross Profit and Gross Profit Margin" in this prospectus for details.
- (5) Other miscellaneous businesses primarily include gross profit derived from the internet technology solution and staff outsourcing services provided by Langjie Technology to Independent Third Parties.

### Selected Consolidated Statements of Financial Position Data

	As of December 31,		
	2016	2017	2018
	<i>(RMB'000)</i>		
Current assets	1,896,055	2,259,124	1,270,348
Current liabilities	1,553,265	1,871,155	1,883,152
<b>Net current (liabilities)/assets<sup>(1)</sup></b>	<b>342,790</b>	<b>387,969</b>	<b>(612,804)</b>
Non-current assets <sup>(2)</sup>	752,089	1,259,201	1,545,187
Non-current liabilities <sup>(3)</sup>	29,776	40,446	59,752
<b>Net assets</b>	<b>1,065,103</b>	<b>1,606,724<sup>(4)</sup></b>	<b>872,631<sup>(5)</sup></b>

## SUMMARY

*Note:*

- (1) During the Track Record Period, we had net current liabilities as of December 31, 2018, primarily because (i) RMB1,233.2 million of our contract liabilities representing revenue that we expect to earn within one year was treated as a current liability and such amount is non-cash in nature; (ii) we declared dividends of RMB907.9 million in 2018, of which RMB873.7 million were paid in cash and RMB34.1 million were recorded as dividend payable; (iii) we recorded a decrease in cash of RMB401.9 million for deduction in paid-in capital/share capital; and (iv) we invested cash generated from tuition fees and service fees in property and equipment for new Schools and centers, which are categorized as non-current assets.
- (2) The non-current assets increased during the Track Record Period primarily because for the years ended December 31, 2016, 2017 and 2018, we opened 19, 36 and 19 new Schools, respectively. Further, we commenced operations of Cuisine Academy in 2017 and opened six and 12 new centers in 2017 and 2018, respectively. The property and equipment we purchased and renovated for our new Schools and centers were categorized as non-current assets which increased in line with the openings of new Schools and centers.
- (3) Our non-current liabilities increased during the Track Record Period was primarily because the non-current liabilities of our contract liabilities increased as a result of the increase in our student enrollment and tuition fee payment. We recorded non-current liabilities from tuition fees as some students chose to make one-time tuition payment for the full tuition amounts of their two-year programs.
- (4) Our net assets increased from RMB1,065.1 million as of December 31, 2016 to RMB1,606.7 million as of December 31, 2017 was primarily because of the growth of our revenue and profit for the year ended December 31, 2017.
- (5) Our net assets decreased from RMB1,606.7 million as of December 31, 2017 to RMB872.6 million as of December 31, 2018 was primarily because (i) we declared dividends of RMB907.9 million in 2018, of which RMB873.7 million were paid in cash and (ii) we used RMB401.9 million in cash to purchase the equity interests of the registered equity interest owners of Anhui Xinhua Education as part of Anhui Xinhua Education's internal shareholding restructuring. Please see "History and Corporate Structure – Corporate Reorganization – 4. Changes in registered capital of Anhui Xinhua Education" in this prospectus for details.

We expect to further improve our net current liabilities position through (i) cash generated from our business operations and (ii) the net proceeds from the Global Offering. During the Track Record Period, we utilized prepayment of the tuition and service fees we received from our students and customers which was recorded as current liabilities to finance the purchases of non-current assets such as property and equipment. In addition, we declared dividends of RMB907.9 million in 2018, of which RMB873.7 million were paid in cash, thereby reducing our cash position. Both of these factors contributed to our net current liabilities position as of December 31, 2018. We do not expect to make similar dividend payments and we intend to primarily use our net proceeds from the Global Offering to finance capital expenditures on non-current assets in the near future, which will help improve our net current liabilities position.

### Consolidated Statement of Cash Flows

	Year ended December 31,		
	2016	2017	2018
	<i>(RMB'000)</i>		
<b>OPERATING ACTIVITIES</b>			
Net cash from operating activities . . . . .	981,579	997,248	980,120
<b>INVESTING ACTIVITIES</b>			
Net cash from (used in) investing activities . . .	(149,115)	(601,097)	(572,962)
<b>FINANCING ACTIVITIES</b>			
Net cash used in financing activities . . . . .	—	(100,000)	(1,455,615)
<b>Net increase (decrease) in cash and cash equivalents</b> . . . . .	832,464	296,151	(1,048,457)
<b>Cash and cash equivalents at the beginning of the year</b> . . . . .	906,135	1,738,599	2,034,750
<b>Cash and cash equivalents at the end of the year</b> . . . . .	1,738,599	2,034,750	986,293

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## SUMMARY

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### Key Financial Ratios

	As of/for the year ended December 31,		
	2016	2017	2018
Gross profit margin . . . . .	56.6%	55.0%	52.2%
Net profit margin . . . . .	25.1%	23.2%	15.8%
Return on assets . . . . .	22.2%	18.8%	18.3%
Current ratio . . . . .	1.22	1.21	0.67
Return on equity . . . . .	55.1%	41.2%	59.0%

### Discontinued Operation

During the Track Record Period, we operated six driving schools, namely Hefei Yuxing, Hefei Xin'an, Nanjing Yuxing, Xi'an Yuxing, Chongqing Yuxing, Changsha Yuxing and Miwei Technology. In October 2018, we decided to divest these businesses as they do not fall with our core competencies of vocational training and we wish to focus our resources on providing vocational training education. These schools have been accounted for as discontinued operation in the Accountants' Report of our Group in Appendix I to this prospectus for the Track Record Period. See "History and Corporate Structure — Corporate Reorganization — 3. Disposal of equity interests or school sponsor's interests in subsidiaries engaged in non-core businesses" for further information. These schools are not included in the contractual arrangements under the Structured Contracts. After our disposal of these schools, their results of operations will not be consolidated with our Group's results of operations in any future period.

### RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Set forth below are recent developments of our business and results of operations after December 31, 2018, which is the end of the Track Record Period, and up to the Latest Practicable Date:

- Our business has remained stable which as generally in line with the past trends and our expectations;
- We have started operations of four Schools and one center across our business segments;
- We have adopted HKFRS 16 on January 1, 2019. The application of HKFRS 16 has not significantly affected the financial performance and net assets of our Group upon its adoption. See the Accountants' Report of our Group in Appendix I to this prospectus for details; and
- The FIL was approved by the National People's Congress on March 15, 2019 and will come into effect on January 1, 2020. See "Structured Contracts – Development in the PRC Legislation on Foreign Investment" in this prospectus for details, in particular its impact and consequences on our Group.

To the best of our knowledge, there is no change to the overall economic and market condition in China or in the PRC vocational training education market in which we operate that may have a material adverse effect on our business operations and financial position.

Our Directors confirm that there has been no material adverse change in our business, financial, operating or trading condition since December 31, 2018, being the most recent date of our audited financial statements, and up to the date of this prospectus.

### DIVIDEND POLICY

During the Track Record Period, we declared dividends of RMB100.0 million in 2017 and RMB907.9 million in 2018. We intend to adopt, after our Listing, a general dividend policy of declaring and paying dividends on an annual basis of no less than 30% of our distributable net profit attributable to our Shareholders in the future but subject to, among other things, our future operation and earnings, capital requirements and surplus, financial condition, working capital requirements and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all.

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## SUMMARY

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### GLOBAL OFFERING

	<b>Based on an Offer Price of HK\$9.80 per Share</b>	<b>Based on an Offer Price of HK\$12.26 per Share</b>
Market capitalization of our Shares . .	HK\$21,354.2 million	HK\$26,714.5 million
Unaudited pro forma adjusted net tangible asset value per Share . . . .	HK\$2.36	HK\$2.84

*Notes:*

- (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised and no Shares are issued under the Pre-IPO Share Option Scheme or the Share Option Scheme. The calculation of market capitalization is based 2,179,000,000 Shares expected to be issued and outstanding following the completion of the Capitalization Issue and the Global Offering.
- (2) The unaudited pro forma adjusted consolidated net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II and based on 2,179,000,000 Shares expected to be issued and outstanding following the completion of the Capitalization Issue and the Global Offering.

### LISTING EXPENSES

We expect to incur a total of HK\$158.7 million of listing expenses (assuming an Offer Price of HK\$11.03, being the mid-point of the indicative Offer Price range between HK\$9.80 and HK\$12.26, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, of which HK\$27.1 million has been charged to our consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2018, and HK\$31.4 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending December 31, 2019, and HK\$100.2 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 for the year ending December 31, 2019.

### USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$4,675.3 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 public Offer Price of HK\$11.03 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus. If the Over-allotment Option is exercised in full, we estimate that our additional net proceeds from the offering of these additional Shares will be approximately HK\$706.6 million, after deducting the underwriting commissions and our estimated expenses, assuming an Offer Price of HK\$11.03 per Share.

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## SUMMARY

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

- approximately 45.0%, or HK\$2,103.9 million, is expected to be used primarily to acquire land and construction facilities to establish our five geographical regional centers in Beijing, Shanghai, Guangzhou, Chengdu and Xi'an;
- approximately 15.0%, or HK\$701.3 million, is expected to be used primarily to establish schools in selected markets;
- approximately 15.0%, or HK\$701.3 million, is expected to be used primarily to establish new majors in both existing and new industry sectors, and conducting research to further innovate our curriculums;
- approximately 15.0%, or HK\$701.3 million, is expected to be used primarily to construct and upgrade our school facilities as well as purchase teaching equipment; and
- approximately 10.0%, or HK\$467.5 million, is expected to be used to fund our working capital and general corporate purposes.

For details, see “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus.

### PROPERTY VALUATION

According to the property valuation report prepared by Cushman & Wakefield Limited, an independent valuer we engaged, as set forth in Appendix III to this prospectus, the market value of the properties we owned and occupied as of March 31, 2019 was approximately RMB17.3 million. See “Business — Properties” and Appendix III to this prospectus for details on our properties. For risks associated with the assumptions made in the valuation of our properties, see “Risk Factors — Risks Relating to Our Business and Our Industry — The appraisal values of our properties may be different from their actual realizable values and are subject to uncertainty or change” in this prospectus.

### HEALTH AND SAFETY MATTERS

During the Track Record Period, a total of 14 legal proceedings initiated against us that were related to injuries or suicides of our students or employees were entered into judgement. We have put in place enhanced internal control measures with a view to preventing the recurrence of similar incidents on our school premises, including (i) holding educational talks to increase student awareness of health and safety matters; (ii) enhancing safety management responsibilities at all management levels; (iii) conducting periodic overall safety checks of our schools; and (iv) introducing clear disciplines to strictly forbid to play dangerous activities at school or going outside of school for adventure.

### LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period, we were not in compliance with certain PRC laws and regulations, mainly including, (i) (1) certain of our Schools in the PRC commenced operations without obtaining private school operating licenses, (2) the private school operating licenses of some schools had expired, and (3) some schools had branch campus that differs from the addresses set out on their respective school operating licenses; (ii) (1) certain of our operating Schools/entities failed to open social insurance and/or housing provident fund accounts, and (2) social insurance and/or housing provident fund that we paid for our employees in certain of our Schools were not based on their actual salary levels; (iii) we had not obtained the planning permits, construction permits, approvals for passing environmental impact assessments, approvals for passing fire control assessments and construction completion inspections, for certain buildings owned by Chengdu Tianji. See “Business — Legal Proceedings and Compliance” in this prospectus for details.

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## DEFINITIONS

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*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
“Anhui Simai’er”	Anhui Simai’er Catering Co., Ltd.* (安徽思麥爾餐飲有限公司), a limited liability company established under the laws of the PRC on September 5, 2011, which is directly wholly-owned by Langjie Technology
“Anhui Xinhua Education”	Anhui Xinhua Education Group Co., Ltd.* (安徽新華教育集團有限公司), a limited liability company established under the laws of the PRC on March 30, 2004, which is owned as to 42.6667% by Mr. Wu Junbao, as to 29.2222% by Mr. Wu Wei and as to 28.1111% by Mr. Xiao Guoqing
“Application Form(s)”	<b>WHITE, YELLOW and GREEN</b> application form(s), or where the context so requires, any of them in relation to the Hong Kong Public Offering
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on May 21, 2019 which will become effective upon the Listing Date, a summary of which is set out in Appendix IV to this prospectus, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of Directors of our Company
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“Capitalization Issue”	the issue of 1,742,199,970 Shares upon capitalization of certain sums standing to the credit of the share premium account of our Company referred to in “A. Further Information about Our Company — 4. Written resolutions of the then Shareholders passed on May 21, 2019” in Appendix V to this prospectus

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## DEFINITIONS

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“Cayman Islands Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“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
“Chengdu Tianji”	Chengdu Tianji Education Management Co., Ltd.* (成都天極教育管理有限公司), a limited liability company established under the laws of the PRC on April 16, 2001 and one of our PRC Consolidated Affiliated Entities
“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 East BVI”	China East Education Investment Limited (中國東方教育投資有限公司), a limited liability company incorporated under the laws of the BVI on October 19, 2018 and a directly wholly-owned subsidiary of our Company
“China Xinhua Vocational”	China Xinhua Vocational Education Holdings Limited (中國新華職業教育控股有限公司), a limited liability company incorporated under the laws of Hong Kong on August 10, 2018 which is an indirectly wholly-owned subsidiary of our Company
“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

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## DEFINITIONS

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“Company” or “our Company”	China East Education Holdings Limited (中國東方教育控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on October 4, 2018
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it in the Listing Rules and unless the context otherwise requires, refers to the controlling shareholders of our Company, namely Mr. Wu Junbao and Wu Junbao Education
“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 and Corporate Structure — Corporate Reorganization” in this prospectus
“Cuisine Academy”	customized catering experience centers, providing customized catering experience services to customers who are interested in cooking or plan to establish their own businesses in the catering industry
“Deed of Indemnity”	a deed of indemnity dated May 21, 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 “G. Other Information — 1. Deed of Indemnity” in Appendix V to this prospectus
“Deed of Non-competition”	a deed of non-competition dated May 21, 2019 entered into by Mr. Wu Junbao, Wu Junbao Education, Mr. Wu Wei, Wu Wei Education, Mr. Xiao Guoqing and Xiao Guoqing Education, in respect of their non-competition undertaking given in favor of our Company (for ourselves and as trustee for each of our subsidiaries from time to time)
“Director(s)”	the directors of our Company
“Dong Fang Qi”	Hefei Dong Fang Qi Corporate Management Centre (Limited Partnership)* (合肥東方齊企業管理中心(有限合夥)), a limited liability partnership established in the PRC on June 30, 2016, with Mr. Wu Junbao as general partner and Mr. Wu Wei and Mr. Xiao Guoqing as limited partners



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“EIT Law”	the <i>PRC Enterprise Income Tax Law</i> (《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 and revised on February 24, 2017, which became effective on the same date
“FIE”	foreign invested enterprise
“FIL”	the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) approved by the National People’s Congress on March 15, 2019, which will come into effect on January 1, 2020
“Foreign Investment Catalog”	the <i>Guidance Catalog of Industries for Foreign Investment</i> (《外商投資產業指導目錄(2017)》), which was promulgated jointly by the MOFCOM and the NDRC on June 28, 2017 and became effective from July 28, 2017, which is amended from time to time
“Global Offering”	the Hong Kong Public Offering and the International Placing
“GREEN Application Form(s)”	the application form(s) to be completed by <b>WHITE Form eIPO</b> Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “we” or “us”	our Company, its subsidiaries and the consolidated affiliated entities from time to time, or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
“HK New Oriental”	HK New Oriental Culinary Art Limited (香港新東方烹飪培訓有限公司), a limited company incorporated under the laws of Hong Kong on February 3, 2015 which is an indirectly wholly-owned subsidiary of our Company, and a training center under New East Culinary Education. For the avoidance of doubt, it is not a school within the meaning of section 3 of the Education Ordinance (Chapter 279 of the Laws of Hong Kong)
“HK\$”, “Hong Kong dollar(s)”, “HKD” or “cents”	Hong Kong dollars and cents, respectively, the lawful currency for the time being of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

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## DEFINITIONS

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“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Share(s)”	the 43,580,000 new Shares (subject to adjustment as described in “Structure of the Global Offering” in this prospectus) being offered by us for subscription under the Hong Kong Public Offering
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), on the terms and subject to the conditions described in this prospectus and the Application Forms
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering whose names are set out in “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated May 29, 2019 relating to the Hong Kong Public Offering entered into by our Company, the Controlling Shareholders, Mr. Wu Wei, Wu Wei Education, Mr. Xiao Guoqing, Xiao Guoqing Education, Lu Zhen, the Joint Global Coordinators, and the Hong Kong Underwriters
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
“International Placing”	the conditional placing of the International Placing Shares to qualified institutional buyers in compliance with the exemption from registration provided by Rule 144A or another exemption from or in transactions not subject to registration under the Securities Act and outside the United States in offshore transactions in reliance on Regulation S, upon and subject to the terms and conditions of the International Underwriting Agreement
“International Placing Share(s)”	the 392,220,000 new Shares to be offered by us (subject to adjustment as described in “Structure of the Global Offering” in this prospectus and the Over-allotment Option) under the International Placing

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“International Underwriters”	the underwriters of the International Placing
“International Underwriting Agreement”	the underwriting agreement relating to the International Placing, which is expected to be entered into by our Company, the Controlling Shareholders, Mr. Wu Wei, Wu Wei Education, Mr. Xiao Guoqing, Xiao Guoqing Education, Mr. Lu Zhen and the Joint Global Coordinators as representatives of the International Underwriters on or about the date of the Price Determination Agreement
“Joint Bookrunners”	BNP Paribas Securities (Asia) Limited, China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited, CMB International Capital Limited and ABCI Capital Limited
“Joint Global Coordinators”	BNP Paribas Securities (Asia) Limited, China International Capital Corporation Hong Kong Securities Limited and Haitong International Securities Company Limited
“Joint Lead Managers”	BNP Paribas Securities (Asia) Limited, China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited, CMB International Capital Limited and ABCI Securities Company Limited
“Langjie Technology”	Beijing Langjie Technology Co., Ltd.* (北京朗傑科技有限公司), a limited liability company established under the laws of the PRC on September 28, 2006, which is directly wholly-owned by Xinhua Chuangzhi
“Latest Practicable Date”	May 20, 2019, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
“Le En Te”	Hefei Le En Te Corporate Management Centre (Limited Partnership)* (合肥樂恩特企業管理中心(有限合夥)), a limited liability partnership established in the PRC on June 30, 2016, with Mr. Wu Junbao as general partner and Mr. Wu Wei and Mr. Xiao Guoqing as limited partners
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange

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“Listing Date”	the date, expected to be on or about Wednesday, June 12, 2019 on which our Shares are listed and from which dealings in our Shares 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
“Lu Lu Education”	Lu Lu Education Company Limited (露露教育有限公司), a limited liability company incorporated under the laws of BVI on September 24, 2018, which is wholly-owned by Ms. Lu Lu (呂露), an Independent Third Party
“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 registered on the date of our incorporation, October 4, 2018, and as amended from time to time
“MHRSS”	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
“Miwei Technology”	Beijing Miwei Technology Co., Ltd.* (北京秘味科技有限公司), a limited liability company established under the laws of the PRC on August 14, 2017 which has been disposed of as of the Latest Practicable Date
“MOE”	the Ministry of Education of the PRC (中華人民共和國教育部)
“MOE Draft for Comments”	the <i>Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Comments)</i> (《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
“MOFCOM”	the 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)

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“MOJ Draft for Comments”	the <i>Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval)</i> (《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
“Nanjing School”	Nanjing Culinary Technical School* (南京烹飪技工學校), one of our Schools under New East Culinary Education
“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)
“Negative List”	the <i>Special Management Measures (Negative List) for Foreign Investment Access (2018)</i> (《外商投資准入特別管理措施(負面清單)(2018版)》), issued by the MOFCOM and the NDRC on June 28, 2018 and effective on July 28, 2018
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“New East Culinary Education” or “New East”	one of our brands that we founded in 1988, primarily providing culinary vocational training education to students
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed or purchased under the Hong Kong Public Offering and the International Placing, to be determined in the manner further described in “Structure of the Global Offering — Pricing” in this prospectus
“Offer Share(s)”	the Hong Kong Offer Shares and the International Placing Shares, together, where relevant, with any additional Shares to be allotted and issued upon the exercise of the Over-allotment Option
“Omick Education of Western Cuisine and Pastry” or “Omick”	one of our brands, which offers culinary training with a focus on western cuisine and pastry

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“Over-allotment Option”	the option granted by our Company to the International Underwriters exercisable by the BNP Paribas Securities (Asia) Limited (on behalf of the International Underwriters) under the International Underwriting Agreement pursuant to which our Company may be required to allot and issue up to an aggregate of 65,370,000 additional Shares at the Offer Price, representing 15% of the initial size of the Global Offering, to cover over-allocations in the International Placing
“PRC Company Law”	the <i>Company Law of the PRC</i> (《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, December 28, 2013 and October 26, 2018 as amended, supplemented or otherwise modified from time to time
“PRC Consolidated Affiliated Entities”	the entities that we control through the Structured Contracts which comprised our Schools and their respective school sponsors or shareholders (as the case may be) from time to time, a list of which, comprising 171 entities as of the Latest Practicable Date, is set out in “Structured Contracts – Summary of the Material Terms of the Structured Contracts” in this prospectus
“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”	Haiwen & Partners, our legal advisors as to PRC laws
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme conditionally adopted by our Company on December 7, 2018 as amended from time to time, the principal terms of which are set out in “F. Pre-IPO Share Option Scheme and Share Option Scheme — 1. Pre-IPO Share Option Scheme” in Appendix V to this prospectus
“Price Determination Agreement”	the agreement expected to be entered into between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or about the Price Determination Date to record the agreement on the final Offer Price

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“Price Determination Date”	the date, expected to be on or around Tuesday, June 4, 2019 and, in any event, not later than Wednesday, June 5, 2019, on which the final Offer Price is to be fixed for the purpose of the Global Offering
“province”	a province, autonomous administrative region or municipality under the direct administration of the central government in China
“QIBs”	qualified institutional buyers within the meaning of Rule 144A
“Registered Shareholders”	Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing, the registered shareholders of Anhui Xinhua Education
“Regulation S”	Regulation S under the U.S. Securities Act
“RMB” or “Renminbi”	Renminbi, the lawful currency for the time being of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
“SAMR”	the State Administration for Market Regulation (中華人民共和國國家市場監督管理總局), formerly known as the State Administration of Industry and Commerce of the People’s Republic of China (中華人民共和國國家工商管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“School(s)”	the schools and entities that we currently operate and may operate to provide education services under New East Culinary Education (including HK New Oriental), Wontone Automotive Education, Xinhua Internet Technology Education, Omick Education of Western Cuisine and Pastry, and Wisezone Data Technology Education from time to time, among which 145 Schools were in operation as of December 31, 2018. For the avoidance of doubt, HK New Oriental is not a school within the meaning in section 3 of the Education Ordinance (Chapter 279 of the Laws of Hong Kong), but instead is operated as a training center under our brand New East Culinary Education

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“SCNPC”	the Standing Committee of the National People’s Congress (全國人大常委會)
“SFC” or “Securities and Futures Commission”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“Share(s)”	ordinary share(s) of HK\$0.0001 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on May 21, 2019, the principal terms of which are summarized in “F. Pre-IPO Share Option Scheme and Share Option Scheme — 2. Share Option Scheme” in Appendix V to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Sino-Foreign Regulation”	the <i>Regulation on Sino-Foreign Cooperation in Operating Schools</i> (《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 and on March 2, 2019, the <i>Implementing Measures on the Regulation on Sino-foreign Cooperation in Operating Schools</i> (《中外合作辦學條例實施辦法》), promulgated by the Ministry of Education on July 1, 2004, and the <i>Management Measures on the Sino-foreign Cooperative School Running regarding Vocational Skills Training</i> (《中外合作職業技能培訓辦學管理辦法》), promulgated by the Ministry of Labour and Social Security on July 26, 2006
“Sole Sponsor”	BNP Paribas Securities (Asia) Limited, a corporation licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Stabilizing Manager”	BNP Paribas Securities (Asia) Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Wu Wei Education and the Stabilizing Manager (or its agents) on or around the Price Determination Date



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“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	collectively, the exclusive management consultancy and business cooperation agreements, the exclusive call option agreements, the equity pledge agreement, the powers of attorney, the accounts receivable pledge agreement, the school sponsors’ or capital contributors’ rights entrustment agreement and the school sponsor’s or capital contributor’s powers of attorney, 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 our PRC Consolidated Affiliated Entities in this prospectus
“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Track Record Period”	the three years ended December 31, 2016, 2017 and 2018
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“WFOE” or “Xinhua Chuangzhi”	Hefei Xinhua Chuangzhi Education Management Co., Ltd.* (合肥新華創智教育管理有限公司), a limited liability company established under the laws of the PRC on August 28, 2018, which is indirectly wholly-owned by our Company
“ <b>WHITE</b> Application Form(s)”	the application form(s) to be completed in accordance with the instructions in “How to Apply for Hong Kong Offer Shares — 3. Applying for Hong Kong Offer Shares” in this prospectus
“ <b>White Form eIPO</b> ”	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 <b>White Form eIPO — <a href="http://www.eipo.com.hk">www.eipo.com.hk</a></b>

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“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Wide Bridge”	Wide Bridge Education Limited (慧橋教育有限公司), a limited company incorporated under the laws of Hong Kong on October 26, 2018, which is indirectly wholly-owned by our Company
“Wisezone Data Technology Education” or “Wisezone”	one of our brands, which was established in 2005 with an aim to training professional data technology engineers and equipping them with applicable information technology and internet technology skills
“Wontone Automotive Education” or “Wontone”	one of our brands offering comprehensive automobile mechanics training to students
“Wu Junbao Education”	Wu Junbao Education Company Limited (吳俊保教育有限公司), a limited liability company established under the laws of the BVI on September 12, 2018, which is directly wholly-owned by Mr. Wu Junbao
“Wu Wei Education”	Wu Wei Education Company Limited (吳偉教育有限公司), a limited liability company established under the laws of the BVI on September 12, 2018, which is directly wholly-owned by Mr. Wu Wei
“Xiao Guoqing Education”	Xiao Guoqing Education Company Limited (肖國慶教育有限公司), a limited liability company established under the laws of the BVI on September 12, 2018, which is directly wholly-owned by Mr. Xiao Guoqing
“Xinhua Internet Technology Education” or “Xinhua Internet”	one of our brands offering information technology and internet technology-related training to students
“Xinhua Investment”	Anhui Xinhua Investment Group Co., Ltd.* (安徽新華投資集團有限公司) (formerly known as Anhui Xinhua Investment Co., Ltd.* (安徽新華投資有限公司)), a limited liability company established under the laws of the PRC on August 11, 2017 and is owned by Mr. Wu Junbao and Mr. Wu Di, the son of Mr. Wu Junbao, as to 99% and 1%, respectively
“Xinhua Training School US”	Xinhua Vocational Education Training School, a private vocational training education institution to be established by our Group in the State of California, U.S. to offer vocational training programs

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“Xinhua US”	Xinhua Education Group, a company incorporated in the State of California, the United States, with limited liability on October 2, 2018, which as of the Latest Practicable Date, an indirect wholly-owned subsidiary of our Company
“YELLOW Application Form(s)”	the application form(s) to be completed in accordance with the instructions in “How to Apply for Hong Kong Offer Shares — 3. Applying for Hong Kong Offer Shares” in this prospectus
“%”	per cent
“11 New Technical Schools (技工學校)”	include Nanjing Wontone Automobile Technical School* (南京萬通汽車技工學校), Hohhot New City East Technical School* (呼和浩特市新東方技工學校), Changchun New East Culinary Technical School Co., Ltd* (長春新東方烹飪技工學校有限責任公司), Anhui Wontone Automobile Technical School* (安徽萬通汽車技工學校), Anhui New East Culinary Technical School* (安徽新東方烹飪技工學校), Anhui Xinhua Technical School Co., Ltd.* (安徽新華技工學校有限公司), Guiyang New East Culinary Technical School* (貴陽新東方烹飪技工學校), Guiyang Xinhua Internet Technical School* (貴陽新華互聯網技工學校), Chengdu Wontone Future Automobile Technical School Co., Ltd.* (成都萬通未來汽車技工學校有限公司), Chengdu City Shuangliu District Xinhua Technical School Co., Ltd.* (成都市雙流區新華技工學校有限公司) and Chengdu City Longquanyi District New East Culinary Technical School Co., Ltd. (成都市龍泉驛區新東方烹飪技工學校有限公司)
“2016 Decision”	the <i>Decision on Amending the Law for Promoting Private Education of the PRC</i> (《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

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## DEFINITIONS

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“28 Schools”

include Anhui New East Culinary Institute\* (安徽新東方烹飪專修學院), Anhui Xinhua Computer Institute\* (安徽新華電腦專修學院), Fujian Province New East Culinary Vocational Training School\* (福建省新東方烹飪職業培訓學校), Gansu Wontone Automobile Vocational Training School\* (甘肅萬通汽車職業培訓學校), Gansu New East Culinary Vocational Training School\* (甘肅新東方烹飪職業培訓學校), Guangzhou City Panyu District Wontone Automobile Vocational Training School\* (廣州市番禺區萬通汽車職業培訓學校), Guangzhou City Panyu District New East Culinary Vocational Training School\* (廣州市番禺區新東方烹飪職業培訓學校), Guizhou Wontone Automobile Education & Training Co., Ltd.\* (貴州萬通汽車教育培訓有限公司), Hohhot City Wontone Automobile Vocational Training School\* (呼和浩特市萬通汽車職業培訓學校), Hunan Wontone Automobile Vocational Training School\* (湖南萬通汽車職業培訓學校), Jiangxi Nanchang Xinhua Computer Secondary Vocational School\* (江西南昌新華電腦中專學校), Shandong New East Culinary Vocational Training School Co., Ltd.\* (山東新東方烹飪職業培訓學院有限公司), Shaanxi New East Culinary Training School Co., Ltd.\* (陝西新東方烹飪培訓學校有限公司), Shanghai Xinman Culinary Training Co., Ltd.\* (上海新曼烹飪培訓有限公司), Shenyang City Omick Western Pastry Training School Co., Ltd.\* (沈陽市歐米奇西點培訓學校有限公司), Shenyang City Wontone Automobile Vocational Training School Co., Ltd.\* (沈陽市萬通汽車職業培訓學校有限公司), Chengdu Wontone Automobile Vocational Training School Co., Ltd.\* (成都萬通汽車培訓職業技能學校有限公司), Urumqi Xinhua Zhiyuan Internet Technology Co., Ltd.\* (烏魯木齊新華智原互聯網科技有限責任公司), Wuhan Donghu New Technology Development Zone Wontone Automobile Repair Vocational Training School Co., Ltd.\* (武漢東湖新技術開發區萬通汽修職業培訓學校有限公司), Wuhan Xinhua Computer Vocational Training School\* (武漢新華電腦職業培訓學校), Xi'an Wontone Automobile Vocational Skills Training School Co., Ltd.\* (西安萬通汽車職業技能培訓學校有限公司), Yunnan New East Culinary Vocational Training School\* (雲南新東方烹飪職業培訓學校), Changchun City Kuancheng New East Culinary Vocational Training School Co., Ltd.\* (長春市寬城新東方烹飪職業培訓學校有限責任公司), Changchun New East Culinary Technical School Co., Ltd.\* (長春新東方烹飪技工學校有限責任公司), Zhengzhou City New East Culinary Vocational Training School Co., Ltd.\* (鄭州市新東方烹飪職業技能培訓學校有限公司), Zhengzhou Wontone Automobile Vocational Training School Co., Ltd.\* (鄭州萬通汽車職業培訓學校有限公司), Chongqing Xinhua Computer Vocational Training School\* (重慶新華電腦職業培訓學校) and Taiyuan Yuxing Wontone Automobile Education Consultancy Co., Ltd.\* (太原宇星萬通汽車教育諮詢有限公司)

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## DEFINITIONS

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

*In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi have been translated into Hong Kong dollars or U.S. dollars at an exchange rate of RMB0.8789 = HK\$1.00 or RMB6.9182 = US\$1.00, respectively, for illustration purpose only. Such conversions shall not be construed as representations that amounts in Renminbi were or could have been or could be converted into Hong Kong dollars or U.S. dollars at such rates or any other exchange rates on such date or any other date.*

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

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

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary of technical terms contains explanations of certain technical terms used in this prospectus in connection with our Group and our business. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.*

“AI”	artificial intelligence, intelligence demonstrated by machines, in contrast to the natural intelligence displayed by humans and other animals
“ASEAN”	the Association of Southeast Asian Nations, a regional intergovernmental organization comprising ten Southeast Asian countries, which is committed to promoting intergovernmental cooperation and facilitates economic, political, security, military, educational, and sociocultural integration among its members and other Asian states
“auto services”	include automobile repair and maintenance and other auto-related value-added services
“average students enrolled”	an approximation of the average number of students enrolled during a certain period, representing the sum of the number of students enrolled at our operating Schools at the end of each month divided by the number of months during such period, without taking into account any transfer or withdrawal. For short-term programs shorter than one month, we regard them as one-month programs for such calculation
“CAGR”	compound annual growth rate
“formal education”	education systems that provide students with the opportunity to earn official certificates/diplomas from the PRC government
“for-profit private school(s)”	the private schools which have elected to register as for-profit private schools pursuant to the 2016 Decision and the relevant local Implementation Opinions
“information technology and internet technology”	refers to information technology, internet technology and computer software-related industry
“instructors”	personnel who assist customers in their experience activities at our Cuisine Academy Centers by providing general guidance, answering questions and demonstrating and explain use of facilities
“long-term programs”	programs that have a length of one year or longer

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## GLOSSARY OF TECHNICAL TERMS

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“new student enrollment”	the total number of students newly enrolled at our operating Schools in a certain period
“non-profit private school(s)”	the private schools which have elected to register as non-profit private schools pursuant to the 2016 Decision and the relevant local Implementation Opinions
“existing not-for-profit private school(s)”	the private schools which are not-for-profit in nature and established under the former Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) or before the former Law for Promoting Private Education of the PRC became effective
“person-time”	number of students registered per time for relevant courses
“private school”	a school that is not run by local, provincial or national governments
“public schools”	schools administered by local, provincial or national governments
“recommended employment rate”	represents the percentage of our graduates who were employed through our recommendations to and coordination with their employers
“school sponsor”	the individual(s) or entity(ies) that funds or holds interests in an educational institution
“secondary vocational education”	refers to vocational (school) education undertaken by technical schools and secondary vocational schools, which mainly provide three years of vocational education
“secondary vocational school(s)”	the vocational schools in secondary level approved by education authorities, including regular specialized secondary schools (普通中等專業學校), vocational high schools (職業高中學校), skilled workers schools (職工中等專業學校), and adult specialized secondary schools (成人中等專業學校)
“short-term programs”	programs that have a length shorter than one year
“student(s) enrolled”	based on the length of the program each student is admitted to, a student will be regarded as a student enrolled during the period for the number of months the enrolled program lasts commencing from the month he/she is admitted in

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## GLOSSARY OF TECHNICAL TERMS

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“teachers”	personnel engaged in teaching activities of our schools and who should obtain teacher licenses or have teachers’ qualifications
“technical school(s)”	the secondary vocational technical schools approved by MHRSS authorities that aim to cultivate technical workers and provide vocational technical education services equal to high school level education, and form part of the national vocational technical education of the nation
“universal two-child policy”	China’s population control policy implemented in 2016 by the <i>Decision of the Central Committee of the Communist Party of China and the State Council on Implementing the Universal Two-Child Policy and Reforming and Improving the Management of Family Planning Services</i> (《中共中央、國務院關於實施全面兩孩政策改革完善計劃生育服務管理的決定》), according to which a family is allowed to have up to two children
“vocational training education”	a non-formal vocational education with a long training period, aiming to improve students’ vocational skills, which can also be used for vocational or related industry qualification examinations



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## FORWARD-LOOKING STATEMENTS

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

- our business operations and prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to implement such strategies, plans, objectives and goals;
- our ability to maintain or increase student enrollment;
- our ability to maintain or raise tuition fees and service fees;
- our ability to maintain or increase our school utilisation;
- general economic conditions;
- our capital expenditure programs and future capital requirements;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to control costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- all other risks and uncertainties described in the section headed “Risk Factors” in this prospectus.

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## RISK FACTORS

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

### **RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY**

**We are dependent on the market recognition of our brands. Our failure to maintain or enhance our brand recognition could materially and adversely affect our business, financial condition and result of operations.**

We are a leading large scale vocational training education group in China, operating various Schools under five well-recognized brands, namely New East Culinary Education, Omick Education of Western Cuisine and Pastry, Xinhua Internet Technology Education, Wisezone Data Technology Education and Wontone Automotive Education. We also operate customized catering experience centers under Cuisine Academy. We believe that our success heavily depends on the market recognition of the brand and reputation of our Group. Our ability to maintain our reputation depends on a number of factors, some of which are beyond our control. As we continue to grow in size and expand our network as well as program offerings, it may become difficult to maintain the quality and consistency of the services we offer, which may result in diminishing confidence in our brand names.

Numerous factors can potentially impact our reputation, including but not limited to, students', parents' and customers' satisfaction levels with our programs, teachers/instructors and quality of our services, the number of our graduates being able to secure satisfactory employment, accidents on campus, teacher/instructor or student scandals, misconduct of our employees, negative press, improper use of our brand name by our employees, cooperative partners or other third parties, lawsuits and regulatory investigations against us or otherwise relating to our services, disruptions to our services, failure to pass an inspection by a government authority, loss of certifications and approvals required for our operation and unaffiliated parties using our brand without adhering to our standards of services. If we are unable to sustain or strengthen our reputation and brand recognition or our reputation is damaged, we may not be able to maintain or increase student enrollment and customer registration, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our new student enrollment and new customer registration to a large extent are driven by our brands recognition in the industry. Therefore reputation is extremely important to our future success. In the meanwhile, we also employ other marketing methods to promote our brand from time to time, such as websites, advertisements and promotional materials both online and offline. However, there is no assurance that our marketing efforts will be successful or sufficient in maintaining or further promoting our brand or in helping us to maintain our competitiveness. If we are unable to further enhance our reputation and increase market awareness of our programs and services, or if we are required to incur excessive marketing and promotional expenses in order to remain competitiveness, our business, financial condition and results of operations may

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## RISK FACTORS

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be materially and adversely affected. There were negative publicity about our Schools in the past. We may also be subject to additional negative publicity in the future, which, even if untrue, may damage our brand image and reputation, deter prospective students/customers and teachers/instructors from attending or joining our Schools and centers and take up excessive time of our management and other resources. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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

The vocational education sector in China is rapidly evolving and competitive, and we expect competition in this sector to persist and intensify. We primarily compete with private vocational education providers that offer similar educational programs. We compete with these private vocational education providers across a range of factors, including, among others, brand recognition, program and curriculum offerings, level of tuition, schools' location, facilities and teaching equipment, career services, enterprise partner relationships and internship opportunities, quality of curriculums and competency of teachers. Our competitors may adopt similar curriculums and marketing strategies, with different pricing and service packages that may have greater appeal than our offerings. In addition, some of our competitors may have more resources than we do and may be able to devote greater resources than we can to the development and promotion of their services and respond more quickly than we can to the changes in student demands. They may also offer free promotional services and programs in their marketing campaigns or significantly lower the prices of their services and programs in order to attract students and capture additional market share.

We also face competition from many different companies that focus on one area of our business and are able to devote all of their resources to that business line. These companies may be able to adapt to changing technologies, student preferences and market conditions more quickly in these markets than we can. These companies may, therefore, have a competitive advantage over us with respect to these business areas.

Our student enrollments may decrease due to intense competition, and we may be required to reduce course fees or increase spending in response to competition in order to retain or attract students or pursue new market opportunities. As a result, our revenue and profitability may decrease. We cannot assure you that we will be able to compete effectively with such present and future competitors or to adjust effectively to the changing market conditions and trends. Our failure to compete effectively could erode our market share, result in a decrease in the number of our students, or lead to price reductions or increase of spending on marketing and promotion of our courses, any of which may materially and adversely affect our profitability.

**Our graduates' employment rates may decrease and satisfaction with our vocational training programs may otherwise decline.**

We position our Schools as vocational institutions that equip graduates with the practical skills desired by employers in industries with significant recruitment demands, which enhances the competitive advantages of our students in the job market as they are able to transition into the working environment smoothly. We believe that, as a result, graduates of our Schools have been able to achieve high employment rates, which in turn attracts an increasing number of applications for our Schools.

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## RISK FACTORS

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However, we cannot guarantee that our Schools will continue to be able to design or modify our curriculums to meet the expectations of the students enrolled in our Schools, prospective employers or trends in the job market. We might not be able to devote the same amount of resources to training our students, enhancing their practical skills and helping them secure jobs as we did in the past, or our efforts may not be as effective as they used to be. Graduates of our Schools may therefore be unable to obtain satisfactory jobs and the employment rates or average starting salaries of our graduates may decrease. In addition to the education offered at our Schools, there are also other factors that are beyond our control but may also have influences on employment rates, such as general economic condition and the capability of students. Any negative development of our graduates' employment rates for whatever reasons may harm the reputation of our Schools and our new student enrolment, and may therefore have a material and adverse impact on our business, financial condition and results of operations.

**We may not be able to improve the content of our existing courses or to develop new courses on a timely basis and in a cost-effective manner.**

We constantly update and improve the content of our existing courses and develop new courses to meet market demands. Revisions to our existing courses and our newly developed courses may not always be well received by existing or prospective students or their parents. New industry sectors emerge as a result of technological and economic developments and create market demand for trained professionals and skilled workers, which represents business and growth opportunities for us. If we cannot respond effectively to changes in market demands and develop new majors and courses that address those changes in a timely manner, our business may be adversely affected. Even if we are able to develop new courses that are well received, we may not be able to introduce them as quickly as our students may require due to limitations such as teaching resources. If we do not respond adequately to changes in market requirements in a timely manner, our ability to attract and retain students could be impaired and our financial results could be materially and adversely affected.

Offering new courses or modifying existing courses may require us to make investments in content development, hire experts in certain areas, increase marketing efforts and re-allocate resources away from other uses. We may have limited experience with the content of new courses and may need to modify our systems and strategies to incorporate new courses into our existing course offerings. If we are unable to improve the content of our existing courses, offer new courses on a timely basis and in a cost-effective manner, our results of operations and financial condition could be adversely affected.

**If we are not able to continue to attract students to enroll in our Schools and centers, our business and prospects will be materially and adversely affected.**

The success of our business depends primarily on the number of students enrolled in our Schools and the number of customers registered in our centers. Therefore, our ability to continue to attract students to enroll in our Schools and customers to register in our programs is critical to the continued success and growth of our business. This in turn will depend on several factors, including our reputation, which is mainly driven by the perceived effectiveness and quality of our courses, the employment rate of our graduates and their compensation, our ability to develop new courses and enhance existing courses to respond to changes in market trends and student demands, ability to retain qualified teachers and instructors, ability to manage our growth while maintaining consistent and high teaching quality, effectiveness of the marketing of our programs to

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## RISK FACTORS

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a broader base of prospective students and customers, our ability to develop additional high-quality educational content and respond effectively to competitive pressures. If we are unable to continue to attract students to enroll in our courses and customers to register in our programs, our revenue may decline, which may have a material and adverse effect on our business, financial condition and results of operations.

Furthermore, our business performance is sensitive to demographic changes in China. Student enrollment in private education in China is directly affected by the number of potential students in an area, which in turn may be directly affected by the various external factors, including policies of the PRC government on family planning and the rate of urbanization. Should the PRC government introduce policies that further restrict child birth in the future, it could have a negative impact on the growth of the education industry in China, resulting in further competitive pressure on us. If we build our Schools in areas where the rate of urbanization slows down or does not grow as quickly as we envisage, the number of potential students in such area would also reduce and would adversely affect our business and prospects. If we are unable to continue to attract students and parents without significantly decreasing tuition or incurring significant increases in our selling and marketing expenses, our revenue may decline or we may not be able to maintain profitability, either of which could have a material and adverse effect on our business, financial condition, and results of operations.

**We face potential competition from PRC formal education industry and our business, financial condition and results of operations may be adversely affected if we are unable to compete effectively.**

Formal education is comprised of fundamental education, secondary vocational education and higher education. Formal education grants diplomas and degrees recognized by PRC governmental authorities, whereas the non-formal education merely issues completion certificates for the training and learning courses students have taken. Students aged from 15 to 21 years old are the target population of both formal education and non-formal education.

We currently primarily provide non-formal vocational training education. As of December 31, 2018, only 26 out of the 145 Schools we operate provide secondary vocational education which is part of the formal education in the PRC. According to the Frost & Sullivan Report, with the increasing emphasis on academic degrees in recent years, the number of formal education school students has increased, posing a threat to student recruitment of vocational training education. Graduates from formal education with official diplomas and degrees recognized by the PRC government may become more competitive in their search for jobs. If we are not able to train our students with the necessary knowledge and competitive practical skills, the number of our student enrollment may not grow as we planned. As such, we may be required to reduce tuition fees in order to retain or attract students or pursue new market opportunities. If we are unable to successfully compete for new students, maintain or increase our tuition levels, enhance the quality of our educational services, our business, financial condition and results of operations may be materially and adversely affected.

**Failure to effectively and efficiently manage the expansion of our school and center network may materially and adversely affect our ability to capitalize on new business opportunities.**

Our business has experienced significant growth in recent years. The number of our Schools and centers in operation increased from 90 as of December 31, 2016 to 163 as of December 31, 2018. We plan to continue to expand our operations in different

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## RISK FACTORS

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geographic markets in China. Establishing new Schools and centers poses challenges and requires us to make investments in management, capital expenditures, marketing expenses and other resources. The expansion has resulted, and will continue to result in substantial demands on our management and staff as well as our financial, operational, technological and other resources. Our planned expansion will also place significant pressure on us to maintain the teaching quality and uniform standards, controls and policies to ensure that our brand does not suffer as a result of any decrease, whether actual or perceived, in the quality of our training programs. To manage and support our expansion, we must improve our existing operational, administrative and technological systems and our financial and management controls, and recruit, train and retain additional qualified teachers and instructors and management personnel as well as other administrative and marketing personnel. We cannot assure you that we will be able to effectively and efficiently manage the growth of our operations, maintain or accelerate our current growth rate, recruit and retain qualified teachers and instructors and management personnel, successfully integrate new learning centers into our operations and otherwise effectively manage our growth. Our 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 impact on our financial condition and results of operations.

We also plan to expand our network abroad by establishing a vocational training education institution in the State of California in the United States. On November 16, 2018, we filed an application with the BPPE to apply for a provisional operating license for the Xinhua Training School US. See “History and Corporate Structure — School to be Established — New School in the United States” for further information. However, we have no prior experience in establishing and/or operating Schools and centers outside China, in particular, in the United States, and we may encounter barriers and challenges upon entering into such markets, including the failure to obtain relevant regulatory approvals, which may result in delays or our inability to carry out our overseas expansion plans. In addition, we may need to make significant investments in developing Schools and centers overseas and may not be able to effectively manage our costs or generate sufficient revenue to justify the investments we make. We cannot assure you we will be able to successfully establish and/or operate Schools and centers overseas. If we are unable to do so, our business, financial condition and results of operations may be materially and adversely affected.

**We may not be able to implement our growth strategies or manage our growth effectively, which may hinder our ability to capitalize on new business opportunities, which may cause us to lose the anticipated benefits from such investments and to incur significant additional expenses. Our gross profit margin may also be negatively impacted by our newly established Schools.**

Our growth strategies require us to acquire land and construct new school facilities to establish our regional centers, expand our school network with additional Schools domestically and internationally, continue to innovate curriculums, improve our practical training methods and facilities, and further emphasize our social responsibilities. We may not succeed in implementing our growth strategies due to a number of factors, including, without limitation, the following:

- we may fail to identify new areas with sufficient growth potential into which we expand our network;
- it may be difficult to increase student enrollment in our existing Schools;
- we may fail to effectively market our services in new markets or promote new courses in existing markets;

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## RISK FACTORS

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- we may not be able to replicate our successful growth model in other geographic markets;
- our analysis for selecting suitable new locations may not be accurate and the demand for our services at such new locations may not materialize or increase as rapidly as we expect;
- we may fail to obtain the requisite licenses and permits necessary to open new Schools at our desired locations from local authorities;
- we may fail to achieve the benefits we expect from our expansion.

Our expansion plans and the increase in student and customer enrollment may result in substantially higher demand for resources such as teachers, instructors, facilities and management personnel, which will increase pressure on us to maintain the teaching quality and study environment of our Schools and requiring our management to devote significantly more time and resources to manage our operations. To support our growth, we may also need to incur significant expenditures for, among other things, management and staff recruitment, facilities maintenance and expansion, and the construction and operation of new campuses. As a result, the establishment of new Schools may negatively impact our gross profit margin. During the initial ramp-up period after a new School commences operations, we incur the same fixed costs relating to staff compensation, costs relating to student and teaching activities, rent, maintenance and renovation, depreciation and amortization, and other fixed costs while initial revenue from the new Schools may be limited due to the relatively small number of student enrollment.

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 Decision 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.

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

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## RISK FACTORS

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

Our results of operations are affected by the pricing of our services. We determine our fee rates primarily based on the demand for our courses, the cost of our operations, the geographic market where we operate our Schools and centers, the fee rates charged by our competitors, our pricing strategy to gain market share and general economic conditions in the PRC. Our ability to maintain the premium fee level or raise service fees is primarily dependent on the high-quality services we offer and service fees and the perception of our brands. Although we have been able to increase the tuition we charge our students and customers in the past, we cannot assure you that we will be able to maintain or increase our fee rates in the future without adversely affecting the demand for our services.

**We may face complaints, disputes or legal actions relating to refund of tuition, which may materially and adversely affect our reputation, business, financial condition and results of operations.**

We have refund policies in place under each business segment for students who withdraw from our Schools. For more information about our refund policies, see “Business — Pricing Policy — Student/customer withdrawal and refund policy” in this prospectus. Prior to the commencement of our training programs, we generally enter into training contracts with our students. The training contracts together with their attachments set forth the total tuition and refund policies of our education services. However, a few local government authorities, have issued guidelines or notices in relation to the refund of tuition for private schools or private non-formal education schools, specifying circumstances and conditions for allowing full or partial refund of tuition fees and/or for refusal of tuition refund. Our refund policies set out in the training contracts in our schools deviated from the local guidelines or notices issued by some local governments, including Beijing, Hunan, Hangzhou, Wenzhou, Liaoning, Dalian, Guangdong and Shandong. In particular, the guidelines or notices in Dalian, Guangdong and Hunan may have certain implications on us. Our refund policies set out in the training contracts in our Schools in Dalian, Guangdong and Hunan deviated from such local guidelines or notices to a certain extent (for example, the conditions to be met and the time schedule for eligibility for a full refund or partial refund may differ), primarily because we implemented the same refund policies at our Schools across China under the same brand to maintain consistency, and our refund policies were determined by reference to a number of other competitors. The policy in Guangdong province provides that, if the school fails to refund tuition fees as required in the prescribed amount within the prescribed period of time, the competent authorities may order such school to make the refund within a specified timeframe, and failure to comply with the order from the competent authorities can result in such school being suspended or fails their annual inspections; the policies in Hunan province and Dalian city provide that private schools which fail to comply with the refund policies prescribed in the relevant guidelines or notices may be subject to penalties imposed by local pricing authorities according to relevant pricing laws and regulations, but the relevant pricing laws and regulations have not specified the amount of fines or penalties that would be applied in case of such deviation. Except as mentioned above, there is no specific legal consequence stipulated by other guidelines or notices. To the extent applicable, all of our Schools across the nation, including Guangdong, Hunan and Dalian have passed their respective annual inspections during the Track Record Period and none of them had been investigated or were subject to any legal or administrative proceedings or penalized by the Guangdong, Hunan and Dalian competent authorities for such deviation. As advised by our PRC



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Legal Advisors, deviation of the our refund policies from that of certain local authorities would not result in any significant penalties or have any material adverse effect on our Group, based on the following: (i) we have rectified and revised the deviation of refund policies to be in compliance with that of the certain local authorities; (ii) as of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant governmental authorities, with respect to such deviation of refund policies from that of the certain local governments; and (iii) as of the Latest Practicable Date, for most of the regions (except for Dalian, Guangdong and Hunan) where our refund policies deviate from that of the relevant local governments, no legal consequences have been specified by the local government in such policies, and pursuant to the *Law of the People's Republic of China on Administrative Penalty* (《中華人民共和國行政處罰法》), if any administrative penalty is imposed without legal basis, such penalty shall be invalid. We cannot assure you that the students will not seek further refunds of their tuition fees if they believe that the amount of tuition fees refunded to them was less than what they would have received under the local pricing authority policies. As of December 31, 2018, the discrepancy in the amount of refunds that may be further sought by students withdrawn during the Track Record Period was RMB1.3 million. We have amended the refund policies in the training contracts entered into with our students in accordance with the relevant local guidelines or notices and will refund the tuition accordingly in future.

In addition, when disputes arise, even if there are no local guideline or policies relating to the refund of tuition in such provinces, municipality of cities, there are risks that our refund policies may not be enforced by the relevant PRC courts due to a variety of reasons, such as the relevant terms are stated in small font and not made clear enough or the court may rule that the circumstance gives the withdrawing student other rights upon withdrawal having regard to the refunds. From time to time, we may receive complaints or be subject to disputes or legal actions relating to the refund of our tuition. Even if the underlying refund policies are in line with PRC laws and regulations and even if we defend ourselves vigorously in such litigations or legal proceedings, there is no assurance that the implementation of such policies would not be subject to disputes or that we will prevail in litigations on legal proceeding that questions the implementation of such policies. Participation in such legal proceedings may also cause us to incur substantial expenses and divert the time and attention of our management. An adverse determination in any such litigations or proceedings could subject us to significant liability to our students or third parties. Any similar claim against us, even without any merit, could also damage our reputation and brand image. Any such event could have a material and adverse effect on our business, financial condition and results of operations.

**We cannot assure you that we will be able to continue to recruit and retain qualified teachers and/or instructors, who are critical to the success of our business as well as the quality and effective delivery of our services.**

Our teachers are critical to maintaining the quality of our vocational training education and our reputation. We seek to hire teachers who have expertise in their respective subject areas, and in particular, possess industry experience in relevant areas. We also seek to hire qualified instructors for our customized catering experience centers under Cuisine Academy. There is a limited pool of qualified teachers or instructors and we must provide competitive compensation packages to attract and retain them. In addition, the number of qualified teachers or instructors is more limited in smaller cities. We have not experienced major difficulties in recruiting, training or retaining qualified teachers or instructors in the past. However, we may not always be able to recruit and retain a sufficient number of qualified teachers or instructors in the future to keep pace with our growth and maintain consistent education quality. A

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shortage of qualified teaching staff, or a significant increase in compensation to retain qualified teachers or instructors would have a material and adverse effect on our business, reputation, financial condition and results of operations.

**Higher labor costs, particularly increasing teachers' and/or instructors' salaries, may adversely affect our business and our profitability.**

Our teaching staff salaries constitute a substantial portion of our total costs of revenue. For the years ended December 31, 2016, 2017 and 2018, our teaching staff salaries and benefits represent 30.1%, 29.4% and 30.9% of our total costs of revenue, respectively. Labor costs in China have risen in recent years as a result of social development and increasing inflation in China. As of December 31, 2018, we had 10,111 employees in China. The increases in labor cost may erode our profitability and materially harm our business, financial condition and results of operations. If labor costs in China continue to increase, our operating costs will increase. We may not be able to pass on these increased costs to our customers by increasing our tuition fees or service fees in light of competitive pressure in the markets. In such circumstances, our profit margin may decrease, which could have adverse effect on our business, financial condition and results of operations.

**The loss of any government grants that we have enjoyed or interest income we received could materially and adversely affect our results of operations.**

We received other income of RMB21.6 million, RMB34.4 million and RMB61.8 million, respectively, during the Track Record Period. Our other income and expenses consists of asset-related government grants, unconditional government grants, interest income from banks, interest income from related parties, interest income from third parties, and others. See “Financial Information — Key Components of Our Results of Operations — Continuing Operations — Other Income” for details. Our other income is of a non-recurring nature and there is no assurance that we would continue to enjoy the government grants and interest income at the historical levels, or at all. Any change, suspension or termination of these government grants or interest income we have received could materially and adversely affect our business, financial condition and results of operations.

**Our historical financial and operating results, growth rates and profitability may not be indicative of future performance.**

We experienced significant growth in terms of revenues during the Track Record Period. For the years ended December 31, 2016, 2017 and 2018, our total revenue from continuing operations was RMB2,335.7 million, RMB2,850.2 million and RMB3,265.0 million, respectively. Any evaluation of our business and our prospects must be considered in light of the risks and uncertainties encountered by companies at our stage of development. Our historical growth was primarily driven by the increases in our average students enrolled and the level of tuition fees we charge. The increased average students enrolled was primarily driven by the increase in the number of Schools we established and operated and the expansion of existing campuses during the Track Record Period. Furthermore, our results of operations may vary from period to period in response to a variety of other factors beyond our control, including our ability to maintain and increase student enrollment and maintain and raise tuition fees, general economic conditions and regulations or government actions pertaining to the private education service sector in China, changes in spending on private education, our ability to control cost of revenue and operating expenses, our expenditures in building new Schools or expanding existing Schools and non-recurring charges incurred in connection with

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acquisitions or other extraordinary transactions or under unexpected circumstances. For the year ended December 31, 2018, we commenced operations of 19 new Schools, which incurred a large amount of fixed costs but the student enrollments were small. Our profitability may be negatively impacted by such new Schools. Due to the above factors, we believe that our historical financial and operating results, growth rates and profitability may not be indicative of our future performance and you should not rely on our past results or our historic growth rates as indications of our future performance.

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

We could be held liable for the accidents or injuries or other harm to students or other people at our Schools, including those caused by or otherwise arising in connection with our school facilities or employees. We could also face claims alleging that we were negligent or we provided inadequate maintenance for our school facilities or supervision of our employees or we failed to discharge our duty of education or management for our students and may therefore 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 employees is involved in any physical confrontation or act of violence, we could face allegations that we failed to provide adequate security or were otherwise responsible for his or her actions. We may also face reputation risks if our students or employees suffer injuries outside our school campuses. Such incidents may discourage prospective students from applying to or attending our Schools. For example, on June 16, 2015, a student enrolled at one of our Schools under New East Cuisine Education committed suicide on campus by falling from the student dormitory. Parents of the student initiated legal proceedings against us in 2015 and the relevant PRC court ruled that we were 30% at fault as we were negligent in school management and student protection. During the Track Record Period, a total of 14 legal proceedings initiated against us that were related to injuries or suicides of our students or employees were entered into judgement. Furthermore, although we maintain liability insurance, the insurance coverage may not be adequate to fully protect us from these kinds of claims and liabilities. In addition, we may not be able to obtain liability insurance in the future at reasonable prices or at all. A liability claim against us or any of our employees could adversely affect our reputation and student enrollment and retention. Even if it is unsuccessful, such a claim could create unfavorable publicity, cause us to incur substantial expenses and divert the time and attention of our management, all of which may have material adverse effects on our business, financial condition, results of operations and prospects.

**We outsource food and meal catering services of our on-campus stores and canteens to third party service providers and as a result, we cannot guarantee the quality and price of the food they serve to our students. We may be exposed to potential liabilities if we cannot maintain food quality standards.**

We outsource certain our food and meal catering services of our on-campus stores and canteens to third party service providers. While we have internal control over the quality of such service providers, such as conducting due diligence on requisite licenses, and qualifications, it is impractical for us to monitor the day-to-day operation of these service providers. Thus, 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 require such third-party service provider to adhere to our food quality standards. In the event poor food quality results in any serious health violations or medical emergencies, such as mass food poisoning, our business and reputation could be materially and adversely affected.

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**Certain of our Schools had not obtained approvals from local civil affairs authorities for their amended articles of association to reflect change of school sponsors.**

As of the Latest Practicable Date, Shanghai Fengxian District East Delicacy Vocational Training School\* (上海奉賢區東方美食職業培訓學校) (“Shanghai Fengxian School”), Jiangsu New East Culinary Training School\* (江蘇新東方烹飪技術學校) (“Jiangsu School”) and Nanjing Xinhua Computer Institute\* (南京新華電腦專修學院) (“Nanjing Institute”) had not obtained approvals from local civil affairs authorities for their respective amended articles of association which reflect the change of school sponsors. Our PRC Legal Advisors have advised us that we are required to obtain approvals from the competent local authorities of MHRSS or local education authorities for change of school sponsors of a private school, which is not subject to approval by the relevant civil affairs authorities but will inevitably result in an amendment to the articles of association which requires approval from civil affairs authorities. The local civil affairs authorities have not yet accepted applications for approval of the amendment to articles of association to reflect the change of school sponsors on the basis that a “sponsor” refers to the “initial sponsor” of the school and it is a statement of historical fact, therefore cannot be the subject of change. We are in the process of communicating with the respective civil affairs authorities, respectively. However, we cannot assure you that the relevant civil affairs authorities will approve the change. If such Schools fail to obtain approvals from the relevant competent authorities, our rights as being school sponsors of these Schools may not be recognized or may be challenged by third parties. As such, our business, financial condition and results of operations may be adversely affected.

**Failure to open social insurance fund and housing provident fund accounts and failure to make adequate contributions to various social security plans as required by PRC regulations may subject us to penalties.**

Our PRC subsidiaries are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their businesses. As of the Latest Practicable Date, (i) certain of our Schools and other entities failed to open social insurance fund and/or housing provident fund accounts mainly because no employees are hired by such entities; and (ii) we did not make full contributions to the social insurance plans and housing provident fund based on the actual salaries of our employees. See “Business — Legal Proceedings and Compliance” in this prospectus for further details. We cannot assure you that our employees will not complain to the relevant authorities by reporting our failure to make contributions to the social security and housing provident fund or the basis of how we had made the contributions for them, which may in turn result in the relevant authorities ordering us to make supplemental contributions and/or imposing penalties and overdue fines on us, among other things. Such regulatory intervention may adversely affect our financial condition.

According to the *Reform Plan of the State Tax and Local Tax Collection Administration System* (《國稅地稅徵管體制改革方案》) issued by the General Office of the Communist Party of China, from January 1, 2019, tax authorities will be responsible for the collection of social insurance contributions. The MHRSS issued an *Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions* (《人力資源社會保障部辦公廳關於貫徹落實國

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務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) in September 2018 and the General Office of the State Administration of Taxation issued the *Notice by the General Office of the State Administration of Taxation of Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner* (《國家稅務總局辦公廳關於穩妥有序做好社會保險費徵管有關工作的通知》) on September 13, 2018, pursuant to which the tax authorities and the local authorities of MHRSS are strictly forbidden to collectively initiate or proactively recover the unpaid social security contributions from enterprises. Although the government of the PRC does not intend to trace back to or enforce past non-compliance of unpaid social security contributions, there are uncertainties in connection with implementation of such regulations and enforcement of social security contributions could be more stringent. We cannot assure you that the relevant local government authorities will not require us to pay the outstanding amount within a prescribed time and impose late fees or fines on us, which may materially and adversely affect our business, financial condition and results of operations.

**Our success depends on the continuing efforts of our management team and other key personnel and our business may be harmed if we lose their services.**

Our future success heavily depends on the continuing services of our management team and key school management personnel at each of our Schools. If any member of our core management and other key personnel are unable or unwilling to continue their employment with us, we may not be able to replace them with qualified personnel in a timely manner, or at all, and our business may be disrupted and our results of operations and financial condition may be materially and adversely affected. Competition for experienced educators in the private vocational education industry in the PRC, including the locations where we operate our Schools, is intense and the pool of qualified candidates is very limited. We may have to provide competitive compensation and benefits packages to attract and retain our core management and key personnel. There is no guarantee that we can recruit and retain experienced management members or other qualified school management personnel in the future. In the event we lose their services, or if any member of our management team or other key personnel joins our competitor(s) or forms a competing company, our business, financial condition and results of operations could be materially and adversely affected.

**Capacity constraints of our teaching facilities could cause us to lose students to our competitors.**

The teaching facilities of our physical network are limited in size and number of classrooms. We may not be able to admit all students who would like to enroll in our courses due to the capacity constraints of our teaching facilities. This would deprive us of the opportunity to serve them and to potentially develop a long-term relationship with them for continued services. If we fail to expand our physical capacity as quickly as the demand for our classroom-based services grows, we could lose potential students to our competitors, and our results of operations and business prospects could be materially and adversely affected.

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

We are required to obtain and maintain various approvals, licenses and permits and to fulfil registration and filing requirements in order to conduct and operate our education and related services. For example, to establish and operate a school, we are required to obtain and/or renew, among others, a private school operating permit from the local authorities of MHRSS or the local education authorities. We are also required to register with the local civil affairs authorities or local authorities of SAMR to obtain a certificate of registration for a private non-enterprise entity or business license. In addition, we need to pass annual inspections conducted by the local civil affairs authorities and/or local authorities of MHRSS and/or local education authorities. We also need to file annual reports to local authorities of SAMR for the companies. Except as disclosed in “Business — Legal Proceedings and Compliance” of this prospectus, we had obtained all material requisite permits and completed the necessary filings, renewals and registrations for our Schools in operation as of the Latest Practicable Date. However, there is no assurance that we will be able to obtain all required permits on a timely basis going forward given the wide discretion the local authorities may have in interpreting, implementing and enforcing the relevant rules and regulations, as well as other factors beyond our control and anticipation.

As of the Latest Practicable Date, two Schools of New East Culinary Education had branch campuses that differ from the addresses set out on their respective school operating licenses or business licenses. As advised by our PRC Legal Advisors, establishing a branch campus of a private school should file registration with the relevant local education authorities or the local authorities of MHRSS as required by the relevant PRC laws and regulations. If we fail to add the address of relevant branches to the operating licenses or business licenses of our Schools, we may not be allowed to operate these branches. As a result, our business, financial condition and results of operations may be materially and adversely affected.

In addition, as of the Latest Practicable Date, four Schools of New East Culinary Education in the PRC, and Xinhua Internet Technology Education operated on-campus canteens to offer catering services to students, but failed to obtain or renew food administration permits (食品經營許可證). As advised by our PRC Legal Advisors, companies engaging in food sales and catering services in the PRC are required to obtain food administration permits according to the relevant PRC laws and regulations. Failing to obtain or renew the requisite licenses may subject us to fines and confiscation of illegal income derived from operating on-campus canteens without obtaining the requisite permits. As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant PRC government authorities with respect to

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the aforesaid issues, nor had our Schools been required to rectify the aforesaid issues. In addition, we had closed and ceased to operate these canteens as of the Latest Practicable Date. If the relevant government authorities change their position or policies with respect to the aforesaid issues, we may be subject to fines, confiscation of the gains derived from the catering services we provided, or be subject to other penalties or administrative actions, which may materially and adversely affect our business, financial condition and results of operations. See “Business — Legal Proceedings and Compliance” for details.

**Our teachers, instructors and staff may not comply with our internal rules and any misconduct relating to our teachers, instructors and staff may adversely affect our brand and we may be held jointly liable for the damages caused.**

While we have internal policies over the professional ethics of our teachers, instructors and other employees, it is impractical for us to control the conduct and behaviors of them. For example, a teacher employed by one of our Schools under Xinhua Internet Technology Education was convicted of fraud and sentenced to imprisonment in 2018 as he deceived 12 students that he could assist them in applying for a diploma of junior college-undergraduate programs or professional qualification certificates of associate constructor. In addition, a student at one of our Schools under Wontone Automotive Education initiated legal proceedings against us in 2016 seeking damages for his injuries as a result of physical conflicts with a teacher in class. The court held that we, as the employer of the teacher, were jointly liable for the economic losses of the student which amounted to less than RMB22,000.

We are committed to continually enhancing our ethical education for teachers, instructors and other employees. However, in some cases, it is very difficult for us to discover fraud activities especially when they are conducted in an unprecedented manner. We cannot guarantee you that similar incidents will not occur in the future. Any negative press releases regarding such incidents may also adversely affect our reputation. If we are unable to sustain or strengthen our reputation and brand recognition or our reputation is damaged, we may not be able to maintain or increase student enrollment, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

**We had net current liabilities position as of December 31, 2018.**

As of December 31, 2018, we had net current liabilities of RMB612.8 million. See “Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position — Current Assets and Current Liabilities” in this prospectus for details. 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, and our business, financial condition and results of operations may be materially and adversely affected.

**We are exposed to fair value change for other financial assets measured at fair value through profit or loss.**

We are exposed to fair value change for other financial assets measured at fair value through profit or loss (“FVTPL”). For the years ended December 31, 2016, 2017 and 2018, we recorded net gains from fair value changes of other financial assets

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measured at FVTPL of RMB27.5 million, RMB61.1 million and RMB58.0 million, respectively. Future fair value change for other financial assets measured at FVTPL may negatively impact our financial condition and performance.

**Future application of HKFRS 16 “Leases” could affect our operating results, financial position and certain financial ratios due to our operating lease commitments.**

We are a lessee of various properties, including our teaching buildings, dormitory buildings and offices, under which the relevant leases are classified as operating leases, details of which are set forth in Note 31 of the Accountant’s Report in Appendix I to this prospectus. Our current accounting policy for such leases is set forth in Note 3 to the Accountant’s Report in Appendix I to this prospectus.

As of December 31, 2018, the lease commitments amounted to RMB2,302.2 million and all of them had an original lease term of over one year, which are currently classified under operating leases and are not reflected in our consolidated statement of financial position. HKFRS 16 “Leases”, which is required to apply for the first time for our financial year beginning on January 1, 2019, provides new provisions for the accounting treatment of leases and will in the future upon adoption of the standard no longer allow lessees to recognise certain leases outside of the consolidated statement of financial position. Instead, for all leases with a term of more than 12 months, unless the underlying asset is of low value, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The initial adoption of HKFRS 16 will therefore result in increase in right-of-use assets and related lease liabilities and this will affect our related financial ratios, such as an increase in debt to equity ratio. The combination of straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. There is no assurance that the application of HKFRS 16 will not significantly affect the financial position and performance in the future.

**Certain of our Schools do not have the necessary private school operating license.**

All of our Schools are required to obtain private school operating license prior to the commencement of operation. As of the Latest Practicable Date, 29 Schools in operation under our Omick Education of Western Cuisine and Pastry, Wontone Automotive Education, Xinhua Internet Technology Education and Wisezone Data Technology Education brand did not have the private school operating license. See “Business — Legal Proceedings and Compliance — Immaterial Non-Compliance Incidents” for more information. *The Law for Promoting Private Education of the PRC* (《中華人民共和國民辦教育促進法》) was promulgated in December 2002, amended in June 2013, and was further amended in November 2016 and took effect from September 1, 2017. However, due to the uncertainties with respect to the interpretation and lack of local implementation rules of the newly enacted law, the local authorities of MHRSS and the local education authorities responded that they were not in a position to issue private school operating license to some of our Schools in operation. Although we are making efforts to apply to the local authorities for such licenses, there are risks that they would not accept application of private school operating license from companies before the relevant local implementation rules take effect. If we are not able to obtain the requisite



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license, we may become subject to administrative fines and other penalties or even be ordered to shut down our operation, which may have a material and adverse effect on our business, prospects, financial condition and results of operations.

**Some of our secondary vocational Schools lack on-site infirmaries as required under the relevant PRC laws and regulations.**

As of the Latest Practicable Date, nine of our secondary vocational Schools, namely Zhengzhou Xinhua Secondary Vocational School\* (鄭州新華中等專業學校), Yunnan Xinhua Computer Secondary Vocational School\* (雲南新華計算機中等專業學校), Guiyang City Xinhua Computer Secondary Vocational School\* (貴陽市新華電腦中等職業學校), Jiangxi Nanchang Xinhua Computer Secondary Vocational School\* (江西南昌新華電腦中專學校), Jiangxi Nanchang New East Culinary Secondary Vocational School\* (江西南昌新東方烹飪中專學校), Yunnan New East Culinary School\* (雲南新東方烹飪學校), Lanzhou Xinhua Internet Secondary Vocational School Co., Ltd.\* (蘭州新華互聯網中等職業學校有限公司), Guiyang City New East Culinary Secondary Vocational School\* (貴陽市新東方烹飪中等職業學校) and Shijiazhuang New East Secondary Vocational School\* (石家莊新東方中等專業學校) did not have on-site medical infirmaries to offer medical diagnosis and the prescription of medication and treatments, as well as basic healthcare services to our students. In situations of emergency or when necessary and appropriate, we generally promptly send our students to nearby hospitals for medication and treatments.

Our PRC Legal Advisors have advised us that, under the relevant PRC laws and regulations, boarding secondary vocational schools should have a licensed on-site infirmary to provide medical services to students, but such requirement does not attach with it any administrative proceedings, fines or penalties for failure to comply. As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant PRC government authorities with respect to the lack of licensed on-site infirmaries at our Schools. However, we cannot assure you that the competent PRC government authorities will not further issue guidelines or policies on rectification reasons or otherwise require us to rectify this matter within a prescribed period in the future. If we receive such order but fail to obtain requisite licenses and hire competent professionals for operating on-site infirmaries at our Schools within a prescribed period, our reputation, business and results of operations may be adversely affected. See “Business — Legal Proceedings and Compliance” for details.

**Several of our Schools providing correspondence education services are not registered with relevant government authorities and such services may be suspended.**

As of December 31, 2018, 28 Schools under New East Culinary Education, Xinhua Computer Education, Omick Education of Western Cuisine and Pastry and Wontone Automotive Education provided correspondence education services to students in cooperation with higher education institutions and such higher education institutions have not completed registration with the relevant local education authorities prior to the commencement of such services. According to *Interim Regulations on Correspondence Education Tutoring Centers for Higher Education Institutions* (《普通高等學校函授教育輔導站暫行規程》), higher education institutions providing such correspondence education services are required to register with local education authorities prior to the commencement of the services, and failure to comply with such requirement may result in receiving public criticism from relevant authorities, mandatory rectification within prescribed time, and the suspension of such education services. As we are not the entity who should seek such registration, we are not the party in control of ensuring compliance

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with this requirement. In addition, pursuant to the relevant PRC laws and regulations, we are not subject to any penalties or other liabilities for the non-registration. Besides, we are not obligated to indemnify or undertake any responsibilities in relation to the non-registration according to our cooperative agreements with our partnering higher education institutions. If our partnering higher education institutions fails to comply, we will lose income from such correspondence education services if any suspension order is issued to our cooperative higher education institutions by relevant education authorities. If we are forced to shut down our correspondence education services, our business, financial condition and result of operations may be materially and adversely affected. For the years ended December 31, 2016, 2017 and 2018, the revenue from our correspondence education services provided by the 28 Schools was RMB17.0 million, RMB17.2 million and RMB23.2 million, respectively. According to the cooperative agreements with the higher education institutions, the higher education institutions are generally responsible for designing course curriculums, assigning teachers to work at our Schools, granting diplomas and degrees recognized by PRC governmental authorities for students who meet relevant requirements. We are responsible for providing venues and facilities that meet the teaching requirements and our teachers work together with the assigned teachers to organize the education work. The higher education institutions are generally entitled to receive 30% to 60% of the tuition fees we collected. Such cooperative agreements generally have a term ranging from three to six years, which are renewable by mutual consent.

### **We are subject to uncertainties brought by the 2016 Decision and the MOJ Draft for Comments.**

#### ***The 2016 Decision***

Our business is regulated by, among others, the *Law for Promoting Private Education of the PRC* (《中華人民共和國國民辦教育促進法》). The 2016 Decision that became effective on September 1, 2017 introduced a number of amendments. Under the 2016 Decision, school sponsors of an existing not-for-profit private school may elect to register the school as a non-profit or for-profit private school at their own discretion. As of December 31, 2018, apart from 47 Schools out of our 144 Schools in the PRC which have been established as for-profit private schools in the first place, school sponsors of 21 Schools out of our 144 Schools in the PRC have elected to register as for-profit private schools. As of the Latest Practicable Date, these 21 Schools have finished the registrations as for-profit private schools. We incline to apply the for-profit business model to all of our Schools in the PRC and our planned Schools in future expansion, but our selection is still subject to the relevant policies and regulations promulgated by the PRC government authorities. As of the Latest Practicable Date, 29 provinces, including Anhui, Zhejiang, Jiangsu, Shandong, Guangdong, Hainan, Jiangxi, Beijing, Hubei, Guizhou, Yunnan, Hebei, Henan, Shaanxi, Shanxi, Gansu, Liaoning, Jilin, Sichuan, Qinghai, Inner Mongolia, Ningxia, Guangxi, Hunan, Heilongjiang, Tibet, Chongqing, Tianjin and Shanghai, have issued implementation opinions (the “Implementation Opinions”). Most of these Implementation Opinions provide a transition period ranging from one to six years. The school sponsors of existing not-for-profit private schools can elect to register the schools as either for-profit or non-profit private schools during the transition period. As of the Latest Practicable Date, other regions had not yet issued such implementation opinions. For a general description of the key differences between a non-profit private school and a for-profit private school under the framework of the 2016 Decision, see the section headed “Regulations — Regulations on Private Education in the PRC — The Decision on Amending the Law for Promoting Private Education of the PRC, or the 2016 Decision” for further details. Some of the differences may result in significant changes to the competitive landscape among private schools. In particular, a for-profit private school may determine the level of its schools fees based on its operating conditions, while that of a non-profit private school is subject to standards

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stipulated by local governments, and a non-profit private school may receive additional support from the government than a for-profit private school.

The 2016 Decision was recently promulgated and PRC government authorities may further formulate regulations to implement the 2016 Decision. It remains uncertain as to whether such implementation regulations would have any material adverse impact on our business. There are uncertainties regarding the interpretation and enforcement of the 2016 Decision and relevant regulations by government authorities.

### ***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)* (《中華人民共和國國民辦教育促進法實施條例(修訂草案)(送審稿)》), to seek public comments. The MOJ Draft for Comments intends to further promote 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 as that enjoyed by a public school and the relevant tax concession, 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 terms of land use by means of allocation in accordance with the principle of treating non-profit private schools equally as public schools, and for schools that provide education for academic credentials, may provide lands by means of bid invitation, auction or listing, assigning contracts, long-term lease 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.

The MOJ Draft for Comments stipulates further provisions on 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 charging fees and financial transactions, and a for-profit private school shall deposit the income into a specific settlement account of its own; and (ii) a private school shall conduct any connected transactions in a manner that is open, justified and fair and shall establish disclosure mechanisms for such transactions. With respect to requirement (ii) above, our Structured Contracts may be regarded as connected transactions of our private schools and we may incur substantial compliance costs for establishing disclosure mechanisms. Such process may not be in our control and may be highly complicated and burdensome and may divert management attention.

The MOJ required comments from the public on the MOJ Draft for Comments, if any, to be submitted prior to September 10, 2018, but 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 Latest Practicable Date, 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.

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### ***Implementation Rules under the 2016 Decision***

As of the Latest Practicable Date, 29 provinces have issued the Implementation Opinions. Most of these Implementation Opinions provide a transition period ranging from one to six years. The school sponsors of existing not-for-profit private schools can elect to register the schools as either for-profit or non-profit private schools during the transition period. As of the Latest Practicable Date, other regions had not yet issued such implementation opinions. There is no assurance that we will be able to operate our business in full compliance with the 2016 Decision or any relevant regulations in a timely manner, or at all. Should we fail to fully comply with the 2016 Decision or any relevant regulations as interpreted by the relevant government authorities, we may be subject to administrative fines or penalties or face other negative consequences that could materially and adversely affect our brand name and reputation, and, in turn our business, financial condition and results of operations.

According to the Implementation Regulations for Classification Registration of Private Schools (《民辦學校分類登記實施細則》) promulgated by five PRC government authorities, including the MOE, on December 30, 2016, existing not-for-profit private schools are required to choose to register as non-profit private schools or for-profit private schools with competent government authorities:

- if we elect to register our Schools in the PRC as for-profit private schools, we will be required to (i) undertake financial liquidation, (ii) have the property rights of the relevant assets, such as land, school buildings and net balance being authenticated by the relevant governmental authorities, (iii) pay the relevant taxes and fees, and (iv) register with relevant authorities to continue the school operations. In the absence of any detailed implementation rules, we are not be able to predict or estimate the potential costs and expenses involved and the process necessary to adjust our structure to complete such registration, which may materially and adversely affect our business, financial condition and results of operations; or
- if we elect to register our Schools in the PRC as non-profit private schools, (i) our Schools in the PRC will not be permitted to distribute the operating proceeds to their school sponsor(s) and the surplus from school operations can only be applied to their operations, (ii) the provincial government authorities may impose restrictions on our school fees, including the range and type of fees chargeable and approval or filing requirements, and (iii) the school sponsor(s) of our Schools in the PRC should amend the constitutional documents of the schools and register with the relevant authorities to continue the school operations. We may incur significant administration and financial costs in the registration process, which may materially and adversely affect our business, financial condition and results of operations.

### **We face regulatory risks and uncertainties associated with our teachers' lack of teacher licenses or teacher qualifications.**

According to the *Regulations on Management of Teacher Licenses* (《教師資格證書管理規定》), personnel engaged in teaching activities in various types of secondary formal education and schools and other educational institutions must obtain teacher licenses (教師資格證). According to the *Notice on Issuing Qualifications of Teachers in Vocational Schools and Employment Training Centers and Other Vocational Training Institutions* (《關於做好技工學校和就業訓練中心及其他職業培訓機構教師上崗資格認定工作的通知》), all personnel engaged in the education and teaching activities at technical schools and employment training centers and other vocational training institutions should obtain teacher qualifications (教師上崗證). In December 2016, several PRC government agencies, including the MOE, the SAMR, and the MHRSS, jointly promulgated the *Implementation Rules on the Supervision and Administration of For-profit Private Schools*, (the "Rules"). Under the Rules, the teachers employed by a

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for-profit private school shall obtain the teaching licenses or relevant professional skill qualifications required by PRC laws and regulations, although the definition or the scope of the “relevant professional skill qualifications” is not explicitly stated in the Rules. Less than 10% of our teachers of our secondary vocational Schools currently do not hold teaching licenses, and less than 70% of our teachers of technical Schools and vocational training Schools do not hold teachers qualifications.

As of the Latest Practicable Date, we have not received any notice of warning or been subject to any penalties or disciplinary action from government authorities due to the lack of teaching licenses or teachers qualifications. Although we have informed all teachers who do not have the teaching licenses or teachers qualifications to obtain such licenses or transfer to another non-teaching position, we cannot assure you that they can meet the requirements for obtaining teaching licenses or teachers qualifications. If our teachers are not able to apply for and obtain the teaching licenses or relevant professional skill qualifications on a timely basis, or at all, we may be ordered to rectify such noncompliance or subject to penalties under the then-effective PRC laws and regulations, in which case our business may be disrupted, and our financial condition, reputation and prospects would be materially and adversely affected. See “Business — Our Teachers and Instructors — Teacher and instructor recruitment” and “Business — Legal Proceedings and Compliance” for details.

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

The private education industry in the PRC is subject to regulations in various aspects. Relevant rules and regulations could be changed to accommodate the development of the education, in particular, the private education markets from time to time. For example, *the Law for Promoting Private Education of the PRC* (《中華人民共和國民辦教育促進法》) was promulgated in December 2002, amended in June 2013, and was further amended in November 2016 and took effect from September 1, 2017. Pursuant to the latest amendments, (i) school sponsors of a private school which provides education services may choose for the school to be a for-profit private school or a non-profit private school, provided that, a private school which provides compulsory education is not allowed to become a for-profit private school; (ii) school sponsors of a for-profit private school are allowed to receive operating profits, while school sponsors of a non-profit private school are not allowed to do so; (iii) a non-profit private school is entitled to the same preferential tax treatment as public schools, while a for-profit private school is able to enjoy the preferential tax treatment as stipulated by the State; and (iv) a for-profit private school may determine the tuition by itself while a non-profit private school shall collect tuition pursuant to the measures stipulated by the provincial governments. See “Regulations — Regulations on Private Education in the PRC — The Decision on Amending the Law for Promoting Private Education of the PRC, or the 2016 Decision.”

As uncertainties exist with respect to the interpretation and enforcement of new and existing laws and regulations that may be proposed, we cannot assure you that we will be in compliance with these or any other new rules and regulations, interpretation of which may remain uncertain, or that we would be able to efficiently change our business practice in line with any regulatory environment. Any such failure could materially and adversely affect our business, financial condition and results of operations.

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**We have granted, and may continue to grant, employee share options and other share-based compensation, which may materially impact our future results of operations.**

On December 7, 2018, we conditionally adopted the Pre-IPO Share Option Scheme, under which we issued options to purchase up to a total of 135,244,720 Shares to our Director, senior management and employees for their contribution to our Group and to attract and retain key personnel. As of the Latest Practicable Date, share options to subscribe for 135,244,720 Shares had been granted and were outstanding under the Pre-IPO Share Option Scheme, as adjusted pursuant to the Capitalization Issue. 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 ongoing adverse impact on our profitability throughout the vesting period of the share options. In addition, exercise of the share options we have granted or plan to grant will increase the number of our Shares in circulation. As such, there will be a dilution or reduction to the shareholding percentage interest of the Shareholders which will result in a dilution or reduction of the earnings per Share or net asset value per Share. As mentioned, the fair value of the options granted to the eligible participants under the Pre-IPO Share Option Scheme will be charged to the consolidated comprehensive income statement of our Group over the vesting periods of the options. Besides, we have conditionally adopted the Share Option Scheme on May 21, 2019, under which we may issue options to purchase up to a total of 217,900,000 Shares to our Directors, senior management, employees and other eligible persons for their contribution to our Group and to attract and retain key personnel. The principal terms of which are set out in the section headed “F. Pre-IPO Share Option Scheme and Share Option Scheme — 2. Share Option Scheme” in Appendix V to this prospectus. 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 plan to grant will increase the number of our Shares in circulation which will result in a dilution or reduction to the shareholding percentage interest of the Shareholders and it will also result in a dilution or reduction of the earnings per Share or net asset value per Share. Upon the exercise of all the share options under the Pre-IPO Share Option and the Share Option Scheme, the shareholding of the Shareholders will be diluted by approximately 14% as calculated based on 2,532,144,720 Shares then in issue. Accordingly, the financial results and profitability of our Group may be adversely affected on an ongoing basis as and when the share options are vested. Any actual or perceived sales of the 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.

**Our allocated land use rights may be recovered by the government without compensation or required to be used for a fee.**

As of the Latest Practicable Date, six parcels of land occupied by our Anhui New East Culinary Institute\* (安徽新東方烹飪專修學院), Anhui Xinhua Computer Institute\* (安徽新華電腦專修學院) and Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院) in Anhui province and one parcel of land occupied by Chengdu Tianji in Sichuan province are government allocated lands. As advised by our PRC Legal Advisors, pursuant to the relevant PRC laws and regulations, competent government authorities may recover the allocated land use rights without compensation according to public interests, needs of urban development and requirements of urban planning. Allocated land used for for-profit educational purposes may also be required or limited by competent government authorities to paid use, according to the relevant PRC laws and regulations. If government authorities recover the allocated land use rights without compensation, the buildings on these lands may be ordered to be demolished, our school operations may be interrupted and we may be forced to relocate our Schools within a prescribed time limit, which may incur additional costs. There is no assurance that we will be able to relocate to comparable alternative premises without any adverse effect on our business, financial condition, results of operations and prospects.

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**We are subject to governmental approvals and compliance requirements in relation to the land and buildings that we own. Some of the properties we use for our operations are not in compliance with applicable laws and regulations in the PRC.**

For campuses and school facilities constructed and developed by us for our Schools, we are required to obtain various permits, certificates and other approvals from the relevant authorities, including but not limited to land use right certificates, planning permits, construction permits, approvals for passing environmental impact assessments, environmental protection acceptance inspection, approvals for passing fire control design assessments, approvals for passing fire control acceptance inspection, construction completion inspection registration for passing acceptance inspections upon construction completion.

Some of the properties we use for our school operations are not in compliance with applicable laws and regulations in the PRC. See “Business — Properties” for further details. As of the Latest Practicable Date, (i) among the 52 buildings we owned/occupied, 19 buildings occupied by our Anhui New East Culinary Professional Institute, Anhui Xinhua Computer Institute and Anhui Wontone Automobile Maintenance Institute in Hefei, Anhui province with an aggregate gross floor area of 92,607.78 sq.m. have been put into use without completing required acceptance procedures and/or filings; and (ii) among the 18 buildings owned/occupied by Chengdu Tianji, 16 buildings with a total gross floor area of 44,252.29 sq.m. have been used by us as teaching buildings, dormitories, practical training studios, office buildings and canteen. We could not obtain building ownership certificates for these 16 buildings, because the construction documents which are necessary for completing the relevant acceptance procedures and filings requisite to applying for the building ownership certificates were missing at the time of the acquisition. 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 the properties that we have commenced construction of buildings without completing the environmental protection acceptance procedures, we may be subject to a fine ranging from 1% to 5% of the total amount of investment in the construction project and a rectification order;
- for the properties that we have commenced construction without construction planning permit, we may be subject to an order to rectify the impact and/or a fine ranging from 5% to 10% of the construction cost, or an order to demolish the buildings and/or a fine of not more than 10% of the construction cost;
- for the properties that we have commenced construction without construction commencement permit, we may be subject to a fine ranging from 1% to 2% of the contract price of constructing the buildings and/or a rectification order;
- for the properties of which we have commenced construction without completing fire control assessment procedures, we may be subject to a fine ranging from RMB30,000 to RMB300,000 and/or suspension from using such buildings;
- for the properties that we have put into use without completing the construction quality and completion acceptance procedures, we may be subject to a fine ranging from 2% to 4% of the contract price of constructing the buildings and/or a rectification order; and

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- for the properties that we have put into use without completion of filing of the result the construction quality and completion acceptance, we may be subject to a fine ranging from RMB200,000 to RMB500,000 and/or a rectification order.

With respect to the above 19 buildings we owned/occupied in Heifei, we estimate that the maximum penalties we may be subject to will be approximately RMB19.1 million. The book value of the 19 buildings as of December 31, 2018 was approximately RMB54.5 million. If we are forced to relocate due to suspension of the use of relevant buildings without completing fire control assessment procedure, we estimate that the relocation process will take three to six months and we will spend approximately RMB4.0 million for the decoration and refurbishment of new campuses and such amount will be capitalized according to the relevant accounting standards. Assuming that such relocation will be completed within six months and all business operations have to be suspended during such period of relocation, we estimate we will lose approximately 25%-50% of the revenue of those relevant Schools should they operate as usual.

With respect to the above 16 buildings owned/occupied by Chengdu Tianji, we estimate that the maximum penalty we may be subject to is approximately RMB13.0 million. The revenue of Chengdu Wontone Automobile Vocational Training School Co., Ltd.\* (成都萬通汽車培訓職業技能學校有限公司) (“Sichuan Wontone”), which is operated in these buildings, were approximately RMB48.9 million, RMB46.8 million and RMB37.0 million, representing 2.1%, 1.6%, and 1.1% of the total revenue of our Group for the years ended December 31, 2016, 2017 and 2018, respectively. The market value of the 16 buildings as of December 31, 2018, which is set out in Appendix III to this prospectus for illustrative purpose, was RMB74.33 million. If we are forced to relocate, we estimate that the relocation process will take three to six months and we will spend approximately RMB7.0 million for the decoration and refurbishment of new campuses and such amount will be capitalized according to the relevant accounting standards. Assuming in the extreme scenario that such relocation will be completed within six months and all business operation has to be suspended during such period of relocation, we estimate we will lose approximately 25% to 50% of the revenue of those relevant Schools should they operate as usual.

We may be required by the relevant government authorities to cease the use of the relevant buildings, demolish the relevant buildings and/or adopt other corrective measures of similar effect or impose penalties on us. In the event that we lose the rights to any of our buildings, our use of such buildings may become limited, or we may be forced to relocate our Schools and incur additional costs, or be imposed penalties 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. Please refer to “Immaterial Non-compliance Incidents” in Business section for more details.

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

Some of our properties that we leased from third parties for our school operations are not in compliance with applicable laws and regulations in the PRC. As of the Latest Practicable Date, (i) we had not been provided with the land use rights certificates and/or building ownership certificates by the landlords, or by the sub-lessors with the proofs of having the right to sublease the properties to us for 77 campuses; (ii) we had not been provided by landlords/sub-lessors with the fire control acceptance records for 46 campuses; (iii) with respect to 51 leased properties with permitted use for “industrial” purposes, or other purposes, our use is inconsistent with their permitted use for educational purposes; (iv) we leased properties located on collective lands which may not be used for construction or non-agricultural purpose for 21 campuses; and (v) one



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leased property is military property, the lease of which is forbidden by the PRC Laws. The validity of the underlying lease agreements for these leased properties is uncertain and any successful challenge could render such lease agreements void. There is a risk that the landlords or sub-lessors from whom we lease such properties may not have the valid building ownership certificates for the premises they lease to us, or otherwise may not have the right to lease such premises to us. According to our PRC Legal Advisors, in the event those landlords do not have valid building ownership certificates and land use rights, or sublease the properties without the consent of the owners, or the use of the properties is not consistent with the land use right certificates, the relevant lease agreements may be deemed invalid or may encounter challenges from property owners or other third parties to the sub-lessor's rights. Pursuant to the relevant PRC laws and regulations, it is the relevant landlords, not our Group, who are obligated to meet all pre-requisite requirement for obtaining real property certificates, or entitlements to lease the properties to others for permitted use. Therefore, the relevant landlords, instead of our Group, may be subject to liabilities or penalties for such non-compliances. Notwithstanding the foregoing, however we may still face the risk of losing the ability to use the leased properties in the worst case scenario. Relocation costs will be incurred if we are required to relocate our Schools that are operated on such leased properties. For example, the capital expenditures incurred by renovation costs in 2017 in relation to the relocations of our Beijing City Chaoyang District New East Cuisine Vocational Training School\* (北京市朝陽區新東方烹飪職業技能培訓學校), Wuhan Xinhua Computer Vocational Training School\* (武漢新華電腦培訓學校) and Yunnan Wontone Automobile Vocational Training School\* (雲南萬通汽修職業培訓學校) due to the expiry of lease agreements were RMB2.4 million, RMB2.8 million and RMB7.2 million, respectively. Please refer to "Immaterial Non-compliance Incidents" in Business section for more details. In addition, the lease terms for certain of our leased properties are more than 20 years. As advised by our PRC Legal Advisors, if the lease term of properties exceeds 20 years, the excessive part is void according to the *PRC Contract Law* (《中華人民共和國合同法》). As a result, the excessive part of our small number of leases which have a term over 20 years will not be protected by PRC laws. In addition, we may not be able to renew the leases on terms acceptable to us upon their expiry. If any of our leases were terminated or deemed invalid or unable to be renewed for any reason, we may be forced to relocate the affected premises and incur significant expenses, in which case our business operations and financial condition may be adversely affected. We may not be able to identify alternative premises for immediate relocation, or at all.

### **Properties leased by certain of our Schools were located on collective land.**

As of the Latest Practicable Date, the properties leased by our 21 campuses were located on collective land. As advised by our PRC Legal Advisors, pursuant to the relevant PRC laws and regulations, the right to use collectively owned land is not allowed to be transferred or leased for non-agricultural construction. If the land is illegally occupied or the agricultural land is used for other purposes without authorization, buildings constructed on such land may be required to be demolished within a time limit or our relevant lease agreements will be held void, according to the relevant PRC laws and regulations. We leased properties on the collective land to provide education services, if such properties are ordered to demolish by government authorities or our leases were terminated for any reason, our business operations will be interrupted and we may be forced to relocate our Schools within a time limit, which may materially and adversely affected our business, financial condition and results of operations. Relocation costs will be incurred if we are ordered to relocate these 21 campuses. Please refer to "— Our legal right to certain leased properties could be challenged by property owners or other third parties" of this prospectus for more details.

### **We may face penalties for non-registration of our leases in the PRC.**

As of the Latest Practicable Date, except 44 leased properties, our other leased properties, accounting for most of the total gross floor area of our leased properties, have not been filed for registration with the relevant government authorities as required

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under PRC laws. Non-registration of leases does not affect our relevant rights or entitlements to lease the properties from sub-lessors, or the legality and effectiveness of the lease agreements between the parties to the agreements. However, as advised by our PRC Legal Advisors, pursuant to the relevant PRC laws and regulations, we may be subject to penalties ranging between RMB1,000 and RMB10,000 for the non-registration of leases imposed by the local authorities. As of the Latest Practicable Date, we have neither been penalized for the non-registration of our leases nor received request from any government authority to complete the registration formalities. Nevertheless, we cannot assure you that we would not be subject to any penalties and/or requests for undertaking the registrations in the future, any of which may incur additional expenses and adversely affect our business and financial condition.

**Our legal right to certain leased properties may be adversely affected by pre-existing mortgages on these properties.**

As of the Latest Practicable Date, properties leased and occupied by two of our Schools under the brand of Omick Education of Western Cuisine and Pastry had been mortgaged before we leased for our school operations. There is a risk that the lender may have disputes with regards to the relevant loans under the applicable loan agreements or the mortgagee may seek to enforce its security interests under the properties. As advised by our PRC Legal Advisors, in the event that the mortgage is fulfilled, we may not be able to continue to use the leased properties and may need to find alternative premises for relocation of our Schools, which may incur extra costs and materially and adversely affected our business, financial condition and results of operations.

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

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

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

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

We may, from time to time, be involved in disputes with and subject to claims by parents and students, teachers, instructors and other school personnel, our suppliers, contractors and other parties involved in our business. We cannot assure you that when legal actions arise in the ordinary course of our business, any of the legal actions will be resolved in our favor. In the event that such legal actions cannot be resolved in our favor,

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we may be subject to uncertainties as to the outcome of such legal proceedings and our business operations may be disrupted.

From time to time and with the expansion of our school network, we engage third-party contractors to carry out various services relating to renovation and construction projects on our school premises. We endeavor to engage third-party contractors with requisite licenses and qualifications, strong reputation and track record, high performance reliability and adequate financial resources. However, there may be safety incidents or disputes between the third-party contractors and their employees arising from or relating to the construction work on our school premises. We may be subject to legal actions in relation to the disputes and may be held liable for such incidents.

Legal or other proceedings involving us may, among others, result in us incurring significant costs, divert management's attention and other resources, negatively affect our business operations, cause negative publicity against us or damage our reputation, regardless whether we are successful in defending such claims or proceedings. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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

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

**If we fail to protect our intellectual property rights, our brand and business may be materially and adversely affected.**

Unauthorized use of any of our intellectual property rights may adversely affect our business and reputation. We rely on a combination of copyrights, trademarks and trade secrets laws to protect our intellectual property rights. Nevertheless, third parties may obtain and use our intellectual property rights without due authorization. There was no material infringement of our intellectual property rights by third parties in the past. However, we cannot assure you that there will be no material infringement of our intellectual property rights by third parties in the future, and the expenses incurred in protecting our intellectual property rights may be substantial.

We continuously develop our culinary vocational training education through the "New East Culinary" and "新東方烹飪" brand name and we have been developing our IT vocational training education under the "Xinhua Internet" and "新華電腦". However, "New East" or "New Oriental" or "新東方" is not able to be registered as such brand names are generic or are very close to other already registered trademarks. In addition, there are other companies which use "New East", "New Oriental" or "新東方" or "新華" as part of their trademarks who may also be in the education industry or the IT industry. Negative

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publicity or disputes relating to these companies may be wrongly attributed to us which may in turn materially and adversely affect the public perception of our brand, which may harm our reputation and materially and adversely affect our business, financial condition and results of operations.

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

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

We may be exposed to intellectual property right infringement or misappropriation claims by third parties when we develop and use our own educational materials, technology, know-how and brands, including use of our school's names. For example, we may face disputes relating to "New East" or "新東方" which are very close to other trademarks which have already been registered by other third parties. If such claims are initiated against us, the courts may take into account a wide range of factors including the factual circumstances and the supporting evidence from each party on a case by case basis. Therefore, we cannot assure you that the courts will not rule against us or accept our counter-claims if any of such third party claims against us. As of the Latest Practicable Date, we had not encountered any material intellectual property infringement claims. However, there is no assurance that we will not be subject to third parties' claims of infringement of their proprietary intellectual property rights in the future. Even if we defend ourselves vigorously in such litigations or legal proceedings, there is no assurance that we will prevail in these matters. Participation in such litigations and legal proceedings may also cause us to incur substantial expenses and divert the time and attention of our management. An adverse determination in any such litigations or proceedings could subject us to significant liability to third parties, require us to obtain licenses from third parties, pay ongoing royalties, or subject us to injunctions prohibiting the distribution and marketing of our brands or services. In case we lose the ability to use the related materials, contents or technology, the quality of our educational programs could be adversely affected. Any similar claim against us, even without any merit, could also damage our reputation and brand image. Any such event could have a material and adverse effect on our business, financial condition and results of operations.

For example, according to the terms on the trademark licenses granted to Xinhua Internet Technology Education, the trademark will expire in 2021. We cannot assure you that the trademarks could be renewed or we are able to continue to use such trademarks.

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### **We maintain limited insurance coverage.**

The insurance industry in China is still at an early stage of development. We do not maintain any business interruption insurance or product liability insurance or occupiers liability insurance, which are not mandatory under the PRC laws. We do not maintain insurance policies covering damages to our technical infrastructure or any insurance policies for our premises. Consequently, we are exposed to various risks associated with our business and operations. See “Business — Insurance” in this prospectus for more information. We are exposed to risks including, but not limited to, accidents or injuries in our Schools that are beyond the scope of our insurance coverage, fires, explosions or other accidents for which we do not currently maintain insurance, loss of key management and personnel, business interruption, natural disasters, terrorist attacks and social instability or any other events beyond our control. The insurance industry in the PRC is still at an early stage of development. Insurance companies in the PRC offer limited business-related insurance, occupiers’ liability 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.

### **Any non-compliance with PRC advertising laws and regulations by us may subject us to penalties.**

We are obligated to ensure our advertising content to comply with applicable PRC laws, rules and regulations. We advertise our Schools through a variety of methods, including print media, through the internet, social media and television advertisements. During the Track Record Period, we have been fined for a total of RMB125,000 for breach of PRC Advertisement Law (《中華人民共和國廣告法》) for misleading advertisements. Although we endeavour to comply with PRC advertising laws and regulations, some of the contents or wording used in our Schools’ advertisement may be considered in violation of these laws and regulations, which may give rise to fines and penalties. Any violations of these laws and regulations may subject us to governmental penalties, impair our brand and adversely impact our financial condition and results of operations.

### **We face risks related to natural disasters, health epidemics, terrorist attacks and other outbreaks in China, which could significantly disrupt our operations.**

Our business could be materially and adversely affected by natural disasters, such as earthquakes, typhoons, floods, landslides, outbreaks of health epidemics such as avian influenza, severe acute respiratory syndrome (SARS), or Influenza A virus, such as H5N1 subtype and H5N2 subtype flu viruses, as well as terrorist attacks, other acts of violence or war or social instability in the region in which we operate or those generally affecting China. Any of the above may cause material disruptions to our operations, such as temporary closure of our learning centers, which in turn may materially and adversely affect the PRC economy and demographics of the affected regions, which could cause significant declines in the number of our students enrolled in our learning centers. If this takes place, our business, financial condition and results of operations could be materially and adversely affected.

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## RISK FACTORS

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### RISKS RELATING TO OUR STRUCTURED CONTRACTS

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

We are a Cayman Islands company and thus we are classified as a foreign enterprise under the PRC laws.

Even foreign investment in vocational education and vocational training business is not explicitly prohibited, our Company is unable to independently or jointly operate most of our vocational education and vocational training business as confirmed with the relevant authorities. See “Structured Contracts — Background of the Structured Contracts”. Accordingly, we have been and are expected to continue to be dependent on our Structured Contracts to operate most of our businesses.

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

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

If any of the above penalties are imposed on us, our business may be materially and adversely affected.

**Substantial uncertainties exist with respect to the interpretation and implementation of the FIL and how it may impact the viability of our current corporate structure, corporate governance and business operations.**

On March 15, 2019, the National People’s Congress approved the FIL which will come into effect on January 1, 2020. The FIL will replace the *Sino-Foreign Equity Joint Venture Enterprise Law* (《中外合資經營企業法》), the *Sino-Foreign Cooperative Joint Venture Enterprise Law* (《中外合作經營企業法》) and the *Wholly Foreign-Invested Enterprise Law* (《外資企業法》) to become the legal foundation for foreign investment in the PRC. The FIL defines foreign investment as any investment activity directly or

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indirectly carried out in the PRC by one or more foreign natural persons, enterprises or other organizations (“Foreign Investor(s)”), and specifically stipulates four forms of investment activities as foreign investment, namely, (a) establishment of a foreign-invested enterprise in the PRC by a Foreign Investor, either individually or collectively with any other investor, (b) obtaining shares, equities, assets interests or any other similar rights or interests of an enterprise in the PRC by a Foreign Investor; (c) investment in any new construction project in the PRC by a Foreign Investor, either individually or collectively with any other investor, and (d) investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council.

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in China. The FIL stipulates four forms of investment activities as foreign investment. However, the FIL does not explicitly stipulate the contractual arrangements as a form of foreign investment.

Notwithstanding the above, the FIL stipulates that “investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council.” Therefore, there are possibilities that future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of foreign investment, and then whether our Structured Contracts will be recognized as foreign investment, whether our Structured Contracts will be deemed to be in violation of the foreign investment access requirements and how our Structured Contracts will be handled are uncertain.

In the extreme scenario, we may be required to unwind the Structured Contracts and/or dispose of our PRC Consolidated Affiliated Entities, which could have a material and adverse effect on our business, financial condition and result of operations. In the event that our Company no longer has a sustainable business after the aforementioned unwinding of the Structured Contracts or disposal or such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares or even result in delisting of our Company. For details of the FIL and the Negative List and its potential impact on our Company, please see “Structured Contracts — Development in the PRC Legislation on Foreign Investment” in this document.

Therefore, there is no guarantee that our Structured Contracts and the business of our PRC Consolidated Affiliated Entities will not be materially and adversely affected in the future.

### **The Structured Contracts may not be as effective in providing control over our PRC Consolidated Affiliated Entities as direct ownership.**

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

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If the parties under such Structured Contracts refuse to carry out our directions in relation to the everyday business operations of our PRC Consolidated Affiliated Entities, we will be unable to maintain effective control over the operations of our PRC Consolidated Affiliated Entities. If we were to lose effective control over our PRC Consolidated Affiliated Entities, certain negative consequences would result, including our being unable to consolidate the financial results of our PRC Consolidated Affiliated Entities with our financial results. Given that revenue from our PRC Consolidated Affiliated Entities constituted approximately 99.3%, 99.6% and 99.0% of the total revenue in our consolidated financial statements during the years ended December 31, 2016, 2017 and 2018, our financial position would be materially and adversely impacted if we were to lose effective control over our PRC Consolidated Affiliated Entities. In addition, losing effective control over our PRC Consolidated Affiliated Entities may negatively impact our operational efficiency and brand image. Further, losing effective control over our PRC Consolidated Affiliated Entities may impair our access to their cash flow from operations, which may reduce our liquidity.

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

Our control over PRC Consolidated Affiliated Entities is based upon the Structured Contracts with our PRC Consolidated Affiliated Entities, the Registered Shareholders, Mr. Ge Xiaoliang (葛孝良), one of the school sponsors of Nanjing School. The Registered Shareholders and Mr. Ge may potentially have conflicts of interest with us and breach their contracts or undertakings 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 our PRC Consolidated Affiliated Entities on the other, the Registered Shareholders and Mr. Ge will act completely in our interest or that the conflicts of interest will be resolved in our favor. In the event that such conflict of interest cannot be resolved in our favor, we would have to rely on legal proceedings which could result in disruption to our business and we are subject to any uncertainty as to the outcome of such legal proceedings. If we are unable to resolve such conflicts, including where the Registered Shareholders or Mr. Ge breached their contracts or undertakings with us and as a result or otherwise subject us to claims from third parties, our business, financial condition and operations could be materially and adversely affected.

**Our exercise of the option to acquire the equity interest of Anhui Xinhua Education may be subject to certain limitations and we may incur substantial costs and expend significant resources to enforce the Structured Contracts if Anhui Xinhua Education fails to perform its obligations thereunder.**

Pursuant to the Foreign Investment Catalog and the Sino-Foreign Regulation and as confirmed by the MOE and MHRSS, the foreign investor in Sino-foreign joint venture schools offering non-formal and secondary vocational education must be a foreign educational institution with relevant qualification and experience (the “Qualification Requirement”) and hold less than 50% of the capital in a Sino-foreign educational institute (the “Foreign Ownership Restriction”) and the domestic party must play a dominant role (the “Foreign Control Restriction”). Based on our consultation with the Ministry of Education and the MHRSS, there is no implementing measures or specific guidance promulgated pursuant to the Qualification Requirement and the vocational training school that we operate in HK does not meet the Qualification Requirement. As of the Latest Practicable Date, while we do not meet the Qualification Requirement as we have no experience in operating schools or universities outside of the PRC, we have taken concrete steps towards the compliance with the Qualification Requirement. See



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“Structured Contracts — Background of the Structured Contracts — Plan to Comply with the Qualification Requirement” in this prospectus for details.

We cannot assure you that we will be able to meet the Qualification Requirement in the future and the plan we have adopted will be sufficient to satisfy the Qualification Requirement. If the Foreign Ownership Restriction and Foreign Control Restriction are lifted, we may be unable to unwind the Structured Contracts by acquiring the equity interest in our PRC Consolidated Affiliated Entities before we are in a position to comply with the Qualification Requirement. If we otherwise attempt to unwind the Structured Contracts by acquiring the equity interest in our PRC Consolidated Affiliated Entities 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 Consolidated Affiliated Entities, which could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, we may incur substantial cost on our part to exercise the option to acquire the equity interest in our PRC Consolidated Affiliated Entities. In the event that WFOE or its designated entity acquires the equity interest in our PRC Consolidated Affiliated Entities pursuant to the Structured Contracts and the relevant PRC authorities determine that the purchase price for acquiring the equity interest of our PRC Consolidated Affiliated Entities is below market value, WFOE or its designated entity may be required to pay enterprise income tax with reference to the market value such that the amount of tax may be substantial, which could materially and adversely affect our business, financial condition and results of operations.

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

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

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

The Structured Contracts provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the China International Economic and Trade Arbitration Commission in Beijing, the PRC. The Structured Contracts contain provisions to the effect that the arbitral body may award remedies over the equity interests and/or assets of our PRC Consolidated Affiliated Entities, award injunctive relief and/or order the winding up of our PRC Consolidated Affiliated Entities. In addition, the Structured Contracts contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, we have been advised by our PRC Legal Advisors, under PRC laws, an arbitral body does not have the power to grant any

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injunctive relief or provisional or final winding-up order to preserve the assets of or any equity interest in our PRC Consolidated Affiliated Entities in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in the Structured Contracts. PRC laws allow an arbitral body to award the transfer of assets of or equity interest in our PRC Consolidated Affiliated Entities in favor of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts of judicial authorities in the PRC generally would not grant injunctive relief or the winding-up order against our PRC Consolidated Affiliated Entities as interim remedies to preserve the assets or equity interests in favor of any aggrieved party. Our PRC Legal Advisors are also of the view that, in case 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 still not be recognized or enforced by PRC courts. As a result, in the event that our PRC Consolidated Affiliated Entities or any of the Registered Shareholders breaches any of the Structured Contracts, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our PRC Consolidated Affiliated Entities and conduct our education business could be materially and adversely affected. Please see “Structured Contracts — Dispute Resolution” in this prospectus for further details of the enforceability of the dispute resolution provisions in the Structured Contracts as opined by our PRC Legal Advisors.

### **We rely on dividend and other payments from WFOE to pay dividends and other cash distributions to our Shareholders.**

Our Company is a holding company and our ability to pay dividends and other cash distributions to our Shareholders, service any debt we may incur and meet our other cash requirements depends significantly on our ability to receive dividends and other distributions from WFOE. WFOE’s income in turn depends on the service fees paid by our PRC Consolidated Affiliated Entities. The amount of dividends paid to our Company by WFOE depends solely on the services fees paid to WFOE from our PRC Consolidated Affiliated Entities. However, there are restrictions under PRC laws for the payment of dividends to us by WFOE. For example, under PRC laws and regulations, WFOE shall make up its losses of previous years when conducting outward remittance. WFOE is required to set aside at least 10% of its after-tax profits based on PRC accounting standards each year to fund a statutory reserve until the accumulated amount of such reserve has exceeded 50% of its registered capital and may only be distribute after-tax dividends after deduction of statutory reserve and other expenses as required by the regulations. These reserves are not distributable as cash dividends.

The Law for Promoting Private Education has been amended by the 2016 Decision, namely the *Decision of the Standing Committee of the National People’s Congress on Amending the Law for Promoting Private Education of the PRC* (《全國人民代表大會常務委員會關於修改〈中華人民共和國民辦教育促進法〉的決定》) on November 7, 2016, which came into effect on September 1, 2017. Pursuant to the 2016 Decision, school sponsors of private school may choose to establish non-profit or for-profit private schools and will no longer be required to indicate whether they require reasonable returns or not requiring reasonable returns. School sponsors of for-profit private schools are entitled to retain the profits and proceeds from the schools and the operation surplus may be allocated to the school sponsors pursuant to the PRC Company Law (as defined below) and other relevant laws and regulations. School sponsors of non-profit private schools are not entitled to any distribution of profits or revenue from the non-profit schools they

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operate and all operation surpluses of the schools shall be used for the operation of the schools. However, the 2016 Decision remains silent on the requirement of the development fund of the non-profit private schools or for-profit private schools. For further details of the 2016 Decision, see the section headed “Regulations — Regulations on Private Education in the PRC — The Decision on Amending the Law for Promoting Private Education of the PRC, or the 2016 Decision” in this document.

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

We currently conduct our operations in China through Structured Contracts. As part of these arrangements, substantially all of our education-related assets, permits and licenses that are important to the operation of our business are held by our PRC Consolidated Affiliated Entities. If any of these PRC Consolidated Affiliated Entities is wound up, and all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of our PRC Consolidated Affiliated Entities undergoes a voluntary or involuntary liquidation proceeding, 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. As a result, 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 CONDUCTING BUSINESS IN CHINA**

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

The economic, political and social conditions in the PRC differ from those in more developed countries in many respects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position. Before the adoption of its reform and opening up policies in 1978, the PRC was primarily a planned economy. In recent years, the PRC government has been reforming the PRC economic system and government structure. For example, the PRC government has implemented economic reform and measures emphasizing the utilization of market forces in the development of the PRC economy in the past three decades. These reforms have resulted in significant economic growth and social prospects. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. We cannot predict whether the resulting changes will have any adverse effect on our current or future business, financial condition or results of operations. The PRC government continues to play a significant role in regulating industrial development, allocation of natural and other resources, production, pricing and management of currency, and there can be no assurance that the PRC government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market friendly.

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

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

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

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

**The discontinuation of any preferential tax treatments currently available to us, in particular the tax exempt status of certain 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. During the Track Record Period, our six existing not-for-profit private schools located in Hebei, Jiangxi and Jiangsu provinces have received EIT exemption confirmations from relevant local tax authorities, which have confirmed that income from provision of academic qualification education services are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns. Our PRC Tax Consultant has also confirmed the EIT exemption status of the six existing not-for-profit private schools. For the years ended December 31, 2016, 2017 and 2018, the amount of tax benefits enjoyed by our Group from the tax exemption treatment was approximately RMB6.5 million, RMB19.5 million and RMB26.8 million, respectively. However, there is a possibility that the PRC government may promulgate relevant tax regulations that will eliminate such preferential tax treatment, or the local tax bureaus may change their policy, in each such case, our six Schools will be subject to PRC enterprise income tax going forward. Pursuant to the 2016 Decision which took effect on September 1, 2017, private schools will be entitled to preferential tax treatments of which the specific provisions shall be formulated jointly by the administration department for finance, taxation and other relevant administration departments of the State Council. As of December 31, 2018, apart from 47 Schools out of our 144 Schools in the PRC which have been established as for-profit private schools in the first place, school sponsors of 21 Schools out of our 144 Schools in the PRC have elected to register as for-profit private schools. As of the Latest Practicable Date, these 21 Schools have finished the registrations as for-profit private schools. We incline to apply the for-profit business model to all of our Schools in the PRC and our planned schools in future expansion, but our selection is still subject to the relevant policies and regulations promulgated by the

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PRC government authorities. The specific taxation policies applicable to for-profit private schools under the 2016 Decision are yet to be introduced. There is no guarantee that the preferential tax treatment that currently applies to our Schools will not change in the future. In addition, during the Track Record Period, as advised by our PRC Tax Consultant, some of our subsidiaries were eligible to enjoy the 15% preferential tax rate as they are located in the western region of China pursuant to the “Western Region Development Plan” (“西部大開發計劃”) promulgated by the State Council of the PRC, or because they were recognized as high and new technology enterprises by relevant authorities. The preferential tax treatment that certain of our subsidiaries located in the western region of China entitled to will expire on December 31, 2020 and the continuation of such tax preferential treatment is subject to new policies issued by relevant government authorities in China. Besides, the recognition of high and new technology enterprises that certain of our subsidiaries entitled to will expire in or before 2020, which is renewable subject to the approval by the relevant government authorities. For the years ended December 31, 2016, 2017 and 2018, the amount of tax benefits enjoyed by our Group pursuant to the “Western Region Development Plan” (“西部大開發計劃”) and recognitions of high and new technology enterprises was approximately RMB37.9 million, RMB40.2 million and RMB28.6 million, respectively. Moreover, pursuant to the *Notice of the Ministry of Finance and the State Administration of Taxation on Full Launch of the Pilot Programme of Replacing Business Tax with Value-Added Tax* (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), which came into effect on May 1, 2016, formal education services are exempt from the value-added tax. As a result, certain of our Schools which provide such services are exempt from the value-added tax. However, the discontinuation of any preferential tax treatment currently available to us or the determination of any of the relevant tax authorities that 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.

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

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

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

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

**PRC governmental control on the convertibility of Renminbi may affect the value of your investment.**

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. The majority of our income is received in Renminbi and shortages in the availability of foreign currencies may restrict our ability to pay dividends or other payments, or otherwise satisfy our foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE, by complying with certain procedural requirements. Approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, impose restrictions on access to foreign currencies for current account transactions and if this occurs in the future, we may not be able to pay dividends in foreign currencies to our Shareholders.

**We face foreign exchange risk, and fluctuations in exchange rates could have an adverse effect on our business and investors' investments.**

The value of the Renminbi has been under pressure of appreciation in recent years. Due to international pressure on the PRC to allow more flexible exchange rates for the Renminbi, the economic situation and financial market developments in the PRC and abroad and the balance of payments situation in the PRC, the PRC government has decided to proceed further with reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility.

Any appreciation or depreciation in the value of the Renminbi or other foreign currencies that our operations are exposed to will affect our business in different ways. In addition, changes in foreign exchange rates may have an impact on the value of, and any dividends payable on, the Shares in Hong Kong dollars. Our revenue and costs are mostly denominated in Renminbi, and a significant portion of our financial assets are also denominated in Renminbi. We rely entirely on dividends and other fees paid to us by our PRC subsidiary and PRC Consolidated Affiliated Entities. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect the value of, and any dividends payable on, our Shares in Hong Kong dollars. In such events, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

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## RISK FACTORS

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

The economy of China has been experiencing significant growth, leading to inflation and increased labor costs. According to the National Bureau of Statistics of China, the year-over-year percent change in the consumer price index in China was 3.7% in 2018. 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 or customers by increasing tuition and service fees.

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

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

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

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## RISK FACTORS

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

Most of our assets are situated in the PRC and most of our Directors and managements reside in, and most of their respective assets are located in the PRC. As a result, it may be difficult to effect service of process outside the PRC upon most of our Directors and managements. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom and many other countries or jurisdictions. Consequently, it may be difficult for you to enforce any judgments rendered by non-PRC courts against us or our Directors or managements in the PRC.

On July 14, 2006, the *Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned* (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “2006 Arrangement”) was signed between the Supreme People’s Court of the PRC and the government of Hong Kong, which was revised on July 3, 2008. Pursuant to the 2006 Arrangement, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

On January 18, 2019, the *Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region* (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “2019 Arrangement”) was signed between the Supreme People’s Court of the PRC and the government of Hong Kong. The 2019 Arrangement establishes a bilateral legal mechanism with greater clarity and certainty for reciprocal recognition and enforcement of judgments between Hong Kong and the PRC in civil and commercial matters under both Hong Kong and PRC law. The 2019 Arrangement sets forth, among others, the scope, specific types of matters to be covered or excluded, jurisdictional grounds for the purpose of recognition and enforcement as well as grounds for refusal of recognition and enforcement. The 2019 Arrangement will only take effect on a date to be announced by Hong Kong and the PRC, after both places have completed the necessary procedures to enable implementation and will apply to judgments made by the courts of Hong Kong and the PRC on or after the commencement date of the 2019 Arrangement. Upon effective date of the 2019 Arrangement, the 2006 Arrangement will be superseded. However, the 2006 Arrangement will remain applicable to a “choice of court agreement in writing” within the meaning of 2006 Arrangement which is made before the effective date of 2019 Arrangement.



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Although the 2019 Arrangement has been signed, it remains unclear as to its effective date and uncertain as to the outcome and effectiveness of any action brought under the 2019 Arrangement.

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

We are a holding company incorporated under the laws of Cayman Islands and indirectly hold interests in our PRC operating subsidiary. Pursuant to the EIT Law and the *Implementation Rules of the EIT Law* (《中華人民共和國企業所得稅法實施條例》), which became effective on January 1, 2008, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed as PRC resident enterprises are subject to a 10% withholding tax, unless otherwise reduced or exempted by relevant tax treaties or similar arrangements.

The EIT Law provides that if an enterprise incorporated outside the PRC has “de facto management bodies” in the PRC, such enterprise may be deemed as a “PRC resident enterprise” for tax purposes and will be subject to an enterprise income tax at the rate of 25% on its global incomes. “De facto management body” is defined as the body that substantially carry out comprehensive management and control of the business operation, personnel, accounts and assets of enterprises. In April 2009, the SAT released the *Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies* (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) to clarify certain criteria for the determination of the “de facto management body” for foreign enterprises controlled by PRC enterprises. Aforementioned criteria include: (i) the enterprise’s day-to-day operational management is primarily exercised in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or subject to approval by institutions or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders’ meeting minutes are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. There have been no official implementation rules regarding the determination of the “de facto management body” for foreign enterprise which is not controlled by PRC enterprises. Therefore, it remains unclear how the tax authorities will deal with a case like ours. We cannot assure you that we will not be considered as a PRC resident enterprise for PRC enterprise income tax purposes and may be subject to the 25% enterprise income tax on our global income. Although the EIT Law provides that dividends paid between qualified PRC resident enterprises are exempted from enterprise income tax, it remains unclear as to the detailed qualification requirements for this exemption and whether dividends paid by our PRC incorporated subsidiaries to us will meet such qualification requirements even if we are considered a PRC resident enterprise for PRC tax purposes.

**Dividends payable by us to our foreign investors and gains on sale of our Shares may be subject to withholding tax under the PRC tax laws.**

Under the EIT Law and its implementation rules, we might be deemed as a PRC resident enterprise by the PRC tax authorities for tax purposes. As a result, dividends payable by us and gains obtained from sales of our Shares will be subject to PRC withholding tax since such income may be regarded as the PRC-sourced income. Under the circumstances, aforementioned dividends and gains obtained by our foreign

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corporate Shareholders, who are not deemed as PRC resident enterprises, may be subject to a 10% withholding income tax under the EIT Law, unless any such foreign corporate Shareholder is qualified for a preferential tax rate under relevant tax treaties. If the PRC tax authorities deem us to be a PRC resident enterprise, Shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties need to apply to the PRC tax authorities to be recognized as eligible for such benefits in accordance with the *Announcement of the SAT on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers* (《非居民納稅人享受稅收協定待遇管理辦法》) (the “Circular 60”), which was issued on August 27, 2015 and amended on June 15, 2018. According to the Circular 60, the preferential tax rate does not automatically apply. With respect to dividends, the “beneficial owner” tests under the *Circular on Interpretation and Determination of Beneficial Owner under Tax Treaties* (《關於如何理解和認定稅收協議中“受益所有人”的通知》) (the “Circular 601”) will also apply. If determined to be ineligible for the abovementioned tax treaty benefits, gains obtained from sales of our Shares and dividends on our Shares paid to such Shareholders would subject to higher PRC tax rates. In such cases, the value of such Foreign Shareholders’ investment in our Shares sold in the Global Offering may be materially and adversely affected.

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

On February 3, 2015, the SAT promulgated the *Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises* (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the “Circular 7”), which provides comprehensive guidelines relating to, and heightened the PRC tax authorities’ scrutiny on indirect transfers, by a non-resident enterprise, of assets (including equity interests) of a PRC resident enterprise.

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

**PRC regulations relating to the establishment of offshore Special Purpose Vehicles by PRC residents may subject our PRC resident Shareholders to personal liability, limit our PRC subsidiaries’ ability to distribute profits to us, or otherwise adversely affect our financial position.**

SAFE has promulgated the *Circular of SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles* (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “Circular 37”) on July 4, 2014 to replace the *Circular of SAFE on Relevant Issues Concerning Foreign Exchange Administration for Financing and Return Investments by Domestic Residents through Special-Purpose Overseas Companies* (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the “Circular 75”). According to the Circular 37, PRC residents (including PRC citizens and PRC enterprises) shall apply to SAFE or its local bureau to register foreign exchange for overseas investments before

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contributing to Special Purpose Vehicles (the “SPVs”) with legitimate domestic and overseas assets or rights and interests. In the event of any alteration in the basic information of the registered SPVs, such as the change of a PRC citizen shareholder, name and operating duration; or in the event of any alternation in key information, such as increases or decreases in the share capital held by PRC citizens, or equity transfers, swaps, consolidations, or splits, the registered PRC residents shall timely submit a change in the registration of the foreign exchange for overseas investments with the foreign exchange bureaus.

Pursuant to the SAFE Circular 13, promulgated by the SAFE and become effective on June 3, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks.

To the best of our knowledge, as of the Latest Practicable Date, our Shareholders, who are PRC nationals, Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing, were required to make the foreign exchange registration under the SAFE Circular 37 and SAFE Circular 13 and completed such registration with relevant banks. However, we may not at all times be fully aware or informed of the identities of all our beneficiaries who are PRC nationals, and may not always be able to compel our beneficiaries to comply with the requirements of the SAFE Circular 37. As a result, we cannot assure you that all of our Shareholders or beneficiaries who are PRC nationals will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by the SAFE Circular 37 or other related regulations. Under the relevant rules, failure to comply with the registration procedures set forth in the SAFE Circular 37 may result in restrictions on the foreign exchange activities of the relevant PRC enterprise and may also subject the relevant PRC resident to penalties under the PRC foreign exchange administration regulations.

### **RISKS RELATING TO THE GLOBAL OFFERING**

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

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

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### **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 education industries 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.

### **Substantial future sales or the expectation of substantial sales of our Shares in the public market could cause the price of our Shares to decline.**

Sales of substantial amounts of Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares. There will be 2,179,000,000 Shares outstanding immediately following the Global Offering, assuming no exercise of the Over-allotment Option or any options that may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme. Our Controlling Shareholders, Mr. Wu Wei, Wu Wei Education, Mr. Xiao Guoqing and Xiao Guoqing Education agreed that any Shares held by them will be subject to a lock-up after the Listing. See "Underwriting — Underwriting Arrangements and Expenses" in this prospectus for further details. Lu Lu Education and Ms. Lu Lu have agreed that any Shares held by Lu Lu Education will be subject to a lock-up period. See "History and Corporate Structure — Corporate Reorganization" in this prospectus for further details. However, the Underwriters may release these securities from these restrictions and such Shares will be freely tradable after the expiry

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of the lock-up period. Shares which are not subject to a lock-up arrangement represent approximately 20% of the total issued share capital immediately following the Global Offering (assuming no exercise of the Over-allotment Option or any options that may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme) and will be freely tradable immediately following the Global Offering.

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

Immediately after the completion of the Global Offering and the Capitalization Issue (without taking into account 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 Pre-IPO Share Option Scheme and the Share Option Scheme), our Controlling Shareholders will own approximately 34.132% 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 six 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 in a number of ways, including the expansion of our school network and upgrade our school facilities. See “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus for details. 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.

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

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

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

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

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

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

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

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

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

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

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPANIES (WUMP) ORDINANCE

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

### MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since our principal business operations are primarily located in the PRC and will continue to be based in the PRC, our executive Directors 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. Wu Wei (吳偉), our chairman of the Board and an executive Director, and Mr. Mao Chaosheng (毛超聖), a joint company secretary, respectively. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by home, office, mobile and other telephone numbers, email address and correspondence address (if the authorized representative is not based at the registered office), facsimile numbers, if available, and any other contact details prescribed by the Stock Exchange from time to time. Each of the authorized representatives has been duly authorized to communicate on our behalf with the Stock Exchange. Mr. Wu Wei and Mr. Mao Chaosheng confirmed that he possesses valid travel documents to Hong Kong, and they will be able to meet with the Stock Exchange within a reasonable period of time, when required;
- (b) our authorized representatives have means of contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication between the Stock Exchange, the authorized representatives and our Directors, (a) each Director has provided his/her office phone number, mobile phone number, residential phone number, office facsimile number and email address to the authorized representatives; (b) each Director will provide valid phone numbers or means of communication to the authorized representatives when he/she travels; and (c) each Director will provide his/her mobile phone numbers, office phone numbers, email addresses and office fax numbers to the Stock Exchange;
- (c) our Company has, in accordance with Rule 3A.19 of the Listing Rules, also appointed Haitong International Capital Limited as its compliance adviser, who will act as an additional channel of communication with the Stock Exchange. The compliance adviser will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the Listing Date at least until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the Listing Date; and



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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPANIES (WUMP) ORDINANCE

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- (d) each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange in Hong Kong within a reasonable period.

### JOINT COMPANY SECRETARIES

In accordance with Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary, by virtue of his/her academic or professional qualifications or relevant experience, who is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The academic or professional qualifications that are acceptable to the Stock Exchange are as follows:

- (i) a member of The Hong Kong Institute of Chartered Secretaries;
- (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance, Chapter 159 of the Laws of Hong Kong); or
- (iii) a certified public accountant (as defined in the Professional Accountants Ordinance, Chapter 50 of the Laws of Hong Kong).

We have appointed Mr. Mao Chaosheng as one of our joint company secretaries. Mr. Mao Chaosheng joined our Group in August 2004 and has been involved in or responsible for the management of administrative matters and human resources relating to school operation of our Group since he joined our Group. Mr. Mao Chaosheng has a thorough understanding of the business operation, internal administration and corporate culture of our Group. However, Mr. Mao Chaosheng does not satisfy the appointment qualifications strictly set out under Rule 3.28 of the Listing Rules. Therefore, we have appointed Ms. Leung Suet Wing, who satisfies the qualifications under Rule 3.28 and Rule 8.17 of the Listing Rules, to be the other joint company secretary. Ms. Leung Suet Wing will provide assistance to Mr. Mao Chaosheng for an initial period of three years from the Listing Date to fully satisfy the requirements set out under Rules 3.28 and 8.17 of the Listing Rules.

Ms. Leung Suet Wing will work closely with Mr. Mao Chaosheng in the discharge of their duties and responsibilities as our joint company secretaries and will provide assistance to Mr. Mao Chaosheng to acquire the relevant experience set out under Rule 3.28 of the Listing Rules. In addition, Mr. Mao Chaosheng will participate relevant trainings to improve and promote his knowledge and understanding of the Listing Rules as well as other applicable laws and regulations.

We have submitted our application to the Stock Exchange, and the Stock Exchange has granted a waiver from strict compliance with Rule 3.28 and Rule 8.17 of the Listing Rules, for an initial period of three years from the Listing Date, subject to the condition that our Company engages Ms. Leung Suet Wing, who meets the requirements under Rule 3.28 and Rule 8.17, as a joint company secretary and to assist Mr. Mao Chaosheng in discharging his functions as a joint company secretary and in gaining the relevant

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## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPANIES (WUMP) ORDINANCE**

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experience as required under Rule 3.28 of the Listing Rules. The waiver will be revoked immediately when Ms. Leung Suet Wing, during the three-year period, ceases to provide assistance to Mr. Mao Chaosheng. Prior to the end of the three-year period, we shall liaise with the Stock Exchange and the Stock Exchange will re-visit the situation in the expectation that our Company should then be able to demonstrate to the Stock Exchange's satisfaction that Mr. Mao, having had the benefit of Ms. Leung's assistance for three years, would then have acquired the relevant experience under Rule 3.28 of the Listing Rules, so that a further waiver would not be necessary.

### **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 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 IN RELATION TO THE PRE-IPO SHARE OPTION SCHEME**

The Listing Rules and the Companies (WUMP) Ordinance prescribes certain disclosure requirements in relation to the share options granted by our Company (the "Share Options Disclosure Requirements"):

- (a) Rule 17.02(1)(b) of the Listing Rules requires our Company to disclose in this prospectus full details of all outstanding options and their potential dilution effect on the shareholdings upon Listing as well as the impact on the earnings per share arising from the exercise of such outstanding options.
- (b) Paragraph 27 of Appendix 1A to the Listing Rules requires our Company to set out in this prospectus particulars of any capital of any member of our Group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee.
- (c) Section 342(1) of the Companies (WUMP) Ordinance requires all prospectuses to be issued, circulated or distributed in Hong Kong to include, among other information, the matters specified in Part I of the Third Schedule to the Companies (WUMP) Ordinance. Paragraph 10 of Part I of the Third Schedule to the Companies (WUMP) Ordinance requires our Company to set out in this prospectus, among other things, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with the certain particulars of the option, namely the period during which it is exercisable, the price to be paid for shares and debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPANIES (WUMP) ORDINANCE

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Guidance Letter HKEX-GL11-09 issued by the Stock Exchange provides that the Stock Exchange would normally grant waivers from disclosing the names and addresses of certain grantees if the issuer could demonstrate that such disclosures would be irrelevant and unduly burdensome, subject to certain conditions specified therein.

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

On December 7, 2018, our Company has granted options under the Pre-IPO Share Option Scheme to 178 grantees, including one Director, to subscribe for an aggregate of 135,244,720 Shares. Save as Mr. Lu Zhen, no grantee under the Pre-IPO Share Option Scheme is a member of senior management or connected persons of our Company. As of the Latest Practicable Date, no Shares have been issued and our Company expects to issue such Shares on a later date to be determined upon Listing. The Shares underlying the options to be granted represent 6.206% of the total number of Shares in issue immediately after completion of the Global Offering (assuming no exercise of the Over-allotment Option or any options that may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme). For further details of our Pre-IPO Share Option Scheme, see the section headed “Statutory and General Information — F. Pre-IPO Share Option Scheme and Share Option Scheme — 1. Pre-IPO Share Option Scheme” in Appendix V to this prospectus.

Our Company has applied to the Stock Exchange and the SFC, respectively, for (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules; and (ii) a certificate of exemption under section 342A of the Companies (WUMP) Ordinance exempting our Company from strict compliance with the disclosure requirements under Section 342(1) of and paragraph 10(d) of Part I of the Third Schedule to the Companies (WUMP) Ordinance in relation to the options granted under the Pre-IPO Share Option Scheme, on the ground that strict compliance with the Share Options Disclosure Requirements would be unduly burdensome for our Company for the following reasons:

- (a) given that 178 grantees are involved, strict compliance with such disclosure requirements in setting out full details of all the grantees under the Pre-IPO Share Option Scheme in the prospectus would be costly and unduly burdensome for the Company in light of a significant increase in cost and timing for information compilation, prospectus preparation and printing a substantial number of pages of additional disclosure;
- (b) the grantees under the Pre-IPO Share Option Scheme consist of one Director, and the other 177 grantees who are current or former employees of our Company and are not senior management or connected persons of our Company;

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPANIES (WUMP) ORDINANCE

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- (c) non-compliance with the Share Options Disclosure Requirements would not prevent our Company from providing its potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and
- (d) material information relating to the options under the Pre-IPO Share Option Scheme will be disclosed in this prospectus, including the total number of Shares subject to the Pre-IPO Share Option Scheme, the exercise price per Share, the potential dilution effect on the shareholding and impact on earnings per Share upon full exercise of the options granted under the Pre-IPO Share Option Scheme. Our Directors consider that the information that is reasonably necessary for the potential investors to make an informed assessment of our Company in their investment decision making process has been included in this prospectus.

In light of the above, our Directors are of the view that the grant of the waiver and exemption sought under this application will not prejudice the interests of the investing public.

The Stock Exchange has granted to our Company a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Part A of Appendix 1 to the Listing Rules with respect to the options granted under the Pre-IPO Share Option Scheme on the condition that:

- (i) the following information and particulars shall be disclosed in this prospectus:
  - (a) on an individual basis, full details of the options granted by our Company to the Director and 34 individuals each of who holds share options representing rights to subscribe for more than 1,000,000 Shares (together the “Disclosed Option Grantees”), including all the particulars required under the paragraph 27 of Appendix 1A to the Listing Rules;
  - (b) in respect of the options granted by our Company under the Pre-IPO Share Option Scheme to 143 current and former employees of our Group (“Other Grantees”), the following details be fully disclosed: (1) the aggregate number of the Other Grantees; (2) the aggregate number of Shares underlying the options; (3) the consideration paid for the grant of options or an appropriate negative statement; (4) the exercise period of the options; and (5) exercise price of the options;
  - (c) the aggregate number of Shares subject to the outstanding options and the percentage to our Company’s issued share capital of which such number represents and the dilutive effect and impact on earnings per Share upon the full exercise of the options under the Pre-IPO Share Option Scheme; and

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPANIES (WUMP) ORDINANCE

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- (ii) a full list of all the grantees with all the particulars as required under the Share Options Disclosure Requirements are available for public inspection.

The SFC has agreed to grant to our Company the certificate of exemption under section 342A of the Companies (WUMP) Ordinance from strict compliance with the disclosure requirements under Section 342(1) of and paragraph 10(d) of Part I of the Third Schedule to the Companies (WUMP) Ordinance with respect to the options granted under the Pre-IPO Share Option Scheme on the condition that:

- (a) full details of the options granted by our Company under the Pre-IPO Share Option Scheme to each of the Directors, senior management, connected persons of our Company, and other grantees who have been granted options to subscribe for 1,000,000 Shares of our Company or more are disclosed in this prospectus, such details to include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (WUMP) Ordinance;
- (b) in respect of the options granted by our Company under the Pre-IPO Share Option Scheme to grantees other than those set out in (a) above, the following details are disclosed in this prospectus: (1) the aggregate number of grantees and number of Shares subject to the options; (2) the consideration paid for the grant of the options; and (3) the exercise period and exercise price for the options;
- (c) a full list of all the grantees (including those persons referred to in point (a) above) who have been granted the options under the Pre-IPO Share Option Scheme, containing all the particulars as required under paragraph 10 of Part I of the Third Schedule to the Companies (WUMP) Ordinance, will be made available for public inspection as set forth in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Available for Inspection” in Appendix VI to this prospectus;
- (d) the particulars of the exemption will be disclosed in this prospectus; and
- (e) this prospectus is issued on or before May 30, 2019.

Further details of the Pre-IPO Share Option Scheme are set forth in the section headed “Statutory and General Information — F. Pre-IPO Share Option Scheme and Share Option Scheme — 1. Pre-IPO Share Option Scheme” in Appendix V to this prospectus.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPANIES (WUMP) ORDINANCE

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### WAIVER IN RELATION TO PUBLIC FLOAT

Rules 8.08(1)(a) and (b) of the Listing Rules require that there must be an open market in the securities for which listing is sought and that a sufficient public float of an issuer's listed securities shall be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has more than one class of securities apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital.

However, under Rule 8.08(1)(d) of the Listing Rules, subject to certain criteria, the Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% in cases where:

- (i) the issuer will have an expected market capitalization at the time of listing of over HK\$10 billion;
- (ii) the number of securities concerned and the extent of their distribution would enable the market to operate properly with a lower percentage;
- (iii) the issuer will make appropriate disclosure of the lower prescribed percentage of public float in the initial listing document;
- (iv) the issuer will confirm the sufficiency of the public float in successive annual reports after listing; and
- (v) a sufficient portion (to be agreed in advance with the Stock Exchange) of any securities intended to be marketed contemporaneously within and outside Hong Kong must normally be offered in Hong Kong.

We expect to achieve a minimum market capitalization of at least HK\$10 billion upon listing and we have applied to the Stock Exchange to request the Stock Exchange to exercise, and the Stock Exchange has confirmed that it will exercise, its discretion under Rule 8.08(1)(d) of the Listing Rules to allow our Company to maintain a lower public float percentage subject to:

- (i) the minimum public float for the Shares should be higher of (a) 20.0024%, or (b) such a percentage of Shares held by the public immediately after completion of the Global Offering, as increased by the Shares to be issued upon the exercise of the Over-allotment Option (i.e. up to 22.3324%);
- (ii) our Company's market capitalisation at the time of the listing is over HK\$10 billion;
- (iii) our Company will make appropriate disclosure of the lower prescribed percentage of public float in this prospectus together with a confirmation of sufficiency of public float in our successive annual reports after listing;
- (iv) there will be an open market in the Shares, and the number of Shares and the extent of their distribution would enable the market to operate properly; and
- (v) our Company will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float.

We expect that we will be able to demonstrate satisfactory compliance with Rules 8.08(2) and 8.08(3) of the Listing Rules at the time of the listing. We will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, contains particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirmed 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 in this prospectus or this prospectus misleading.

### **INFORMATION ON THE GLOBAL OFFERING**

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

The Hong Kong 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 in this prospectus and the Application Forms. 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 in this prospectus must not be relied upon as having been authorized by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, agents, employees, advisers or representatives or any other parties involved in the Global Offering.

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 the 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 acquisition made under it shall, under any circumstances, constitute or create any implication that there has been no change or development in our affairs since the date of this prospectus or that the information in it is correct as of any subsequent time.

### **RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES**

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

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. 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 offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption from those authorities.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

We have applied to the Listing Committee of the Stock Exchange for the approval for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued under the exercise of the Over-allotment Option), the Capitalization Issue and any Shares to be issued upon the exercise of the option granted under the Pre-IPO Share Option Scheme and any option which may be granted under the Share Option Scheme. None of our Shares or loan capital of our Company are listed on or dealt in on any other stock exchanges. At present, our Company is not seeking or proposing to seek such listing or permission to deal in our Shares on any other stock exchanges.

### **OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

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

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second trading day after a trading transaction. You should seek advice from your stockbroker or other professional advisers for details of such settlement arrangements as such arrangements will affect your rights and interests.

We have made all necessary arrangements for our Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **DEALING ARRANGEMENTS**

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, June 12, 2019, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, June 12, 2019.

The Shares will be traded in board lots of 500 Shares each.

The stock code of our Shares will be 667.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Professional investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in, our Shares (or exercising rights attaching to them) under the laws of Hong Kong and the place of their operations, domicile, residence, citizenship or incorporation. None of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, us, any of our or their respective directors, officers, agents, employees, advisers or



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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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representatives, or any other parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchasing, holding or disposing of, or dealing in, our shares (or exercise of any rights attaching to them).

### **REGISTER OF MEMBERS AND STAMP DUTY**

Our Company's principal register of members will be maintained by our principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands, and our Company's register of members in Hong Kong will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

Dealings in our Shares registered in the register of members in Hong Kong will be subject to Hong Kong stamp duty.

### **PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES**

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

### **STRUCTURE OF THE GLOBAL OFFERING**

Details of the structure of the Global Offering (including the Hong Kong Public Offering and its conditions) are set out in the section headed "Structure of the Global Offering" in this prospectus.

### **CURRENCY TRANSLATIONS**

Unless otherwise specified, for illustrative purposes only, amounts denominated in Renminbi and U.S. dollars have been, respectively, converted into Hong Kong dollars in this prospectus at the following rates:

$$\begin{aligned} \text{RMB0.8789} &= \text{HK\$1.0} \\ \text{RMB6.9182} &= \text{US\$1.0} \end{aligned}$$

No representation is made that any amounts in one currency can be or could have been at the relevant dates converted at the above rate or any other rates, or at all.

### **LANGUAGE**

English translations of the Chinese names or words which are included in this prospectus are for identification purposes only, and should not be regarded as the official English translation of such Chinese names or words. If there is any inconsistency, the Chinese names or words shall prevail.

### **ROUNDING**

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Any discrepancies in any table, chart or elsewhere between the total shown and the sum of the amounts listed are due to rounding.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Wu Wei (吳偉) . . . . .	Room 16-602 Xinhua Finance Square No. 318 Qianshan Road Shushan District Hefei City Anhui Province PRC	Chinese
Mr. Xiao Guoqing (肖國慶). . .	Room 28-106 Xinhua Xuefu Chuntian No. 318 Qianshan Road Shushan District Hefei City Anhui Province PRC	Chinese
<i>Non-executive Directors</i>		
Mr. Wu Junbao (吳俊保) . . . .	Number 4001 Unit 1, Building 9 Huarun Kaixuanmen Qianshan Road Zhengwu Wenhua New District Hefei City Anhui Province PRC	Chinese
Mr. Lu Zhen (陸真). . . . .	Room 1704, Building 6 Yuanyi Baizhuang No. 88 Chaohu South Street Baohe District Hefei City Anhui Province PRC	Chinese

## **DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
<i>Independent non-executive Directors</i>		
Mr. Hung Ka Hai, Clement (洪嘉禧)	House 25, Casas Domingo 8 Kam Ka Street Kwu Tung Sheung Shui New Territories Hong Kong	Chinese
Mr. Cheung Tsun Yung, Thomas (張俊勇)	10/F, Cherry Court 12 Tai Hang Road Tai Hang Hong Kong	Chinese
Dr. Zhu Guobin (朱國斌)	Flat B, 21/F, Block 15 Ocean Shores Phase 3 88 O King Road Tseung Kwan O New Territories Hong Kong	Chinese

See also “Directors and Senior Management” for more information.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED IN THE GLOBAL OFFERING

**Sole Sponsor** ..... **BNP Paribas Securities (Asia) Limited**  
59/F to 63/F, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

**Joint Global Coordinators** ..... **BNP Paribas Securities (Asia) Limited**  
59/F to 63/F, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

**China International Capital Corporation  
Hong Kong Securities Limited**  
29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

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

**Joint Bookrunners** ..... **BNP Paribas Securities (Asia) Limited**  
59/F to 63/F, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

**China International Capital Corporation  
Hong Kong Securities Limited**  
29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

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

**Guotai Junan Securities (Hong Kong)  
Limited**  
27/F, Low Block, Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**CMB International Capital Limited**

45/F, Champion Tower  
3 Garden Road  
Central  
Hong Kong

**ABCI Capital Limited**

11/F, Agricultural Bank of China Tower  
50 Connaught Road Central  
Hong Kong

**Joint Lead Managers**.....

**BNP Paribas Securities (Asia) Limited**

59/F to 63/F, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

**China International Capital Corporation**

**Hong Kong Securities Limited**

29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**Haitong International Securities Company Limited**

22/F, Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

**Guotai Junan Securities (Hong Kong) Limited**

27/F, Low Block, Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

**CMB International Capital Limited**

45/F, Champion Tower  
3 Garden Road  
Central  
Hong Kong

**ABCI Securities Company Limited**

10/F, Agricultural Bank of China Tower  
50 Connaught Road Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**Legal advisers to our Company . .** *As to Hong Kong and U.S. law:*

**Luk & Partners**  
**In Association with**  
**Morgan, Lewis & Bockius**  
Suites 1902-09, 19/F  
Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

*As to PRC law:*

**Haiwen & Partners**  
20/F, Fortune Financial Center  
5 Dong San Huan Central Road  
Chaoyang District  
Beijing 100020  
PRC

*As to Cayman Islands law:*

**Conyers Dill & Pearman**  
Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

**Legal advisers to the Sole  
Sponsor and the Underwriters . .**

*As to Hong Kong and U.S. law:*

**Sullivan & Cromwell (Hong Kong) LLP**  
28th Floor  
Nine Queen's Road Central  
Hong Kong

*As to PRC law:*

**Junhe LLP**  
26/F, HKRI Centre One  
HKRI Taikoo Hui  
288 Shimen Road (No.1)  
Shanghai  
PRC

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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<b>Auditors and Reporting accountants</b> .....	<b>Deloitte Touche Tohmatsu</b> Certified Public Accountants 35/F One Pacific Place 88 Queensway Hong Kong
<b>Independent industry consultant</b> .	<b>Frost &amp; Sullivan (Beijing) Inc., Shanghai Branch Co.</b> 1014-1018 Tower B 500 Yunjin Road Xuhui District Shanghai, 200232 PRC
<b>Independent property valuer</b> .....	<b>Cushman &amp; Wakefield Limited</b> 16/F, Jardine House 1 Connaught Place Central Hong Kong
<b>PRC Tax Consultant</b> .....	<b>AnHui HuaPu Certified Tax Agents Co., Ltd.</b> Room 2001 20/F, Century Sunshine Tower Ma'anshan South Road Hefei Anhui province PRC
<b>Receiving bank</b> .....	<b>Standard Chartered Bank (Hong Kong) Limited</b> 15/F, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Kowloon Hong Kong
<b>Compliance adviser</b> .....	<b>Haitong International Capital Limited</b> 8/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

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## CORPORATE INFORMATION

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Registered office. . . . .	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarter and principal place of business in PRC . . . . .	No. 1009 Xuelin Road Vocational Education Town Yaohai District Hefei City Anhui Province PRC
Principal place of business in Hong Kong. . . . .	31/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Company's website . . . . .	<b>www.chinaeastedu.com</b> <i>(information contained in this website does not form part of the prospectus)</i>
Joint Company secretaries . . . . .	Mr. Mao Chaosheng (毛超聖) Room 908 Building 2 Xuefu Mingdu No. 268 Wangjiang West Road Shushan District Hefei City Anhui Province PRC  Ms. Leung Suet Wing (梁雪穎) ACIS ACS 31/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorised representatives . . . . .	Mr. Wu Wei (吳偉) Room 16-602 Xinhua Finance Square No. 318 Qianshan Road Shushan District Hefei City Anhui Province PRC  Mr. Mao Chaosheng (毛超聖) Room 908 Building 2 Xuefu Mingdu No. 268 Wangjiang West Road Shushan District Hefei City Anhui Province PRC



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## CORPORATE INFORMATION

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Audit committee . . . . .	Mr. Hung Ka Hai, Clement (洪嘉禧) ( <i>Chairman</i> ) Dr. Zhu Guobin (朱國斌) Mr. Cheung Tsun Yung, Thomas (張俊勇)
Remuneration committee . . . . .	Dr. Zhu Guobin (朱國斌) ( <i>Chairman</i> ) Mr. Xiao Guoqing (肖國慶) Mr. Hung Ka Hai, Clement (洪嘉禧)
Nomination committee . . . . .	Mr. Wu Wei (吳偉) ( <i>Chairman</i> ) Dr. Zhu Guobin (朱國斌) Mr. Hung Ka Hai, Clement (洪嘉禧)
Principal Banks . . . . .	<b>Industrial and Commercial Bank of China Limited</b> Hefei Wangjiang Road Branch Block D, Ludi Yinghai Building No. 660 Ma'anshan South Road Baohe District Hefei Anhui Province PRC  <b>China Construction Bank Corporation</b> Hefei Huangshan West Road Branch 1/F, Huifeng Building No. 665 Huangshan Road Shushan District Hefei Anhui Province PRC
Principal share registrar and transfer office . . . . .	<b>Conyers Trust Company (Cayman) Limited</b> Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Share Registrar . . . . .	<b>Computershare Hong Kong Investor Services Limited</b> Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

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## INDUSTRY OVERVIEW

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*This and other sections of this prospectus contain information relating to and statistics on the PRC economy and the industry in which we operate. The information and statistics contained in this section have been derived partly from publicly available government and official sources. Certain information and statistics set forth in this section have been extracted from a market research report by Frost & Sullivan, an Independent Third Party which we commissioned. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information and statistics have not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, advisors, agents or representatives or any other party involved in the Global Offering and no representation is given as to its accuracy. Accordingly, the official information provided by the government and other third-party sources as contained herein may not be accurate and should not be unduly relied upon.*

### SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research consulting firm which is engaged in the provision of market research consultancy services, to conduct a detailed analysis of the vocational education market in China. Frost & Sullivan is a global consulting company and an Independent Third Party. Founded in 1961, it has 40 offices worldwide with over 2,000 industry consultants, market research analysts and economists. We have agreed to pay a fee of RMB800,000 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 from 2018 to 2022; and (iii) related industry key drivers are likely to drive the market over the forecast period from 2018 to 2022. Total market size projection was obtained from historical data analysis plotted against macroeconomic data as well as related industry drivers by Frost & Sullivan.

Except as otherwise noted, all the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm to the best of their knowledge, and after making reasonable inquiries, that there is no adverse change in the market information since the date of publication of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information set out in this section.

### OVERVIEW OF THE VOCATIONAL EDUCATION INDUSTRY IN CHINA

China's vocational education system can be generally categorised into formal and non-formal vocational education. The non-formal vocational education provides training with the necessary knowledge and skills for employment purpose but does not grant a degree or diploma, while formal vocational education provides students with diploma upon completion.

Non-formal vocational education primarily comprises vocational training education and vocational examination preparation education. Formal vocational education comprises secondary vocational education and higher vocational education. According to the Frost & Sullivan Report, non-formal vocational education targets a wider range of population, spanning over 30 years from age 15 to 45, providing a variety of demand and market opportunity for non-formal vocational education providers. The following diagram

## INDUSTRY OVERVIEW

illustrates the composition of the vocational education system in China. Our core business covers vocational training education, while we also provide a small portion of private secondary vocational education in some of our Schools.

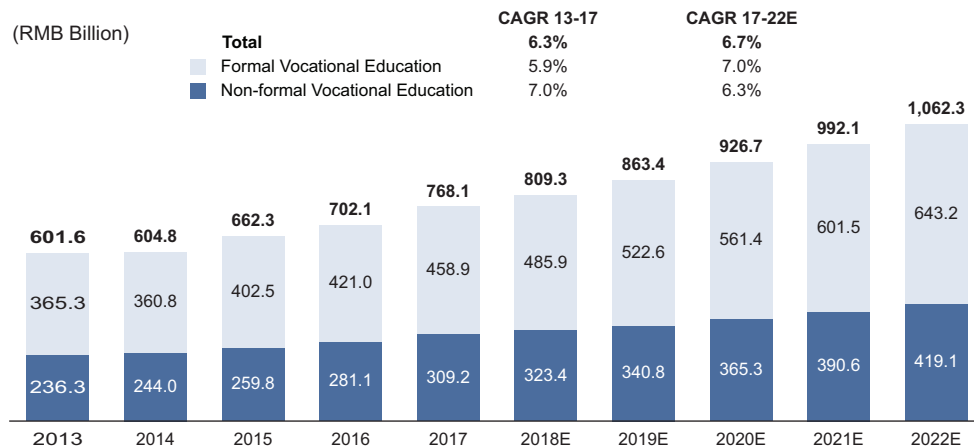
### Vocational Education System in China



Source: Frost & Sullivan, Ministry of Education

According to the MOE and the Frost & Sullivan Report, China's vocational education industry grew steadily from RMB601.6 billion in 2013 to RMB768.1 billion in 2017, representing a 2013-2017 CAGR of 6.3% primarily driven by the growth of student enrollment and increase in tuition, and is expected to reach RMB1,062.3 billion in 2022, representing a 2017-2022E CAGR of 6.7%. The non-formal vocational education market and formal vocational education market accounted for 40.3% and 59.7%, respectively, in 2017.

### Total Revenue of Vocational Education Industry (China), 2013 — 2022E



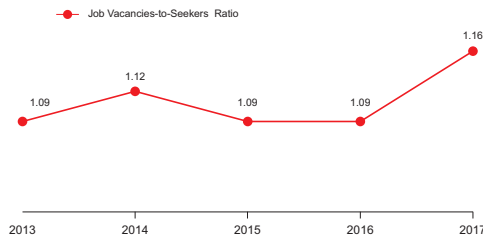
Source: Frost & Sullivan

Despite the steady growth of revenue and student enrollment in the vocational education industry in China in recent years, China's labor market has continued to show a shortage of skilled technical talents. As a result of China's rapid economic growth as well as structural transformation, there has been a sizeable mismatch in the labor market in China and structural problem of lacking technical and skilled talents. According to the MHRSS, the job vacancies-to-seekers ratio showed an upward trend from 1.09 in 2013 to 1.16 in 2017, indicating a clear uptrend in the mismatch of talent supply and demand, and it is expected to further increase to 1.20 in 2022, according to the Frost & Sullivan Report. According to the National Bureau of Statistics of China, the total working-age population decreased from 1,005.6 million in 2013 to 998.1 million in 2017, mainly driven

## INDUSTRY OVERVIEW

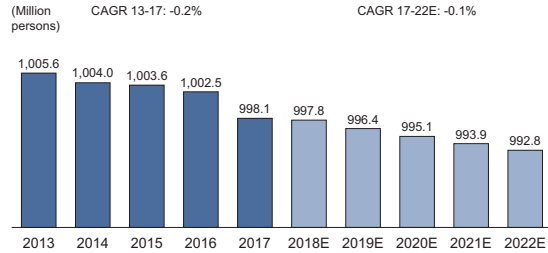
by the increasing aging population in China. According to Frost & Sullivan Report, it is expected to further decrease to 992.8 million in 2022, resulting in less supply in the labor market. In addition, the continuous trend of urbanization and industrial upgrade in China has brought more challenges and higher requirement for the country's workforce. Therefore, we believe the vocational training education has a significant market potential.

**Talent Demand and Supply Analysis<sup>(1)</sup> in China (2013-2017)**



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

**Working-age Population<sup>(2)</sup> in China (2013-2022E)**



Source: National Bureau of Statistics of China, Frost & Sullivan

**Notes :**

1. Talent Demand and Supply Analysis refers to the ratio of job vacancies to job seekers based on 100 cities' job markets in China monitored by the MHRSS
2. The working-age population is defined as the population aged from 15 to 64 years old

The PRC government has promulgated a series of stimulus policies and regulations to promote quality vocational education and technical skill trainings, with the aim to have sufficient quality vocational training that can fulfill the market demand to develop a significant working population equipped with readily applicable technical skills, as well as to address the unmet demand in vocational education to bridge the supply and demand gap between employers and students.

- the 2015 Opinion on Deepening the Promotion of Vocational Education Group Management (《關於深入推進職業教育集團化辦學的意見》) issued by the MOE which states the importance of accelerating the development of modern vocational education, increasing the participation rates of vocation training groups and improving the operating environment of vocational education service providers by implementing policies to further encourage vocational training managed by a group;
- the 2016 Notice on the 13th Five Year Plan for Technical Education (《技工教育“十三五”規劃》) issued by the MHRSS which emphasizes the need to improve the technical training environment through policy support, capital support, project support and marketing support; and
- the 2017 Opinion on Further Promoting the Development of Informatization of Vocational Education (《關於進一步推進職業教育信息化發展的指導意見》) issued by the MOE to promote the allocation of resources to accommodate market needs, encourage social capital to participate in building informatized vocational education and to develop protection mechanisms for intellectual property as well benefit sharing.

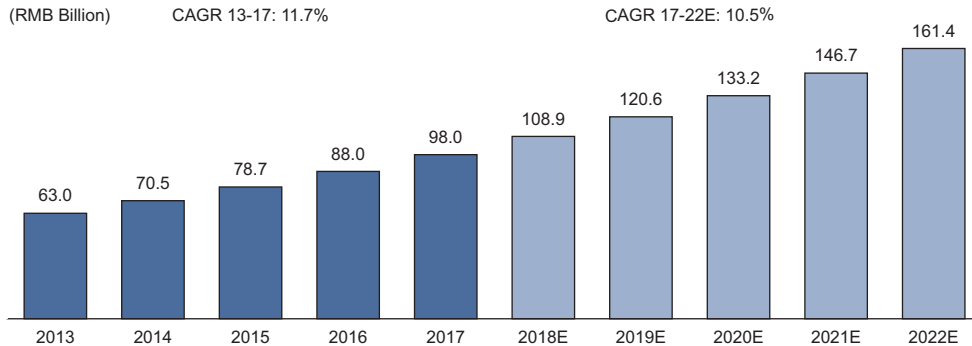
## INDUSTRY OVERVIEW

### THE VOCATIONAL TRAINING EDUCATION INDUSTRY IN CHINA

#### Market Size of Vocational Training Education Industry in China

According to the Frost & Sullivan Report, the total revenue of vocational training education increased from RMB63.0 billion in 2013 to RMB98.0 billion in 2017, representing a 2013-2017 CAGR of 11.7%, and is expected to reach RMB161.4 billion in 2022, representing a 2017-2022E CAGR of 10.5%. According to Frost & Sullivan, substantially all revenue of the vocational training education market is generated from private sector.

#### Total Revenue of Vocational Training Education (China), 2013-2022E



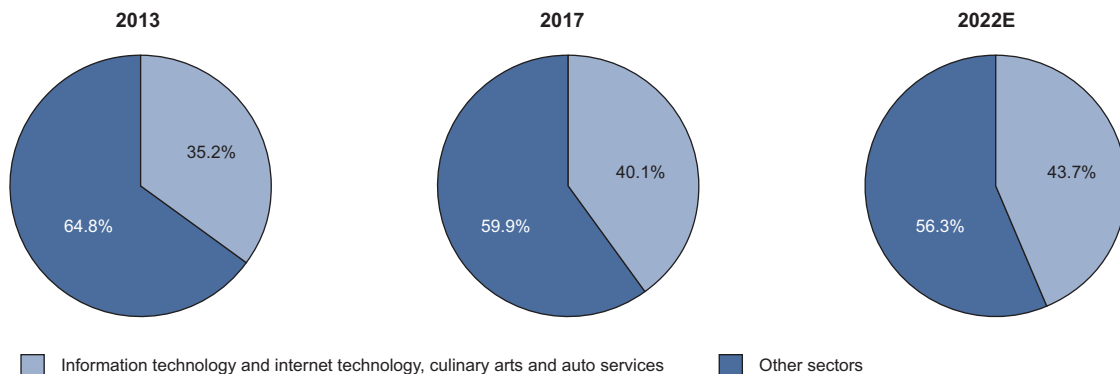
Source: Frost & Sullivan

#### Market Segment of Vocational Training Education in China

According to the Frost & Sullivan Report, the target student group of the vocational training education in China can be categorized into students aged between 15 to 21 and students aged above 22. Students aged between 15 and 21 primarily choose vocational training education to receive pre-employment skill training and usually are willing to enroll in full-time long-term courses with higher tuition rates. Students aged 22 or above primarily seek to enhance vocational skills, pursue higher position, or prepare for job transfer, and usually opt for part-time, short-term or online courses with more flexible schedule and relatively lower tuition rates.

Revenue generated from information technology and internet technology, culinary arts and the auto services sectors increased from RMB22.2 billion in 2013 to RMB39.3 billion in 2017 and is expected to reach RMB70.6 billion in 2022, accounting for 35.2%, 40.1% and 43.7% of the total vocational training education market in China in 2013, 2017 and 2022, respectively, according to the Frost & Sullivan Report. This is mainly driven by the rising demand in the relevant job markets and people's strong willingness to strengthen their skills for employment.

#### Vocational Training Education by Industry in terms of revenue (China), 2013 vs. 2017 vs 2022E



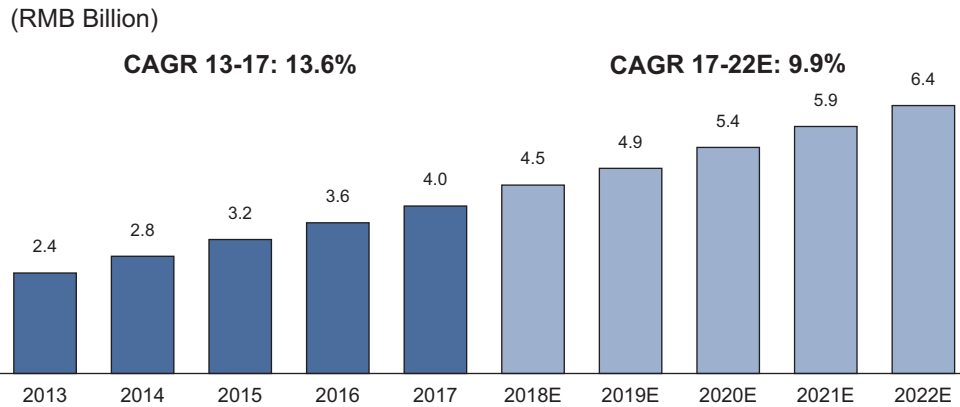
Source: Frost & Sullivan

## INDUSTRY OVERVIEW

### Culinary Vocational Training Education in China

According to the Frost & Sullivan Report, the total revenue of culinary vocational training education market increased from RMB2.4 billion in 2013 to RMB4.0 billion in 2017 and is expected to further increase to RMB6.4 billion in 2022 and substantially all revenue of the culinary vocational training education market is generated from the private sector. The growth is primarily driven by the flourishing catering industry as a result of economic development and consumption upgrade, consumers' increasing awareness on food quality, services and presentation of food which fuels demand for professionally trained chefs, favorable governmental policies to the culinary job market as well as the attractive salary level of professional chefs.

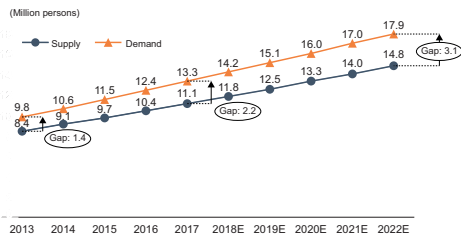
#### Total Revenue of Culinary Vocational Training Education (China), 2013-2022E



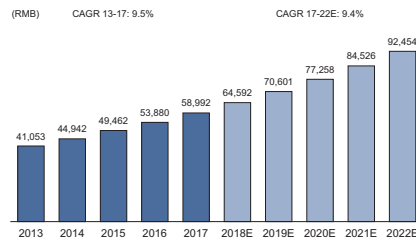
Source: Frost & Sullivan

The table below sets forth the unmet demand of skilled workers including chefs, cooks, choppers, processors, and other workers in the kitchen in the culinary arts industry and expected salary increase, indicating potential opportunities for the culinary vocational training market growth.

#### Supply and Demand Gap for Skilled Workers in Culinary Arts Industry (China), 2013 — 2022E



#### Average Annual Salary of Cooks in Culinary Arts Industry (China), 2013 — 2022E



Source: Frost & Sullivan

#### Vocational training education market for Japanese and Korean cuisine, dessert and western food in China

Currently, most culinary vocational training education providers in China offer courses focusing on Chinese cuisine. However, the Japanese and Korean cuisine market and western cuisine market are expected to achieve higher growth rates than the Chinese cuisine market from 2017 to 2022 due to consumers' preference of more diversified cuisine choices. Given the increasing demand of talent for Japanese and Korean cuisine, and dessert and western food, there will be significant potential for the vocational training education market for Japanese and Korean cuisine and western cuisine.

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## INDUSTRY OVERVIEW

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Japanese and Korean cuisine is one of the major cuisine types of Asian cuisine. According to the Frost & Sullivan Report, the revenue of Asian cuisine market accounted for 4.8% of total catering industry in China in 2017 and is expected to reach 6.2% in 2022, representing a CAGR of 15.7% from 2017 to 2022. The revenue of western cuisine market, including dessert and western food, accounted for 14.7% of total catering industry in China in 2017 and is expected to reach 16.0% in 2022, representing a CAGR of 11.9% from 2017 to 2022.

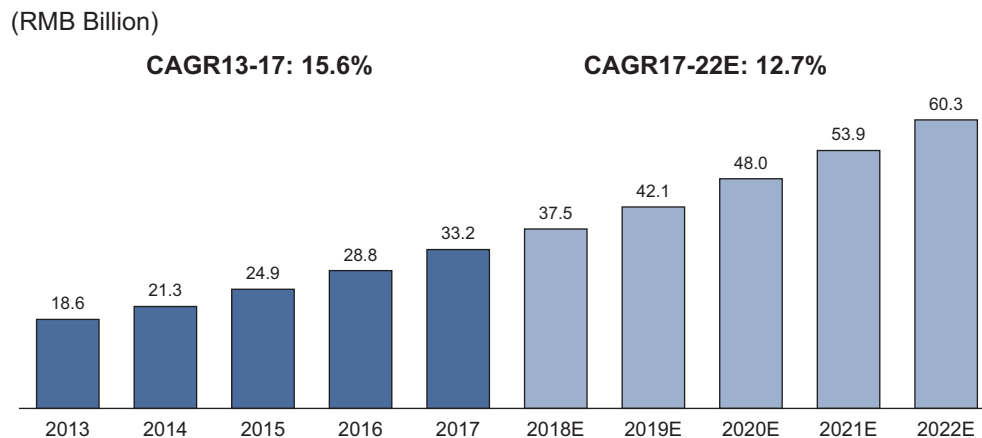
### *Vocational training education market for food nutrition and diet in China*

The vocational training education market for food nutrition and diet is still in the early stage in China. Thanks to the increasing emphasis on health in China and rising demand for professional nutritionists in related downstream industries such as food and beverage enterprises, star-rated hotels, restaurants, nursing homes, fitness clubs, hospitals, schools and kindergartens, food nutrition and diet is considered to have significant potential and is expected to be vigorously cultivated by vocational training education institutions as a major program.

### **Information Technology and Internet Technology Vocational Training Education in China**

According to the Frost & Sullivan Report, the total revenue of information technology and internet technology vocational training education market increased from RMB18.6 billion in 2013 to RMB33.2 billion in 2017, and is expected to reach RMB60.3 billion in 2022 and substantially all revenue of the information technology and internet technology vocational training education market is generated from the private sector. The primary factors that drive the information technology and internet technology vocational training education market include: (i) the proliferation of the internet and new technologies such as cloud computing, big data, blockchain, virtual reality and AI; (ii) the information technology and internet technology industry has increasingly higher job requirements; (iii) many formal education students in the information technology and internet technology majors do not possess the desired applicable skills for employment; and (iv) policy support from the Chinese government, such as “*The Opinions on Integration of Enterprises with Vocational Schools and Universities*” (《關於深化產教融合的若干意見》), promulgated by the State Council, which promotes the development of information technology and internet technology industry.

### **Total Revenue of Information Technology and Internet Technology Vocational Training Education (China), 2013-2022E**

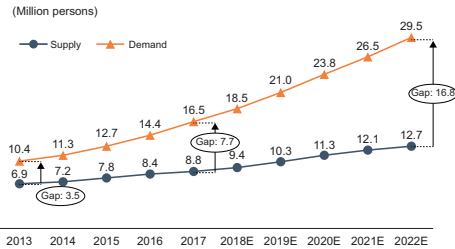


Source: Frost & Sullivan

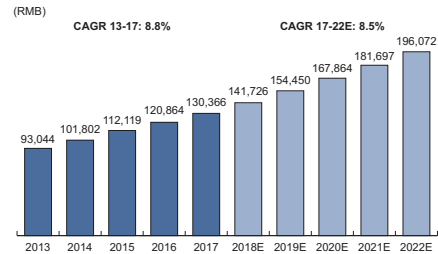
## INDUSTRY OVERVIEW

The table below sets forth the unmet demand of skilled workers in the information technology and internet technology industry and expected salary increase, indicating potential opportunities for the information technology and internet technology vocational training education market growth.

**Supply and Demand for Skilled Workers in Information Technology and Internet Technology Industry (China), 2013-2022E**



**Average Annual Salary of Workers Employed in Information Technology and Internet Technology Industry (China), 2013-2022E**

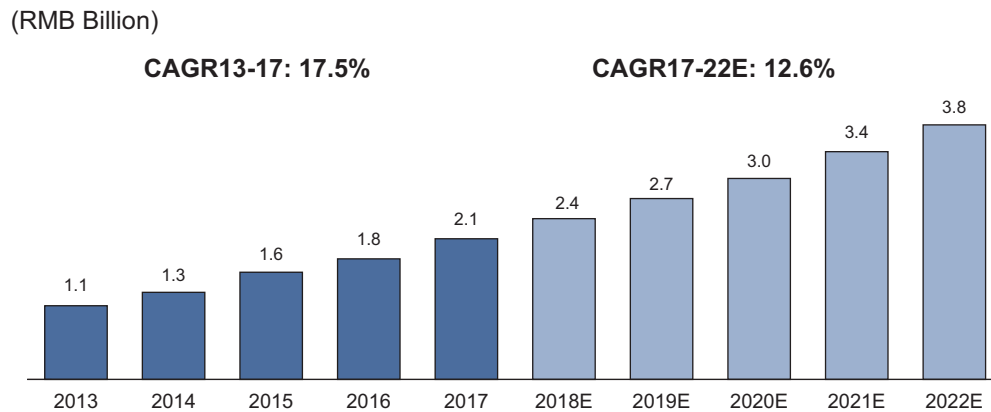


Source: Frost & Sullivan

### Auto Services Vocational Training Education in China

The total revenue of auto services vocational training education market increased from RMB1.1 billion in 2013 to RMB2.1 billion for 2017 and is expected to reach RMB3.8 billion in 2022 and substantially all revenue of auto services vocational training education market is generated from the private sector, according to the Frost & Sullivan Report. The growth is primarily driven by the development of the automobile industry in China, the increasing demand for skilled workers with knowledge and trainings in the latest repair and maintenance technologies and services requirements as well as automobile decoration and modification, the increasing average mileage of automobiles, and rising transaction volume of used car. In addition, the favorable government policies such as “Made in China 2025 (中國製造2025)” issued by the State Council in 2015, and “Development Planning Guidelines for Manufacturing Talents (製造業人才發展規劃指南)” released in 2016 have also ensured the health development of the talents in such areas.

**Total Revenue of Auto Services Vocational Training Education (China), 2013-2022E**



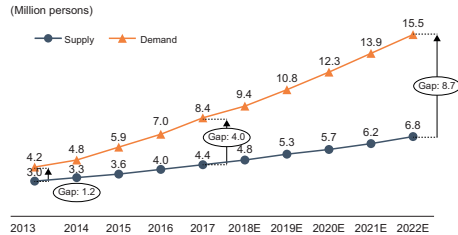
Source: Frost & Sullivan



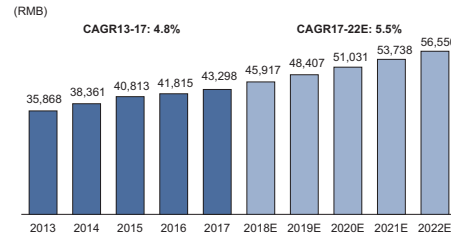
## INDUSTRY OVERVIEW

The table below sets forth the unmet demand of skilled workers in the auto services industry and expected salary increase, indicating potential opportunities for the auto services vocational training education market growth.

**Supply and Demand for Skilled Workers Employed in Auto Services Industry (China), 2013-2022E**



**Average Annual Salary of Workers Employed in Auto Services Industry (China), 2013-2022E**



Source: Frost & Sullivan

### Growth Opportunities and Competitive Landscape of Other Segments of Vocational Training Education in China

#### Hotel management

The high-end hotel industry has experienced fast growth in China. According to the Frost & Sullivan Report, the total number of employees in the high-end hotel industry is expected to increase at a CAGR of 8.1% from 2017 to 2022, which indicates a strong demand for talent with relevant skills and expertise and translates into growth potential for vocational training education for hotel management professionals.

#### Beauty

Beauty industry includes hairdressing, facial care and body care, manicure, and eyelash beauty, among others. According to the MOFCOM, the number of employees in the beauty industry has maintained a steady growth, reaching a CAGR for 7.5% from 2013 to 2017, and is expected to maintain a steady growth in the near future. Due to the rapid development of emerging submarkets such as manicure, eyelash beauty, “microblading” (纹绣) and men’s beauty, the demand for professional beauticians, hairdressers and other specialized technical personnel in the beauty industry grew rapidly and as a result, there is a large potential for vocational training education market for beauty professionals.

The beauty vocational training education market is highly fragmented, and most participants are private companies and local beauty salons. There are more beauty vocational training education service providers in the east coast area than in other areas, which shows the regional uneven development of the market in China. Through introducing the beauty concepts, education and technologies from Japan, Korea and other developed countries, China has cultivated a large number of beauty vocational education service providers in recent years.

#### Artificial Intelligence (AI)

AI has a wide range of applications, mainly including voice technology, visual technology and natural language processing technology. By the end of July 2017, the MOE had officially approved the establishment of 79 AI-related majors in undergraduate education. In addition to formal education, various online and offline AI vocational education platforms have provided necessary supplements for China’s AI talent education. It is expected that AI education market will develop steadily with more students enrolled in the future due to the support of the PRC government and the development of science and technology.

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According to the Frost & Sullivan Report, AI vocational training education market in China has a relatively high concentration, with a few participants and a high growth rate. Compared with common computer languages, AI has a higher learning threshold and stricter requirements for teachers. Moreover, AI is an emerging field of information technology and internet technology industry in recent years. Therefore, the number of AI vocational training education service providers is still very small. Major players in the AI vocational training education market include comprehensive IT vocational education service providers, and companies that focus on providing AI vocational education services.

### **Healthcare**

China's healthcare industry is one of the largest components of the national economy, which refers to services and products related to the maintenance, recovery and promotion of health, encompassing healthcare services, pharmaceuticals, nutrition and health products, medical devices, maternal and infant products, as well as other services such as health management and elder care. Consumers' increasing health awareness and support of government have led to a rapid development of China's healthcare industry, which increased at a CAGR of 12.8% from 2013 to 2017 and is expected to increase at a CAGR of 11.9% from 2017 to 2022.

In particular, medical beauty (醫學美容) and elderly healthcare (健康養老) are two fast-growing sectors of China's healthcare industry. Thanks to the booming market, the demand for qualified cosmetic surgeons in the medical beauty industry grew rapidly and as a result, there is a large potential for vocational training education market for medical beauty as well as overall healthcare. Elderly healthcare industry is one of the major segments of pension industry, mainly including medical care and nursing care for elderly. According to the Ministry of Civil Affairs, there were more than 144,600 pension service institutions in China as of the end of 2017, showing a strong demand for pension service talents. Therefore, it is expected that, the elderly service education will become one of the key development directions of the healthcare vocational training education market.

There are few healthcare vocational training education providers offering for on-the-job professional medical workers. Looking forward, with the supportive policies, more market participants in the healthcare vocational training education market will emerge.

### **Market Drivers of Vocational Training Education in China**

The development of the vocational training education in China is primarily driven by the following factors:

- **Government initiatives:** The PRC government has promulgated a series of stimulus policies and regulations to promote quality vocational education and vocational skill trainings. For example, the PRC government has promulgated the Guiding Opinions of the State Council on the Implementation of Lifelong Vocational Skills Training System (《國務院關於推行終身職業技能培訓制度的意見》), which clearly stated to strengthen the construction of vocational skills training resources and encourage the development of private vocational skills training;
- **Rising demand for technical talent:** China's labor market has encountered challenges with the structural problem of lacking technical talents in recent years. The large number of new graduates with adequate theoretical knowledge but little practical skills further stimulated the rising demand for technical and skilled talents. In terms of the number of employment, the vocational training industry has seen a fast growth in the number of population employed, which includes information technology and internet technology industry, culinary arts industry, auto services industry and other highly skilled industries;
- **Continuous trend of urbanization:** The influx of migrants from rural areas to urban areas has been increasing steadily due to China's urbanization process. The migrants are generally less educated and lack of professional and systematic skill training, and they are encouraged to attend vocational training education, aiming to meet the needs of employment in urban areas;

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- **Industrial upgrade:** The industrial upgrade in China has led to the transformation of a large amount of traditional industries and enterprises, creating demand for new job positions with higher requirement of practical and technical skills; and
- **Increasing competition in employment:** More stringent recruitment requirements with a focus on practical skills have been adopted by employers. The increasing competition in job seeking market provides great potential market opportunities for the vocational training education which emphasizes on students' readily applicable practical skills and provides more diversified choices for different employment directions.

The development of each of the culinary arts, the information technology and internet technology and the auto services sectors in China is primarily driven by the following factors:

### **Market Drivers of Culinary Vocational Training Education in China**

**Expanding catering industry:** With the strong development of economy, living standard and mass consumption, catering industry has experienced solid growth in recent years. In 2017, the total revenue of catering industry reached RMB3,964.4 billion, representing a CAGR of 10.7% during 2013 to 2017. In the process of restructuring of the national economy, mass consumption is increasing, contributing to the growth of economy. People have higher demand on the catering quality, services and diversity of categories, which accelerates the flourishing of catering industry and further increases the demand for professional cooks.

**Consumption upgrade:** The growing Chinese middle class population has become the major driver of the continuous consumption upgrading and higher-quality service in restaurants. With more people starting to consider dining more as a social activity, increasing demand for higher quality catering service pushes providers to pay more attention to the branding and client experience, requiring more professional and qualified caterers and cooks, thus generates the increasing demand for better and more extensive culinary vocational training programs.

**Competitive salary package of professional cooks:** Compared to other industries that also have lower qualification requirements, such as agriculture, manufacturing, and residential service industry, cooks have relatively higher salary package which keep an annual growth rate of approximately 10% as demanding on cooking skills. The sustained attractiveness of careers in catering service drives consistent growth in culinary vocational training education.

### **Market Drivers of Information Technology and Internet Technology Vocational Training Education in China**

**Growing information technology and internet technology industry in China:** China's information technology and internet technology industry has experienced solid growth over the past several years, creating increasing demand for information technology and internet technology-related services among both corporations and individuals. According to Frost & Sullivan, China's information technology industry grew at a CAGR of 13.4% from 2013 to 2017 and is expected to grow at a CAGR of 10.8% from 2017 to 2022. This rapid growth in the information technology and internet technology industry has created significant demand for professional talents with sufficient practical training and relevant technical skills.

**Rapid industrial innovation and upgrade:** The rapid development of new information and internet technologies, along with emerging platforms and trends, such as mobile Internet, cloud computing and big data, make it difficult for professionals and university curricula to stay up-to-date on the latest technologies, which leads both students and employed working professionals to seek training on a regular basis.

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**Enhancement of the requirement on employee skills:** As an intellectual intensive industry, the information technology and internet technology industry attaches great importance to the quality of talents. Such demand for talents in the industry leads to an increasing demand for higher quality of information technology and internet technology vocational training. With the continuous upgrading of the industry, enterprises are constantly increasing their requirements on the skills of talents. Job positions in the relevant industry require up-to-date technical skills that cover various fields, which drives employee and job seeker demand for information technology and internet technology training to master the latest professional skills.

**Supportive policy:** Chinese government has increasingly focused on supporting the growth of information technology and internet technology industry. “The Opinions on Integration of Enterprises with Vocational Schools and Universities” (《關於深化產教融合的若干意見》) released by the State Council clearly points out that it is necessary to vigorously develop information technology and internet technology related disciplines such as network security and artificial intelligence, to adapt to the new round of scientific and technological revolution and new economic development.

### **Market Drivers of Auto Services Vocational Training Education in China**

**Emerging market of new energy automobiles:** With the development of the new energy automobile market in China, auto services such as repair and maintenance technology are urged to be upgraded to catch up with the new energy automobile market. As a result, the practitioners in the auto services industry are required to command the frontier technology and services, which promotes the upgrade and development of auto services training market in China, and generates increasing demand for high quality auto services vocational training education.

**Development of second-hand car market:** The rapid development of the second-hand car market in China suggests the potential demand on the auto services, thus further stimulating the market of auto services vocational training education in China. Additionally, driven by the increasing development of downstream market, the vocational education on second-hand car evaluation or related education courses have come into the popularity in recent years. It is expected the market of auto services vocational education will witness an upward trend in the future.

**Increasing demand for talents in automobile related industries:** Thanks to the development from downstream industries especially second-hand car market and new energy automobile market, the talents in auto related industries are expected to be in great demand in the future. Furthermore, with the increasing safety awareness and rapid development of auto services market, the demand for talents in auto related industries such as automobile decoration and modifications is expected to be continuously increasing in China.

### **Development Trends of the Vocational Training Education in China**

Leading high quality vocational training education providers are expected to benefit from the following development trends:

- **Closer school-enterprise cooperation:** as vocational training education bridges the gap between students and employers, the providers are cooperating more closely with enterprises to cater the ever-changing employers’ needs, including collective course development, staff skill training, talent assessment, etc;
- **Encouragement of high quality providers:** with the announcement of several national guidance, such as the *Guiding Opinions of the State Council on the Implementation of Lifelong Vocational Skills Training System* (《國務院關於推行終身職業技能培訓制度的意見》), the chaotic market conditions will be improved and with the more fierce competition in the market, high quality vocational training education providers with diversified course offerings, quality teaching resources and technical and equipment support will benefit from the trend and realize steady development in the future. On the contrary, the market players with inferior management and operation capacity, weak capital strength and brand building ability will be eliminated quickly;

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- **More comprehensive services:** apart from skills teaching, vocational training education institutions will provide a more comprehensive spectrum of services to help foster students' career. For example, loan services will be provided to students with difficulty in paying tuition; customized employment recommendation and career counselling services will be given to help students find jobs; and
- **Larger student scale:** with the continuous technology development and industry upgrade, talents are required to receive more up-to-date trainings. Given the practice-oriented nature and availability of multiple teaching methods, including offline, online and combination of offline and online, the vocational training education providers are expected to attract more students in the future.

### Threats and Challenges of Vocational Training Education in China

- **Fierce competition environment:** With the growing maturity of China's vocational training education market, the products provided by institutions will be more and more homogeneous. Nevertheless, the requirements of customers will be more strict and the taste of customers will be more diversified. Thus, research and development ability will be extremely critical for the players in the future competition.
- **Pressure from formal education:** Students aged from 15 to 21 years old which consist of graduates from middle schools, high schools, secondary vocational schools and junior colleges and universities are one of the major groups choosing vocational education. However, with the increasing emphasis on academic degrees in recent years, the number of formal education school students has increased, posing a threat to student recruitment of vocational training education.

### Competitive Landscape of the Vocational Training Education in China

According to the Frost & Sullivan Report, the vocational training education market in China is highly fragmented with thousands of vocational training education providers, and none of the players has a sizable market share as vocational training education providers tend to focus on a particular industry segment locally or nationwide. Leading players usually adopt self-operated business model, while most of the players choose franchise model. We are the largest vocational training education provider in China as a whole and as well as the largest player in each of the industry sector that we operate, in terms of average students enrolled for the year ended December 31, 2017. According to the Frost & Sullivan Report, the top three vocational training education players, in aggregate, accounted for 2.5% of total market in terms of average students enrolled in 2017. We are the largest vocational training education provider in China with 102,050 average students enrolled for the year ended December 31, 2017, representing a market share of 1.7%, the second and third largest providers had average students enrolled of 32,275 and 20,023 for the year ended December 31, 2017, respectively, representing a market share of 0.5% and 0.3%, respectively.

The culinary vocational training education market is relatively concentrated in China, with the top three market players accounting for 26.9% of market share in terms of average students enrolled for the year ended December 31, 2017. We ranked the largest in the culinary vocational training education market with 65,372 average students enrolled for the year ended December 31, 2017, representing a market share of 23.1%. The information technology and internet technology vocational training education market in China is relatively fragmented, with the top three market players accounting for 9.9% of market share in terms of average students enrolled in 2017. We ranked the largest in the information technology and internet technology vocational training education market with 21,442 average students enrolled for the year ended December 31, 2017, representing a market share of 3.4%. The auto services vocational training education is a relatively concentrated market in China, with the top three players accounting for 20.5% of market share in terms of average students enrolled for the year ended December 31, 2017. We ranked largest in the auto services vocational training education market with 15,236 average students enrolled for the year ended December 31, 2017, representing a market share of 9.7%. The following tables set forth the leading players in the industry segments that we operate:

## INDUSTRY OVERVIEW

Leading Culinary Arts Vocational Training Education Providers in China, 2017			Leading Information Technology and Internet Technology Vocational Training Education Providers in China, 2017			Leading Auto Services Vocational Training Education Providers in China, 2017		
Group	Average Students Enrolled	Market share (%)	Group	Average Students Enrolled	Market share (%)	Group	Average Students Enrolled	Market share (%)
The Group	65,372	23.1	The Group	21,442	3.4	The Group	15,236	9.7
Group A	8,077	2.9	Group C	20,882	3.3	Group E	15,000	9.5
Group B	2,600	0.9	Group D	20,023	3.2	Group F	2,000	1.3

Source: Frost & Sullivan

The following is a description of the leading players in the industry segments in which we operate:

Group A is a private culinary training group headquartered in Hefei, Anhui Province. Group A mainly provides short-term training programs focusing on Chinese dim sum and snacks courses. Group B is a private culinary training group headquartered in Suzhou, Jiangsu Province. Group B mainly provides long-term training programs focusing on Western baking and deserts courses. Group C is a NASDAQ listed company focuses on IT professional education services both for adults and kids. Group D is a private company providing training for IT professionals, with three major businesses including offline training, online education and institutions of non-formal higher education. Group E is a private company headquartered in Beijing, focusing on auto services vocational training education including auto repair, auto maintenance, auto electronic control, and auto beauty and modification, among others. Group F is a private company headquartered in Shanghai, focusing on auto services vocational training education such as auto repair, auto maintenance, and auto grooming, among others.

### Entry Barriers of the Vocational Training Education in China

According to the Frost & Sullivan Report, the PRC vocational training education industry generally has the following entry barriers:

- **Brand reputation:** consumer recognition is a crucial factor that distinguishes a brand from others in the increasingly competitive vocational training education industry. It is difficult for new entrants to establish a sizable business network quickly;
- **Management Capability:** as classroom-based education is still the main model of vocational training education in China. Therefore, the site selection, teachers recruitment, course offering, supporting facilities and equipment, and other critical factors determined by the management may influence the quality and reputation of the vocational training education provider;
- **High-quality teacher resources:** resources of high-quality teachers with both theoretical knowledge and relevant industry experience are limited, especially in second and third tier cities;
- **Capital strength:** establishing a vocational training education institution requires large capital investment including, among others, building infrastructure, developing curriculum offerings, retaining teachers, improving brand image and expanding the school network; and
- **Strict regulatory license:** vocational training education institutions are subject to various PRC laws and regulations. Certain licenses and PRC government approvals are required before a school commences operations.

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## INDUSTRY OVERVIEW

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### THE VOCATIONAL TRAINING EDUCATION INDUSTRY IN OVERSEAS MARKETS

#### Overview of the Vocational Training Education in the United States

According to the Frost & Sullivan Report, the vocational training education in the United States varies from state to state, and the majority is provided by private providers. Approximately 30% of all credentials in the vocational training education are provided by two-year community colleges, and other vocational training education providers include private vocational schools and government-operated adult education centers. Most vocational training education schools offer programs that students can complete in about one or two years. Business, healthcare, information technology and internet technology are the most common programs offered in the vocational training education in the United States. According to the Frost & Sullivan Report, the vocational training education market in the United States is highly competitive and highly fragmented, with no large market player holding significant market share.

According to the U.S. Bureau of Labor Statistics, employment is projected to increase by 11.5 million over the 2016 to 2026 decade, an increase from 156.1 million to 167.6 million. Healthcare and information technology and internet technology are the two major market segments with high employment demand. Healthcare industries and their associated occupations are expected to account for a large share of new jobs projected through 2026, as the aging population continues to drive demand for healthcare services, which indicates a potential development for the healthcare vocational training education market. In addition, the employment in information technology and internet technology industry such as software developers and applications is projected to increase significantly by 2026, which is expected to increase by 30.7% in 2026 as compared with that in 2016. As the World's scientific and technological power, a rapid development of new technology in the United States is expected to increase the demand on trained workers and further support the vocational training education market in the field of information technology and internet technology in the United States.

#### Overview of the Vocational Training Education in Europe

The vocational training education in Europe is designed to lead directly to the labor market. Healthcare, technician, manufacture and business are most common programs offered in the vocational training education in Europe.

According to European Centre for the development of Vocational Training, employment in various industries is expected to increase from 2016 to 2030, which drives large demand for well-trained workers, so as for vocational training market in Europe. For example, the employment in information technology and internet technology related occupation is projected to increase approximately 570,000 by 2030 from 2016, while the employment in auto, manufacturing, and construction related occupation is projected to increase approximately 1.5 million by 2030 from 2016.

Furthermore, the auto sector represents a significant share of the EU economy, which accounts for approximately 7% of GDP and approximately 5.7% of total employment, or 12.6 million workers in 2017. As Europe is one of the world's biggest automobile producers, it is expected that the continuous development of the auto industry will create demand for more employment and trained workers, which further brings growing opportunities for the auto vocational training education market in Europe.

According to the Frost & Sullivan Report, the vocational training education market in Europe is highly competitive and highly fragmented, with no large market players holding significant market share.

#### Overview of the Vocational Training Education in ASEAN countries

Most ASEAN countries have lower levels of education as compared to developed countries and China. Currently, unskilled human resources still occupy a large number of population compared to the high-quality workforce in ASEAN countries. According to the World Bank, ASEAN countries in general are lack of qualified labors and skilled technical workers, and quality of human resources in ASEAN countries is also lower than many other countries. On the other hand, the labor force participation rate varied across ASEAN countries, ranging from 60-85% in 2017.

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## INDUSTRY OVERVIEW

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According to the Frost & Sullivan Report, many ASEAN countries have high demand for trained technical personnel eagerly in various fields, including information technology and internet technology, construction, agriculture, services, textile and garment, etc. Under the circumstance, the demand for vocational training education in ASEAN countries is very high to alleviate the labor crisis. For instance, total number of tourist visits to ASEAN has markedly increased from 2010 to 2017, representing a CAGR of 7.9%. Such a remarkable increase also brings a development for tourism-related industries such as catering industry and a growing demand on skilled workers in culinary industry, thus prompting the culinary arts vocational training market in ASEAN countries. The number of registered vehicles across ASEAN countries has increased rapidly, reaching over 220 million units in 2017, with a CAGR of approximately 9.0% from 2010 to 2017. Such an increase in the number of vehicles is driving the aftermarket services of vehicles such as auto repair, which further increasing the demand on skilled workers in auto repair market and thus encouraging the auto repair vocational training market.

There is an increasing role being taken by the private vocational training schools in providing skills and vocational training in ASEAN countries. The lack of skilled workers in countries such as Thailand and Vietnam has stimulated private sector bodies to establish their own vocational training establishments. The vocational training education market is highly competitive and highly fragmented, with no large market players holding significant market share.



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### FOREIGN INVESTMENT IN EDUCATION IN THE PRC

#### Foreign Investment Industries Guidance in Education Industry

Under the *Foreign Investment Industries Guidance Catalogue (Amended in 2017)* (《外商投資產業指導目錄(2017修訂)》) (the “Foreign Investment Catalog”) which was amended and promulgated jointly by the NDRC and the MOFCOM on June 28, 2017 and became effective on July 28, 2017, and *Special Management Measures (Negative List) for Foreign Investment Access (2018)* (《外商投資准入特別管理措施(負面清單)(2018版)》) (the “Negative List”) issued by the MOFCOM and the NDRC on June 28, 2018, which took effective on July 28, 2018, foreign-invested industries are classified into two categories, namely (1) encouraged foreign-invested industries and (2) foreign-invested industries which are regulated by the Negative List. The Negative list has further classified regulated foreign-invested industries into restricted foreign-invested industries and prohibited foreign-invested industries. Unless otherwise prescribed by the PRC laws, industries which are not set out in the Foreign Investment Catalog or the Negative List are permitted foreign-invested industries.

Pursuant to the Foreign Investment Catalog and the Negative List, “non-formal vocational training institutes” (非學制類職業培訓機構) are encouraged foreign-invested industries, and other “vocational training” which are not set out in the Foreign Investment Catalog or the Negative List are permitted foreign-invested industries, unless otherwise provided in the PRC laws. Nevertheless, pursuant to the restrictions placed by applicable PRC laws, no foreigner is permitted to independently establish any school or other education institution within the PRC that aims to enroll mainly PRC citizens, and “Regulation on Sino-Foreign Cooperation in Operating Schools” (please see below) shall be applicable when foreign organizations or individuals invest in education institutions within the PRC.

#### Regulations on Sino-Foreign Cooperation in operating schools

Pursuant to the *Regulation on Sino-Foreign Cooperation in Operating Schools of the PRC* (《中華人民共和國中外合作辦學條例》) (the “Sino-Foreign Cooperation Regulation”) which was promulgated by the State Council on March 1, 2003 and became effective on September 1, 2003 and was amended on July 18, 2013 and on March 2, 2019, and the *Implementing Rules for the Regulations on Operating Sino-foreign Schools* (《中華人民共和國中外合作辦學條例實施辦法》) (the “Implementing Rules”) which were issued by the MOE on June 2, 2004 and became effective on July 1, 2004, foreign educational institutions, other organisations or individuals shall not independently establish schools or other educational institutions in the PRC with target enrolment of Chinese citizens mainly.

The Sino-Foreign Cooperation Regulation and the Implementing Rules mainly apply to the activities of education institutions established in the PRC cooperatively by foreign education institutions and Chinese education institutions, the students of which are to be recruited primarily among the PRC citizens, and encourage substantive cooperation between overseas educational organisations with relevant qualifications and experience in providing high-quality education and PRC educational organisations 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 organisation must be a foreign educational institution with relevant qualification, experience in education, and high-quality education ability. Any Sino-foreign cooperation school and cooperation programme shall be approved by relevant education authorities and obtain the Permit of Sino-Foreign Cooperation in Operating School.

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The *Administrative Measures for the Sino-foreign Cooperative Education on Vocational Skills Training* (《中外合作職業技能培訓辦學管理辦法》) (the “Sino-foreign Vocational Skills Training Measures”) was promulgated by the Ministry of Labour and Social Security on July 26, 2006 and came into effect on October 1, 2006 and then was amended on April 30, 2015 by the MHRSS. The Sino-foreign Vocational Skills Training Measures shall apply to the establishment, activities and management of vocational skills training institutions and educational projects initiated by Chinese educational institutions and foreign educational institutions (including vocational skills training institutions) by cooperation. Foreign educational institutions, other organizations or individuals may not independently establish the vocational skills training institutions with Chinese citizens as the main enrollment targets in the PRC, and can only establish the vocational skills training institutions in cooperation with Chinese cooperators in the form of Sino-foreign cooperation, and the cooperators of the Sino-foreign vocational skills training institutions shall meet the requirements and conditions stipulated in the Sino-Foreign Cooperation Regulation. The establishment of a Sino-foreign vocational skills training institution shall be examined and approved by the local MHRSS of the people’s government of the province, autonomous region or municipality directly under the Central Government where the proposed institution is located.

On June 18, 2012, the MOE issued the *Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Funds into the Field of Education to Promote Healthy Development of Private Education* (Jiaofa [2012] No. 10) (《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》) (教發[2012]10號) 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 institution 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 from September 1, 1995, amended on August 27, 2009 and further amended on December 27, 2015. The PRC implements a vocational education system and a continuing education system. The people’s governments at all levels, relevant administrative departments and industry organizations, as well as enterprises and institutions shall take measures to develop and guarantee citizens’ vocational school education or various forms of vocational training. The Education Law stipulates that the government formulates plans for the development of education, establishes and operates schools and other educational institutions. Furthermore, it provides that in principle, enterprises, social organisations and individuals are encouraged to establish and operate schools and other types of educational institution in accordance with the relevant PRC laws and regulations. The Education Law also stipulates that some basic conditions shall be fulfilled for the establishment of a school or any other education institution, and the establishment, modification or termination of a school or any other education institution shall, in accordance with the relevant PRC laws and regulations, go through examination, verification, approval, registration or filing procedures.

The Education Law was amended (the “Amended Education Law”) by the SCNPC on December 27, 2015, and became effective on June 1, 2016. The Amended Education Law does not include the requirement that no organisation or individual may establish or operate a school or any other educational institution for profit-making purposes, but schools and other educational institutions founded with governmental funds or donated assets are forbidden to be established as for-profit organisations.

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### Regulations on Vocational Education

According to the *Vocational Education Law of the PRC* (《中華人民共和國職業教育法》) (the “Vocational Education Law”), which was promulgated by the SCNPC on May 15, 1996 and came into effect on September 1, 1996, the state encourages institutional organisations, social organisations and other social groups and individuals to operate vocational schools and vocational training institutions according to relevant provisions of the state.

Vocational school education includes primary, secondary and higher vocational school education. Primary and secondary vocational school education shall be conducted respectively by primary and secondary vocational schools. Higher vocational school education shall be conducted by higher vocational schools or by common institutions of higher learning in accordance with the actual needs and conditions. Other schools may implement vocational school education at corresponding levels in accordance with the overall planning by the education administrative department. Vocational training includes pre-employment training, training to facilitate change of occupations, apprenticeship training, on-the-job training, job-transfer training and other vocational training. All these categories of training may, in light of actual conditions, be divided into three levels: primary, secondary and higher vocational training. Vocational training is carried out by the corresponding vocational training institutions and/or vocational schools. Other schools or educational institutions may, depending on their own capabilities, carry out various forms of vocational training to meet social needs.

The MOE issued the *Rules on 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 by or filled with the provincial education authorities. Secondary vocational schools provide a combination of academic education and vocational training, and offer full time and part time programs.

The education administrative department, the labour administrative department and other relevant departments of the State Council shall each be responsible for the work relating to vocational education within the scope of their functions and duties as specified by the State Council.

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

The *Law for Promoting Private Education of the PRC* (《中華人民共和國民辦教育促進法》) became effective on September 1, 2003 and was amended on 29 June 2013, on 7 November 2016 and on December 29, 2018, and the *Implementation Rules for the Law for Promoting Private Education of the PRC* (《中華人民共和國民辦教育促進法實施條例》) became effective on April 1, 2004. Under these regulations, “private schools” are defined as schools established by social organizations or individuals using non-government funds. The establishment of a private school shall meet the local need for educational development and the requirements provided for by the Education Law and relevant laws and regulations, and the standards for the establishment of private schools shall conform to those for the establishment of public schools of the same grade and category. In addition, private schools providing academic qualifications education, pre-school education, education for self-study examinations and other education shall be subject to approval by the education authorities at or above the county level, while private schools engaging in occupational qualification training and occupational skill

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training shall be subject to approvals from the authorities in charge of labor and social welfare at or above the county level. A duly approved private school will be granted a Permit for operating a Private School (民辦學校辦學許可證), and shall be registered with the Ministry of Civil Affairs of the PRC (民政部), (the “MCA”) or its local counterparts as a privately run non-enterprise institution (民辦非企業單位).

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

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

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

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

On November 7, 2016, the SCNPC published the *Decision on Amendment of the Law for Promoting Private Education of the PRC* (《關於修改〈中華人民共和國民辦教育促進法〉的決定》), which became effective on September 1, 2017. According to 2016 Decision, as long as the school does not involve in the provision of compulsory education, school sponsors of the private school are allowed to register and operate the school as for-profit or non-profit private schools.

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

<u>Item</u>	<u>For-profit private school</u>	<u>Non-profit private school</u>
Receipt of operating profits .	School sponsors are allowed to receive operating profits, and the surplus from operations shall be handled in accordance with the provisions of the Company Law of the PRC and other laws and regulations	School sponsors are not allowed to receive operating profits, and all surplus from operations shall be used for the operation of the school
Licenses and registration . . . . .	Private school operating licenses, business licenses and other registrations required to go through by a corporate legal person	Private school operating licenses and registration certificate of private non-enterprise entities
Fees to be charged. . . . .	Determined based on school operating costs and market demand, and no prior regulatory approval is required	Determined pursuant to the standards stipulated by the local governments
Tax treatment. . . . .	Preferential tax treatment as stipulated by the State	Same preferential tax treatment as public schools
Land . . . . .	Acquired either through land allocation or land transfer	Acquired through land allocation
Public funding . . . . .	Public funding in the form of purchase of services, student loans, scholarships, lease or acquisition of unused State-owned assets	Public funding in the form of purchase of services, student loans, scholarships, lease or acquisition of unused State owned assets, and government grants, incentive funds and donations
Liquidation . . . . .	Liquidated in accordance with the provisions of the Company Law of the PRC. School sponsors can obtain the school's remaining assets after the settlement of the school's indebtedness	School sponsors will be compensated or rewarded when the private school is liquidated. The remaining portion of school assets should continually be used for the operation of a nonprofit private school
Applicability . . . . .	All private schools (except for schools providing compulsory education) may choose to become for-profit private schools	All private schools may choose to become non-profit private schools

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If the school sponsors of our existing not-for-profit private Schools choose to register and operate their Schools as non-profit private schools, they shall procure the School to amend its articles of association in accordance with 2016 Decision and continue the school operation pursuant to such revised articles of association. Furthermore, upon the termination of such non-profit private schools, the government authority may grant some compensation or reward to the school sponsors who have made capital contribution to such schools from the remaining assets of the schools upon their liquidation and then apply the rest of the assets to the operation of other non-profit private schools.

If the school sponsors of our existing not-for-profit private schools choose to register and operate their schools as for-profit private schools, the schools shall go through some procedures including but not limited to conducting financial settlement, defining the property right, paying relevant taxes and expenses and renewing their registration, the details of which shall be subject to concrete measures to be promulgated by the provincial, autonomous regional or municipal government.

### **Several Opinions on Encouraging Social Groups to Engage in Education and Promote the Healthy Development of Private Education**

According to the *Several Opinions on Encouraging Social Groups to Engage in Education and Promote the Healthy Development of Private Education* (《關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見》) (the “State Council Opinions”), which was issued by the State Council of the PRC on December 29, 2016, 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 school 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 the government 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.

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### **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》) (“Classification Registration Rules”), which was issued jointly by the MOE, the MHRSS, the MCA, the State Commission Office of Public Sectors Reform and the SAMR on December 30, 2016 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 license in accordance with the Classification Registration Rules after they are granted with the license for school operation by the competent government authorities. The Classification Registration Rules shall apply to private schools. Non-profit private schools which meet the requirements under the *Interim Administrative Regulations on the Registration of Private Non-enterprise Entities* (《民辦非企業單位登記管理暫行條例》) and other relevant regulations shall apply to the civil affairs department for registration as private non-enterprise entities. Non-profit private schools which meet the requirements under the *Interim Regulations on the Administration of the Registration of Public Institutions* (《事業單位登記管理暫行條例》) and other relevant regulations shall apply to the relevant administrative authority for registration as public institutions. For-profit private schools shall apply to the industry and commerce department for registration in accordance with the jurisdiction provisions set out by relevant laws and regulations.

The Classification Registration Rules are also applicable to existing not-for-profit private schools.

### **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 MHRSS and the SAMR on December 30, 2016 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.

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For-profit private schools shall implement the financial and accounting policies required by the *Company Law of the PRC* (《中華人民共和國公司法》, 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 school sponsors of for-profit private schools shall neither withdraw his/her share of the registered capital nor mortgage the teaching facilities for loans or guarantees. The balance of the school operation could only be distributed upon the annual financial settlement.

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

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

According to the *Notice of the SAMR 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 SAMR and Commerce on August 31, 2017 and became effective on September 1, 2017, for-profit private school shall registered as a limited liability company or a joint stock limited company according to the PRC Company Law and the Law for Promoting Private Education and its name shall comply with the relevant laws and regulations on company registration and education.

According to the *Notice of the State Administration for Market Regulation and the Ministry of Human Resources and Social Security on Regulating the Relevant Work of the Administration of the Name Registration of For-profit Non-state Skilled Worker Schools and For-profit Non-state Vocational Skills Training Institutions* (《市場監管總局、人力資源和社會保障部關於規範營利性民辦技工院校和營利性民辦職業技能培訓機構名稱登記管理有關工作的通知》), which was issued jointly by the Administration for Market Regulation and the MHRSS on April 11, 2018 and became effective on the same date, for-profit private skilled worker schools and for-profit private vocational skills training institutions shall registered as a limited liability company or a joint stock limited company according to the PRC Company Law 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.



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### Local Implementation Opinions on the New Classification System for Private Schools

According to the 2016 Decision and the State Council Opinions, various provincial governmental authorities shall issue their own implementation opinions and licensing measures in relation to the specific implementation methods and operative approaches of the said law based on the local conditions. As of the Latest Practicable Date, 29 provinces have issued the Implementation Opinions. Most of these Implementation Opinions provide a transition period ranging from one to six years. The school sponsors of existing not-for-profit private schools can select to register the schools as either for-profit or non-profit private schools during the transition period. As of the Latest Practicable Date, other regions had not yet issued such implementation opinions.

According to the Implementation Opinions, local provincial governments have introduced the following principle opinions:

- to implement new classification system for private schools, whereby private schools including private educational institutions are classified as non-profit and for-profit private schools and administered accordingly;
- to arrange for a transition period during which existing not-for-profit private schools can select to register as either non-profit or for-profit private schools and be regulated based on their classification; and
- to perfect the exit mechanism for private schools, whereby the financial settlement of a private school at termination shall conform to relevant laws and regulations, and its articles of associations.

The Implementation Opinions are newly promulgated and there are uncertainties in connection with implementation and enforcement of such implementation opinions.

### Tuition

Pursuant to the *Interim Measures for the Management of the Collection of Private Education Fees* (《民辦教育收費管理暫行辦法》), which was promulgated by the NDRC, the MOE and the MHRSS on March 2, 2005, the types and amounts of fees charged by a private school providing academic qualifications education shall be examined and verified by the education authorities or the labor and social welfare authorities and approved by the governmental pricing authority. A private school that provides non-academic qualifications education shall file its pricing information with the governmental pricing authority and publicly disclose such information.

According to the *Notice regarding Cancellation of the Fee Charge Permit System and Strengthening the Supervision in process and afterwards* (《關於取消收費許可制度加強事中事後監管的通知》), which was issued jointly by the NDRC and the Ministry of Finance on January 9, 2015, the fee charge permit system shall be canceled nationwide from January 1, 2016.

According to the 2016 Decision, the types and amounts of fees charged by private schools shall be determined based on costs and market demand. The fees charged by for-profit private schools will be determined by the schools at their discretion, while the fees charged by non-profit private schools shall be regulated by the relevant local government authorities.

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### Regulations on Safety and Health Protection of Schools

Pursuant to the *Food Safety Law of the PRC* (《中華人民共和國食品安全法》), which became effective on October 1, 2015 and amended on December 29, 2018, collective canteens of schools shall obtain the licence in accordance with the laws and strictly abide by the laws, regulations and food safety standards. With regard to order of meals from meal suppliers, orders shall be placed with suppliers which have obtained the food production and trading licences and inspection shall be conducted on the food ordered as required.

According to *Administrative Measures on Licence of Catering Industry* (《餐飲服務許可管理辦法》), which was promulgated on March 4, 2010 and became effective on May 1, 2010, a licensing system for catering industry is implemented. A catering service provider shall obtain food service licence, and assume the food safety liability in accordance with the law. Pursuant to *Administrative Measures for Food Operation Licensing* (《食品經營許可管理辦法》) promulgated on August 31, 2015 and became effective on October 1, 2015 and amended on 17 November 2017 with effect from the same day, a food operation licence shall be obtained in accordance with the law so as to engage in food selling and catering services within the territory of the PRC. The principle of one licence for one site shall apply to the licencing for food operation, classified licencing for food operation according to food operators' types of operation and the degree of risk of their operation projects is also implemented.

Pursuant to *Administrative Measures for the Supervision of Food Safety in Catering Service* (《餐飲服務食品安全監督管理辦法》), which was promulgated on March 4, 2010 and became effective on May 1, 2010, catering service providers shall carry out catering service activities in accordance with laws, regulations, food safety standards and relevant requirements, hold themselves accountable for society and the general public, ensure food safety, accept social supervision, and assume responsibilities for food safety in catering service.

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

According to the *Regulation on Sanitary Work of Schools* (《學校衛生工作條例》), which was promulgated on June 4, 1990 amended on May 19, 2004, schools shall carry out sanitary work. The main tasks of sanitary work include monitoring health conditions of students, getting students to receive health education, helping students develop good health habits, improving health environment and health conditions for teachers, strengthening prevention and treatment of infectious disease and common diseases among students.

### MOJ Draft for Comments

On April 20, 2018, the MOE issued the MOE Draft for Comments. On August 10, 2018, the MOJ issued the MOJ Draft for Comments based on a revised version of the MOE Draft for Comments.

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The major provisions of the MOJ Draft for Comments include, among others:

**(1) Article 12**

Article 12 provides that 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.” However, the MOJ Draft for Comments is silent on the definition of centralized school management models.

**(2) Article 21**

The registered capital of a for-profit private school providing education for academic qualifications shall be compatible with the type, level and scale of the school. For a private school providing higher education for academic qualifications, the minimum registered capital shall be RMB200 million; for a private school providing other types of education for academic qualifications, the minimum registered capital shall be RMB10 million.

**(3) Article 45**

Article 45 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 approved by the education administrative authorities as well as the local authorities of MHRSS in terms of the necessity and legality of such agreement and its compliance with the applicable laws and regulations.

### **REGULATIONS ON COMPANIES IN THE PRC**

#### **PRC Company Law**

The establishment, operation and management of corporate entities in the PRC are governed by the PRC Company Law, which was promulgated on December 29, 1993 and amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. Under the PRC Company Law, companies are generally classified into two categories: limited liability companies and limited companies by shares. The PRC Company Law also applies to foreign-invested limited liability companies but where other relevant laws regarding foreign investment have provided otherwise, such other laws shall prevail.

There is no longer a prescribed timeframe for the shareholders to make full capital contribution to a company, except otherwise required in other relevant laws, administrative regulations and State Council decisions. Instead, shareholders are only required to state the capital amount that they commit to subscribe in the articles of association of the company. Further, the initial payment of a company’s registered capital is no longer subject to a minimum amount requirement and the business licence of a company will not show its paid-up capital. In addition, shareholders’ contribution of the registered capital is no longer required to be verified by capital verification agencies.

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### Regulations on Foreign Investment and FIL

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 and on September 3, 2016. The implementation regulations under the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法實施條例》) was promulgated on December 12, 1990 and amended on April 12, 2001 and February 19, 2014, which took effective as from March 1, 2014.

The Wholly Foreign-owned Enterprise Law has been further revised by the SCNPC on September 3, 2016 and has become effective from October 1, 2016. According to the amendments, for a wholly foreign-owned enterprise which the special entry management measures does not apply to, its establishment, operation duration and extension, separation, merger or other major changes shall be applicable to record-filing approach. The special entry management measures stipulated by the State shall be promulgated or approved to be promulgated by the State Council. Pursuant to the No. 22 Announcement of 2016 (《中華人民共和國國家發展和改革委員會和中華人民共和國商務部2016年第22號公告》 (“the Announcement”) issued by NDRC and MOFCOM on October 8, 2016, the special entry management measures shall be implemented with reference to the relevant regulations as stipulated in the Foreign Investment Catalog in relation to the restricted foreign-invested industries, prohibited foreign-invested industries and encouraged foreign-invested industries which have requirements as to shareholding and qualifications of senior management.

Pursuant to the *Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises* (《外商投資企業設立及變更備案管理暫行辦法》) (the “Measures”) which was promulgated by MOFCOM on October 8, 2016 and amended on July 30, 2017 and June 29, 2018, 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.

On March 15, 2019, the National People’s Congress approved the FIL, which will come into effect on January 1, 2020. The FIL is the fundamental law for foreign investment in PRC, which will replace the Law on Sino-Foreign Equity Joint Ventures (《中外合資經營企業法》), the Law on Sino-Foreign Contractual Joint Ventures (《中外合作經營企業法》) and the Law on Foreign-Capital Enterprises (《外資企業法》) as the general law applicable for the foreign investment within the PRC.

The FIL defines foreign investment as any investment activity directly or indirectly carried out in the PRC by one or more foreign natural persons, enterprises or other organizations (“Foreign Investor(s)”), and specifically stipulates four forms of investment activities as foreign investment, namely, (a) establishment of a foreign-invested enterprise in the PRC by a Foreign Investor, either individually or collectively with any other investor, (b) obtaining shares, equities, assets interests or any other similar rights or interests of an enterprise in the PRC by a Foreign Investor; (c) investment in any new construction project in the PRC by a Foreign Investor, either individually or collectively with any other investor, and (d) investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council.

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The FIL establishes the administration systems for foreign investment, which mainly consists of national treatment plus negative list system, foreign investment information report system and security review system. The said systems, together with other administration measures stipulated under the FIL, constitute the frame of foreign investment administration. Under the national treatment plus negative list system, Foreign Investors shall not invest in any field prohibited by the negative list and shall meet the investment conditions stipulated for any field restricted by the negative list; while for foreign investments outside the negative list, national treatment will be given.

The FIL sets forth principles and measures to promote foreign investment in the PRC and specifically provides that the PRC legally protects Foreign Investors' investment, earnings and other legitimate rights and interests in the PRC.

The FIL further provides that foreign-invested enterprises established before the FIL coming into effect may retain their original form of organizations within five years after the FIL comes into effect. The specific implementing measures will be prescribed by the State Council.

### **Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors**

Under the *Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors in the PRC* (《關於外國投資者併購境內企業的規定》) (the "M&A Rules") which was promulgated on September 8, 2006 and was amended and came into effect on June 22, 2009, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity interests in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity interests 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 by agreement and injects those assets to establish a foreign-invested enterprise. In the case 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 that is related to or connected with it/him, approval from MOFCOM is required.

According to the Measures, the merger and acquisition of domestic non-foreign-invested enterprises by foreign investors shall, if not involving special entry management measures and affiliated mergers and acquisitions, be subject to the record filing approach.

### **REGULATIONS ON PROPERTY IN THE PRC**

Pursuant to the *Property Law of the PRC* (《中華人民共和國物權法》) (the "Property Law") which was promulgated on March 16, 2007 and became effective on October 1, 2007, educational, medical and health and other public welfare facilities 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 Property 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.

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### REGULATIONS ON 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 April 23, 2019, 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. The Trademark Law of the PRC was amended on April 23, 2019 and will become effective on November 1, 2019.

#### Patent

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

### REGULATIONS ON LABOUR PROTECTION IN THE PRC

#### Labours

According to the *Labour Law of the PRC* (《中華人民共和國勞動法》) (the “Labour Law”), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995 and was amended on August 27, 2009 and December 29, 2018, an employer shall develop and improve its rules and regulations to safeguard the rights of

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its workers. An employer shall establish and develop labour safety and health systems, stringently implement national protocols and standards on labour safety and health, get workers to receive labour safety and health education, guard against labour accidents and reduce occupational hazards. Labour safety and health facilities must comply with the relevant national standards. An employer must provide workers with the necessary labour protection gear that complies with labour safety and health conditions stipulated under national regulations, as well as provide regular health examination for workers that are engaged in work with occupational hazards. Labourers engaged in special operations must receive specialised training and obtain 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 *Labour 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, amended on December 28, 2012 and came effect on July 1, 2013, coupled with the *Implementation Regulations on Labour Contract Law* (《勞動合同法實施條例》), which was promulgated and became effective on September 18, 2008, regulate the parties to labour contracts, namely employers and employees, and contain specific provisions relating to terms of labour contracts. Under the Labour Contract Law and the Implementation Regulations on Labour Contract Law, a labour contract must be made in writing. An employer and an employee may enter into a fixed-term labour contract, an un-fixed term labour contract, or a labour contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally terminate a labour contract and dismiss its employees after reaching agreement upon due negotiations with its employees or by fulfilling the statutory conditions. Where a labour relationship has already been established without a written labour contract, the written labour contracts shall be entered into within one month from the date on which the employee commences to work.

### **Social Insurance**

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 and amended on December 29, 2018, has established social insurance systems of 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 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 authorities or agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees.

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》) (the "Interim Measures"), which was promulgated by the MOHRSS on September 6, 2011 and became effective on October 15, 2011, employers who recruit foreigners shall participate in the basic pension insurance, unemployment insurance,

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basic medical insurance, occupational injury insurance, and maternity leave insurance in accordance with the relevant laws, 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 authorities and agencies shall have the right to oversee and inspect the legal compliance of foreign employees and employers. 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 *Reform Plan of the State Tax and Local Tax Collection Administration System* (《國稅地稅徵管體制改革方案》), which was issued by the General Office of the Communist Party of China and the General Office of the State Council of the PRC on July 20, 2018, from January 1, 2019, all the social insurance premiums including the premiums of the basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance will be collected by the tax authorities. Furthermore, according to the *Notice by the General Office of the State Administration of Taxation on Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner* (《國家稅務總局辦公廳關於穩妥有序做好社會保險費徵管有關工作的通知》) issued on September 13, 2018 and the *Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions* (《人力資源和社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) issued on September 21, 2018, all the local authorities responsible for the collection of social insurance are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises. *Notice of the State Administration of Taxation on Implementing Measures to Further Support and Serve the Development of Private Economy* (《國家稅務總局關於實施進一步支援和服務民營經濟發展若干措施的通知》) issued on November 16, 2018 repeated that tax authorities at all levels may not organize self-collection of arrears of taxpayers including private enterprises in the previous years.

### Housing Provident Fund

According to the *Administrative Regulations on the Administration of Housing Provident Fund* (《住房公積金管理條例》), which was promulgated and became effective on April 3, 1999, and was amended on March 24, 2002 and March 24, 2019, housing provident fund paid and deposited both by employee themselves and their unit employer shall be owned by the employees. A unit employer shall undertake registration of payment and deposit of the housing provident fund in the housing provident fund management centre and, upon verification by the housing provident fund management centre, open a housing provident fund account on behalf of its employees in a commissioned bank. Employers shall timely pay and deposit housing provident fund contributions in full amount and late or insufficient payments shall be prohibited. With respect to unit employers who violate the regulations hereinabove and fail to complete housing provident fund payment and deposit registrations or open housing provident fund accounts for their employees, such unit employers shall be ordered by the housing provident fund administration centre to complete such procedures within a designated period. Those who fail to complete their registrations within the designated period shall be subject to a fine from RMB10,000 to RMB50,000. When unit employers are in breach of these regulations and fail to pay deposit housing provident fund contributions in full amount as they fall due, the housing provident fund administration centre shall order such unit employers to pay within a prescribed time limit period, failing which an application may be made to a people's court for compulsory enforcement.



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### REGULATIONS ON TAXATION IN THE PRC

#### Enterprise Income Tax (“EIT”)

In accordance with the EIT Law, which was promulgated on March 16, 2007 and became effective from January 1, 2008 and amended on February 24, 2017 and December 29, 2018, and the *Regulation on the Implementation of Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法實施條例》), which was promulgated on December 6, 2007 and amended on April 23, 2019, enterprises are classified as either “resident enterprises” or “nonresident enterprises”. Enterprises that are set up in the PRC under the PRC laws, or that are set up in accordance with the law of the foreign country (region) whose actual administration institution is in PRC, shall be considered as “resident enterprises”.

Enterprises established under the law of the foreign country (region) with “de facto management bodies” outside the PRC, but have set up institutions or establishments in PRC or, without institutions or establishments set up in the PRC, have income originating from PRC, shall be considered as “non-resident enterprises”. A resident enterprise shall pay EIT on its income originating from both inside and outside PRC at an EIT rate of 25%. A non-resident enterprise that has establishments or places of business in the PRC shall pay EIT on its income originating from PRC obtained by such establishments or places of business, and on its income which deriving outside PRC but has actual connection with such establishments or places of business, at the EIT rate of 25%. A non-resident enterprise that does not have an establishment or place of business in the PRC, or it has an establishment or place of business in the PRC but the income has no actual connection with such establishment or place of business, shall pay EIT on its passive income derived from the PRC at a reduced rate EIT of 10%.

According to *Notice of the Ministry of Finance and the State Administration of Taxation on Tax Policies Relating to Education* (Caishui [2004] No. 39) (《財政部、國家稅務總局關於教育稅收政策的通知》) (財稅[2004]39號) (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* (Caishui [2006] No. 3) (《財政部、國際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》) (財稅[2006]3號) (the “Circular 3”), public schools are not required to pay EIT 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, and are not required to pay EIT 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 and its implementing rules, a private school that does not require reasonable returns enjoys the same preferential tax treatment as public schools, whereas the preferential tax treatment policies applicable to private schools that require reasonable returns are separately formulated by the relevant authorities under the State Council.

#### Income Tax in Relation to Dividend Distribution

The PRC and the government of Hong Kong entered into the *Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income* (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》) (the “Arrangement”) on August 21, 2006 and implemented the Arrangement on April 1, 2015. According to the Arrangement, the 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong tax resident, provided that such Hong Kong tax resident directly holds at least 25% of the

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equity interests in the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong tax resident if such Hong Kong tax 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 (the “SAT”) and became effective on February 20, 2009, all of the following requirements shall be satisfied before a fiscal resident of the other party to a tax agreement can 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) the 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 receipt of the dividends, reach a percentage specified in the tax agreement.

### **Value-added Tax (“VAT”)**

According to the *Temporary Regulations on Value-added Tax* of the PRC (《中華人民共和國增值稅暫行條例》), which was amended on November 10, 2008, February 6, 2016 and November 19, 2017 and came into effect on November 19, 2017, and the *Detailed Implementing Rules of the Temporary Regulations on Value-added Tax* of the PRC (《中華人民共和國增值稅暫行條例實施細則》), which was amended on October 28, 2011 and became effective on November 1, 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* (Caishui [2011] No. 110) (《關於印發<營業稅改徵增值稅試點方案>的通知》) (財稅[2011] 110號), 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 VAT 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.

In accordance with *Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-added Tax in Lieu of Business Tax* (Caishui [2016] No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》) (財稅[2016]36號), which was promulgated on March 23, 2016 and came into effect on May 1, 2016, upon approval of the State Council, the pilot programme of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from May 1, 2016, and all business tax payers engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot programme with regard to payment of value-added tax instead of business tax. For general service income, the applicable VAT rate is 6%.

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### Other Tax Exemptions

In accordance with the Circular 39 and Circular 3, the real properties and land used by schools 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 organisations or individuals and citizens with non-state fiscal funds for education and open to the public shall upon the approval by the administrative department for education or for labour of the relevant government at the county level or above which has also issued the relevant school running license, be exempt from deed tax on their ownership of land and houses used for teaching activities.

### REGULATIONS ON FOREIGN EXCHANGE IN THE PRC

The principal regulation governing foreign currency exchange in China is the *Administrative Regulations of the PRC on Foreign Exchange* (《中華人民共和國外匯管理條例》) (the “Foreign Exchange Administrative Regulations”), which was promulgated by the State Council on January 29, 1996, amended on January 14, 1997, August 5, 2008, September 23, 2012, October 23, 2014 and February 2016. Under Foreign Exchange Administrative Regulations, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but is not freely convertible for capital account items, such as direct investment or engaging in the issuance or trading of negotiable securities or derivatives unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

In accordance with the Foreign Exchange Administrative Regulations, 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* (Huifa [2014] No. 37) (《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》) (匯發[2014]37號) (the “Circular 37”), which is promulgated and came into effect on July 4, 2014, the SAFE carry out registration management for domestic resident’s establishment of special purpose vehicles (each a “SPV”). A 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 purposes of investment and financing.” “Round Trip Investments” refer to “the direct investment activities carried out by a domestic resident directly or indirectly via a SPV, such as 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.” Before a domestic resident contributes its legally owned onshore or offshore assets and equity to a SPV, the

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domestic resident shall conduct foreign exchange registration for offshore investment with the local branch of the SAFE, and in the event of any change of basic information such as the individual shareholder, name, operation term, 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. In addition, according to the procedural guidelines as attached to the Circular 37, the principle of review has been changed to “the domestic individual resident is only required to register the SPV directly established or controlled by him (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* (Huifa [2015] No. 13) (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (匯發[2015] 13號), which was promulgated on February 13, 2015, implemented and became effective 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.

On March 30, 2015, the SAFE promulgated the *Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises* (Huifa [2015] No. 19) (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (匯發[2015]19號) (the “Circular 19”), which came into effect from June 1, 2015. According to the Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretionary Foreign Exchange Settlement (“Discretionary Foreign Exchange Settlement”). The Discretionary Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined as 100%.

The Renminbi converted from the foreign exchange capital will be kept in a designated account and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

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

1. directly or indirectly used for payment beyond the business scope of the enterprises or payment prohibited by relevant laws and regulations;
2. directly or indirectly used for investment in securities unless otherwise provided by relevant laws and regulations;

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3. directly or indirectly used for granting entrusted loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by third parties) or repaying bank loans in Renminbi that have been sub-lent to a third party; and
4. paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises). SAFE issued the *Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts* (Huifa [2016] No. 16) (《關於改革和規範資本項目結匯管理政策的通知》(匯發 [2016]16號), or the “Circular 16”) on June 9, 2016, which became effective simultaneously. Pursuant to the Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to Renminbi on self-discretionary basis.

The Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a discretionary basis which applies to all enterprises registered in the PRC. The Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted Renminbi shall not be provided as loans to its non-affiliated entities.

### OVERVIEW OF THE LAWS AND REGULATIONS OF HONG KONG

The following summarizes the principal Hong Kong laws and regulations of Hong Kong relating to the operations of HK New Oriental. As this is a summary, it does not contain the detailed analysis of the Hong Kong laws which are relevant to our Group's business in Hong Kong.

#### **Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)**

Pursuant to section 5 of the Business Registration Ordinance, every person carrying on any business in Hong Kong shall obtain a business registration certificate. The business registration application shall be made within one month of the commencement of business.

Any person who fails to apply for business registration or display a valid business registration certificate at the place of business shall be guilty of an offence, and shall be liable to a fine of HK\$5,000 and imprisonment for one year.

#### **Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)**

The Inland Revenue Ordinance provides, amongst other things, that profits tax shall be charged on every person carrying on a trade, profession or business in Hong Kong in respect of his or her assessable profits arising in or derived from Hong Kong, which stands as of the Latest Practicable Date at 8.25% on assessable profits up to \$2,000,000 and 16.5% on any part of assessable profits over \$2,000,000 for corporate taxpayers. As our Group carries on businesses in Hong Kong, we are subject to the profits tax regime under the Inland Revenue Ordinance.

As stipulated by section 80(2) of the Inland Revenue Ordinance, a person commits an offence if he or she, without reasonable excuse, (i) makes an incorrect tax return by omitting or understating anything; (ii) makes an incorrect statement in connection with a claim for any tax deduction or allowance; or (iii) gives any incorrect information in

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relation to any matter or thing affecting his or her (or some other person's) tax liability. Such a person is liable on conviction to a fine of up to HK\$10,000 and a further fine of three times the amount of tax which has been undercharged as a consequence. However, no person shall be liable to any penalty under section 80 of the Inland Revenue Ordinance unless the complaint concerning such offence was made within six years of the year of assessment concerned.

### **Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)**

Under the Mandatory Provident Fund Schemes Ordinance, employers must take all practicable steps to ensure that their regular employees (except for certain exempt persons) aged between at least 18 but under 65 years of age and employed for 60 days or more becomes a member of a Mandatory Provident Fund ("MPF") scheme within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions into a registered MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK\$30,000 and HK\$7,100 per month, respectively, as of the Latest Practicable Date), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,500 as of the Latest Practicable Date. Employers will also be required to contribute an amount equivalent to 5% of an employee's relevant income to the MPF scheme, subject only to the maximum level of income (HK\$30,000 per month as of the Latest Practicable Date), i.e. with a ceiling of HK\$1,500 as of the Latest Practicable Date.

### **Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)**

The Employees' Compensation Ordinance establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under section 5 of the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. According to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the ECO and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). An employer who fails to comply with the ECO to secure an insurance cover is liable on conviction to a fine of HK\$100,000 and imprisonment for two years. According to section 48 of the Employees' Compensation Ordinance, an employer shall not, without the consent of the Commissioner for Labour, terminate, or give notice to terminate, the contract of service of an employee (who has suffered incapacity or temporary incapacity in circumstances which entitle him to compensation under the Employees' Compensation Ordinance) before occurrence of certain events. Any person who commits breach of this provision is liable on conviction to a maximum fine of HK\$100,000.

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### **Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)**

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate for every employee employed under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). With effect from 1 May 2019, the statutory minimum wage rate is raised from HK\$34.5 per hour to HK\$37.5 per hour. Concurrently, the monetary cap on the requirement of employers keeping records of the total number of hours worked by employees is also revised from HK\$14,100 per month to HK\$15,300 per month. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

### **Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong)**

The Occupiers Liability Ordinance regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of a premise to take reasonable care of the premise in all circumstances so as to ensure that his visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

### **Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)**

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by, among others:

- (i) providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- (ii) providing and maintaining safe access to and egress from the workplaces; and
- (iii) providing and maintaining a working environment that is safe and without risks to health.

Failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

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### **Employment Ordinance (Chapter 57 of the Laws of Hong Kong)**

The Employment Ordinance provides for, amongst other things, the protection of the wages of employees, to regulate general conditions of employment, and for matters connected therewith. Under section 25 of the Employment Ordinance, where a contract of employment is terminated, any sum due to the employee shall be paid to him as soon as it is practicable and in any case not later than seven days after the day of termination. Any employer who wilfully and without reasonable excuse contravenes section 25 of the Employment Ordinance commits an offence and is liable to a maximum fine of HK\$350,000 and to imprisonment for a maximum of three years. Further, under section 25A of the Employment Ordinance, if any wages or any sum referred to in section 25(2)(a) are not paid within seven days from the day on which they become due, the employer shall pay interest at a specified rate on the outstanding amount of wages or sum from the date on which such wages or sum become due up to the date of actual payment. Any employer who wilfully and without reasonable excuse contravenes section 25A of the Employment Ordinance commits an offence and is liable on conviction to a maximum fine of HK\$10,000.

### **REGULATIONS ON PRIVATE POSTSECONDARY EDUCATION IN THE STATE OF CALIFORNIA**

#### **California Private Postsecondary Education Act**

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

#### **Approval to Operate Private Postsecondary Educational Institution**

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

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

The applicable regulations provide that an institution must fulfill the minimum operating standards to reasonably ensure that: (i) the content of each education program can achieve its stated objective; (ii) the institution maintains specific written standards for student admissions for each education program and those standards are related to the particular education program; (iii) the facilities, instructional equipment, and materials are sufficient to enable students to achieve the education program’s goals; (iv) the institution maintains a withdrawal policy and provides refunds; (v) the directors, administrators, and faculty are properly qualified; (vi) the institution is financially sound and capable of fulfilling its commitments to students; (vii) that, upon satisfactory completion of an education program, the institution gives students a document signifying



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the degree or diploma awarded; (viii) adequate records and standard transcripts are maintained and are available to students; and (ix) the institution is maintained and operated in compliance with the California Private Postsecondary Education Act and all other applicable regulations and laws.

### *Approval for Approval to Operation for an Institution Non-Accredited*

Formal application can be made to BPPE for approval to operate for a private postsecondary educational non-accredited. Such application process generally consists of two stages of review: completeness review and compliance review. After submission of an application to BPPE by an educational institution together with the required documentation and fees, BPPE will review the completeness of the application. If the application is incomplete, the BPPE issue an intake review notice to the institution within 30 days requesting additional documents, upon the receipt of which the application will be deemed to be complete. After the BPPE is satisfied with the completeness of the application, the application will be reviewed by a licensing analyst of BPPE for compliance with statutes and regulations. During this stage of compliance review, BPPE will issue deficiency letter to the institution requesting items needed to comply with statutes and regulations. If all items on deficiency letter (if any) are submitted and compliant, if applicable, the application will then be submitted to the Quality of Education Unit (“QEU”) to review the education programs for compliance with statutes and regulations. Once the QEU has completed its review, and the institution has properly addressed all deficiencies, the application will be recommended for approval. Upon approval is granted by the BPPE, the institution will receive written notification that the application has been approved.

### *Approval by Means of Accreditation*

A person operating an institution that is accredited by an accrediting agency recognized by the United States Department of Education has the option to obtain an approval to operate from the BPPE by means of the institution’s accreditation by submitting an application for approval to operate an accredited institution. Such approval process is abbreviated from the standard approval to operate process (i.e. application for approval to operate for an institution non-accredited). This application process should only be used, however, when the applicant is seeking BPPE approval for exactly and only the institutional locations, educational program offerings and approval dates for which the institution has been accredited. The institution’s main, branch and satellite locations must be accredited to offer the same programs at each location, have the same term of accreditation, and have the same ownership structure.

### **Voluntary Non-Governmental Accreditation Process**

Accreditation is a voluntary non-governmental review process and an educational institution may apply to an accrediting body for accreditation. In the U.S., there are a limited number of national and regional accrediting bodies recognized by the U.S. Department of Education as reliable authorities concerning the quality of education or training offered by the educational institutions they accredit. For an educational institution, the eligibility criteria to become accredited depend on the specific rules as adopted by the relevant accrediting body.

The Accrediting Commission of Career Schools and Colleges (“ACCSC”) is a national accrediting agency recognized by the U.S. Department of Education for its accreditation of postsecondary, non-degree-granting institutions and degree-granting institutions in the U.S. The accreditation process for ACCSC primarily involves the following progressive stages: (i) determination of eligibility, (ii) attendance of a

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mandatory pre-accreditation workshop organized by ACCSC, (iii) application for initial accreditation within six months after the pre-accreditation workshop, (iv) on-site evaluation to be carried out by a team of experienced professionals at ACCSC, (v) team summary report to be issued by ACCSC summarizing its observations of the school and the subsequent filing of a response by the applicant, and (vi) grant of initial accreditation in case ACCSC concluded that its accreditation standards and requirements are met by the applicant. In order to meet the eligibility criteria set by ACCSC, an applicant must be a private postsecondary institution with trade, occupational, or career-oriented educational objectives. In order to be eligible, the applicant must also have been operating for two consecutive years prior to the application for accreditation (except for regularly scheduled breaks and vacation periods), and demonstrate that it commits to operate continuously thereafter. In general, an initial accreditation status will be granted to an educational institution for a maximum of five years based on its demonstrated ability to maintain continuous compliance with ACCSC's accrediting standards before renewal. According to ACCSC, it typically takes an applicant between 18 months and two years to complete the initial accreditation process.

The Western Association of Schools and Colleges, Accrediting Commission for Community and Junior Colleges ("ACCJC") is a regional accrediting agency recognized by the U.S. Secretary of Education for its accreditation of postsecondary institutions that offer two-year education programs and award the associate degree in (among other regions) California. The ACCJC focuses on community colleges, career and technical colleges, and junior colleges, through the creation and application of standards of accreditation and related policies, and through a process of review by higher education professionals and public members. The accreditation process for the ACCJC involves three progressive stages: (i) eligibility, (ii) candidacy, and (iii) initial accreditation. An educational institution will be granted eligibility after review by the ACCJC that the educational institution meets the eligibility requirements set by ACCJC. The Eligibility Review Committee of ACCJC will review the eligibility application and supporting documentation submitted by the institution and will then make the determination of eligibility. If the institution is determined to be eligible, the ACCJC will notify the institution in writing and develop a time frame for the institution's self-evaluation for candidacy. The ACCJC will also send a review team to visit the institution to review the its readiness for candidacy status. The ACCJC review team reviews the evidence submitted to verify how well the institution meets or exceeds the standards. Candidacy is a formal affiliation status granted to institutions that have successfully undergone an eligibility review, as well as a comprehensive evaluation process using the accreditation standards of ACCJC. Candidacy is granted to the institution when it demonstrates its ability to fully meet all the accreditation standards and policies of ACCJC within the two-year candidate period. Candidacy is awarded for a period of two years, during which time the institution may apply for initial accreditation. Initial accreditation will be awarded to an educational institution that has met the ACCJC's standards at a substantial level. The institution may request an additional two years in candidacy status but may not extend this status beyond a total of four years. If an institution fails to achieve initial accreditation after four years in candidacy status, it must wait for two years before submitting a new eligibility application to ACCJC and begin the process anew. When initial accreditation is granted, the institution is typically placed on a seven-year cycle for reaffirmation.

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## HISTORY AND CORPORATE STRUCTURE

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### OUR HISTORY AND DEVELOPMENT

We are currently engaged in the provision of vocational education and vocational training in China. As confirmed by our founders, Mr. Wu Junbao and Mr. Wu Wei, our history can be tracked back to 1988 when they, by using their personal funds, started to provide specialized vocational trainings in the PRC. In 1990s, we gradually focused on providing training on professional cuisine and hotel management, and started to provide training programs in relation to the emerging industry of computer and internet to seize market opportunities.

We have been developing since then and as at the Latest Practicable Date, we have expanded and developed our businesses primarily in the fields of culinary arts, auto services and computer software and information technology in China. The following illustrates our major development milestones and achievements in the 21st century:

<u>Year</u>	<u>Event</u>
2004	<ul style="list-style-type: none"><li>• In view of future expansion and regularization of our current businesses, we established Anhui Xinhua Education in order to consolidate all our Schools under a single entity.</li></ul>
2005	<ul style="list-style-type: none"><li>• Recognizing the extensive future growth of automotive services market in PRC, we started to offer automobile repair and maintenance training programs under our newly established Wontone Automotive Education brand.</li></ul>
2006	<ul style="list-style-type: none"><li>• Recognizing the extensive future growth in the use of computers and technology in PRC, we acquired Wisezone Data Technology Education to provide short-term practical information technology programs for college students and people at work.</li></ul>
2007	<ul style="list-style-type: none"><li>• The number of our Schools in operation reached 27.</li><li>• Anhui Xinhua Computer Institute obtained the ISO9001:2000 quality management system certification.</li><li>• Langjie Technology was recognized as a high-tech enterprise by the Beijing Municipal Science &amp; Technology Commission (北京市科學技術委員會) for a period of two years.</li><li>• Sichuan Xinhua Computer Institute* (四川新華電腦學院) was recognized as the National Demonstrative Base of National Information Technology (國家信息化全國示範基地) by the Ministry of Information Industry of the PRC.</li></ul>
2010	<ul style="list-style-type: none"><li>• Wontone Automotive Education was awarded “National Model Vocational Training Group in Automobile Industry” (全國汽車行業示範職教集團) by China Association of Automobile Culture* (中國汽車文化促進會) and China Auto Talents Training Project Committee* (中國汽車人才培養工程委員會).</li><li>• Langjie Technology obtained the ISO9001: 2008 quality management system certification for design, development and operation of schools for computer education.</li></ul>

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Year	Event
2012	<ul style="list-style-type: none"> <li>• The number of our Schools in operation reached 40.</li> <li>• Anhui Xinhua Computer Institute was appointed by the MHRSS to organize the “Developing Talent with New Skills for China New Project” (“國家新技能人才培養新項目”) and “Four New Talent Development Plan” (“四新人才培養計劃”).</li> </ul>
2013	<ul style="list-style-type: none"> <li>• New East Culinary Institute* (新東方烹飪專修學院) of Anhui Xinhua Education Development Co., Ltd. was elected as a standing council member of the China Hospitality Association* (中國飯店協會) in the first election of the fourth council meeting of the China Hospitality Association.</li> </ul>
2015	<ul style="list-style-type: none"> <li>• The number of our Schools in operation reached 71, and we expanded our business to Hong Kong.</li> <li>• Anhui Xinhua Education Development Co., Ltd. was elected as a council member of the sixth council meeting of the World China Culinary Joint Conference* (世界中國烹飪聯合會) by its sixth members’ representatives meeting for five years.</li> </ul>
2016	<ul style="list-style-type: none"> <li>• The number of our Schools in operation reached 90.</li> <li>• We founded Omick Education of Western Cuisine and Pastry to offer high-quality western-style catering education.</li> <li>• Shijiazhuang Xinhua Computer School* (石家莊新華電腦學校) was recognized as the “National Information Technology Talent Development Demonstration Training Unit” (“國家信息化人才培養示範培訓單位”) by the Computer Education Authorization and Certification Office* (信息化培訓認證管理辦公室).</li> <li>• Beijing Wisezone Education Technology Co., Ltd.* (北京華信智原教育科技有限公司) was recognized as a high-tech enterprise jointly by Beijing Municipal Science &amp; Technology Commission (北京市科學技術委員會), Beijing Finance Bureau* (北京市財政局), Beijing Municipal Tax Service of the State Administration of Taxation* (北京市國家稅務局) and Beijing Local Taxation Bureau* (北京市地方稅務局) for a period of three years.</li> </ul>
2017	<ul style="list-style-type: none"> <li>• The number of our Schools in operation reached 126.</li> <li>• We founded Cuisine Academy in 2017 with a view to providing customized catering experience to customers who are interested in cooking or plan to establish their own businesses in the catering industry.</li> </ul>

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## HISTORY AND CORPORATE STRUCTURE

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Year	Event
	<ul style="list-style-type: none"> <li>• Anhui Xinhua Education was recognized as a “National Demonstrative Training Base of National Catering Industry Talent” (“全國飯店業人才培訓示範基地”) by the China Hospitality Association* (中國飯店協會).</li> <li>• New East Culinary Education entered into a cooperation agreement with Johnson &amp; Wales University in the US for academic exchange and program collaboration.</li> <li>• Beijing Wisezone Education Technology Co., Ltd.* (北京華信智原教育科技有限公司) was recognized as the “China Big Data Talent Development Demonstration Base” (“中國大數據人才培養示範基地”) by the Computer Education Authorization and Certification Office* (信息化培訓認證管理辦公室)</li> <li>• Langjie Technology was recognized as a high-tech enterprise jointly by the Beijing Municipal Science &amp; Technology Commission, Beijing Finance Bureau, Beijing Municipal Tax Service of the State Administration of Taxation and Beijing Local Taxation Bureau for a period of three years.</li> <li>• Anhui Xinhua Education Development Co., Ltd. (as it then was) was named “Specially Invited Vice President Unit” (“特邀副會長單位”) for 26 months in the sixth council meeting of the China Cuisine Association* (中國烹飪協會).</li> </ul>
2018	<ul style="list-style-type: none"> <li>• Anhui Xinhua Education was named “Outstanding Contributor for Talent Development for the Culinary Industry in China for 40 Years of Reform and Opening Up” (“改革開放40年中國餐飲行業培養人才突出貢獻單位”) by the China Cuisine Association (中國烹飪協會) and “Merit Enterprise for the Culinary Industry in China for 40 Years of Reform and Opening Up” (“改革開放40周年全國餐飲業功勳企業”) by the China Hospitality Association (中國飯店協會).</li> <li>• The number of our Schools in operation reached 145 as of December 31, 2018, including 50 Schools under New East Culinary Education, 24 Schools under Xinhua Internet Technology Education, 26 Schools under Wontone Automotive Education, 23 Schools under Omick Education of Western Cuisine and Pastry and 22 Schools under Wisezone Data Technology Education.</li> <li>• The number of our companies under Cuisine Academy reached 18 as of December 31, 2018.</li> </ul>

## HISTORY AND CORPORATE STRUCTURE

### OUR MATERIAL PRC CONSOLIDATED AFFILIATED ENTITIES AND SUBSIDIARY

Set out below are details of eight PRC Consolidated Affiliated Entities and one PRC subsidiary which are material to the results or assets of our Group<sup>(1)</sup>. For a list of the 171 PRC Consolidated Affiliated Entities of our Group, see “Structured Contracts – Summary of the Material Terms of the Structured Contracts” in this prospectus.

No.	School/Company	Industry Segment/Brand	Date of establishment	Registered capital/ Capital as of the Latest Practicable Date (RMB)	Principal business activities as of the Latest Practicable Date
1.	Anhui Xinhua Education. . . . .	N/A	March 30, 2004	100,000,000	Education investment
2.	Anhui New East Culinary Institute (安徽新東方烹飪專修學院). . . . .	New East Culinary Education	March 2, 2006	40,000,000	Provision of culinary related educational services
3.	Chengdu New East Culinary Vocational Training School Co., Ltd. (成都新東方烹飪職業技能培訓學校有限公司). . . . .	New East Culinary Education	January 14, 2003	3,500,000	Provision of culinary related educational services
4.	Anhui Xinhua Computer Institute (安徽新華電腦專修學院). . . . .	Xinhua Internet Technology Education	December 28, 2004	5,000,000	Provision of internet technology related educational services
5.	Anhui Wontone Automobile Maintenance Institute (安徽萬通汽車專修學院). . . . .	Wontone Automotive Education	March 19, 2007	30,000,000	Provision of automobile related educational services
6.	Chengdu Wontone Automobile Vocational Training School Co., Ltd. (成都萬通汽車培訓職業技能學校有限公司). . . . .	Wontone Automotive Education	March 19, 2010	1,000,000	Provision of automobile related educational services
7.	Omick Western Pastry Training (Shanghai) Co., Ltd. (歐米奇西點培訓(上海)有限公司). . . . .	Omick Education of Western Cuisine and Pastry	September 21, 2015	1,000,000	Provision of western cuisine and pastry related educational services
8.	Beijing Wisezone Educational Technology Co., Ltd. (北京華信智原教育技術有限公司). . . . .	Wisezone Data Technology Education	November 1, 2005	2,550,000	Provision of data technology related educational services
9.	Shenzhen Cuisine East Institute Training Co., Ltd. (深圳美味東方學院培訓有限公司). . . . .	Cuisine Academy	August 21, 2017	500,000	Provision of cuisine classes and related educational services

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## HISTORY AND CORPORATE STRUCTURE

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*Note:*

- (1) Other than Nanjing School, Anhui Xinhua Education holds the entire interests of all of our other PRC Consolidated Affiliated Entities. See notes 2-5 to the corporate structure chart immediately prior to the commencement of the Corporate Reorganization under “— Corporate Reorganization” in this section for details. Our seven PRC Consolidated Affiliated Entities (excluding Anhui Xinhua Education) and one PRC subsidiary disclosed in this table are entities, that we consider to be material to the results of our Group, which (i) have substantially contributed to more than 25% of the revenue or profits in the respective industry segment or more than 5% of the revenue in our Group, during any year of the Track Record Period; and/or (ii) we consider to be significant in terms of the industry segment they belong to.

### 1. Anhui Xinhua Education

Anhui Xinhua Education was established on March 30, 2004 under the laws of the PRC with a registered capital of RMB10 million. Upon its establishment as Anhui Xinhua Education Development Co., Ltd.\* (安徽新華教育發展有限公司), it was owned as to 60.0% by Xinhua Investment, 20.0% by Mr. Wu Wei, and 20% by Mr. Xiao Guoqing. On October 24, 2005, Xinhua Investment transferred 30% of the shareholdings in Anhui Xinhua Education to Mr. Wu Wei and 30% to Mr. Xiao Guoqing, pursuant to an equity transfer agreement dated September 27, 2005, at a consideration of RMB3 million and RMB3 million, respectively. Such consideration was determined with reference to the registered capital. The registered capital of Anhui Xinhua Education then on October 24, 2005 was increased to RMB20 million and such increase was contributed by Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing as to 68%, 16% and 16%, respectively. Upon completion of the increase in the registered capital, Anhui Xinhua Education was owned as to 34% by Mr. Wu Junbao, 33% by Mr. Wu Wei, and 33% by Mr. Xiao Guoqing. On October 7, 2008, its registered capital was increased to RMB25 million and remained to be owned as to 34% by Mr. Wu Junbao, 33% by Mr. Wu Wei, and 33% by Mr. Xiao Guoqing. On November 11, 2008, its registered capital was increased to RMB40 million and remained to be owned as to 34% by Mr. Wu Junbao, 33% by Mr. Wu Wei, and 33% by Mr. Xiao Guoqing.

On September 9, 2009, Mr. Wu Junbao, pursuant to family interests arrangements, transferred his 34% of shareholdings in Anhui Xinhua Education to Zhou Jiaju (周家菊), the spouse of Mr. Wu Junbao, pursuant to an equity transfer agreement dated May 31, 2009, at a consideration of RMB13.6 million. Such consideration was determined with reference to the registered capital. On December 25, 2009, Zhou Jiaju transferred 30% of the shareholdings in Anhui Xinhua Education to Mr. Wu Junbao, and 4% to Wang Yongkai (王永凱), an employee of the Group at that time, pursuant to an equity transfer agreement dated October 18, 2009, at a consideration of RMB12 million and RMB1.6 million, respectively. Such considerations were determined with reference to the registered capital and corresponding creditors' rights and debt obligations attached thereto. Mr. Wu Wei and Mr. Xiao Guoqing then on December 25, 2009 transferred 12.5% and 13.5%, respectively, of the shareholdings to Wang Yongkai pursuant to the same equity transfer agreement dated October 18, 2009, at a consideration of RMB5 million and 5.4 million, respectively. Such consideration were determined with reference to the registered capital and corresponding creditors' rights and debt obligations attached thereto. Upon completion of such equity transfers, Anhui Xinhua Education became owned as to 30% by Mr. Wu Junbao, 30% by Wang Yongkai, 20.5% by Mr. Wu Wei, and 19.5% by Mr. Xiao Guoqing. The reason for said transfers of equity interests to Wang Yongkai was for administrative convenience as Wang Yongkai being staffed at the Group's headquarters could execute any share transfer documents upon instructions if there was a necessity.

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## HISTORY AND CORPORATE STRUCTURE

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On June 24, 2011, Wang Yongkai transferred 30% of the shareholdings in Anhui Xinhua Education to Mr. Wu Junbao pursuant to an equity transfer agreement dated June 10, 2011 at a consideration of RMB12 million. Such consideration was determined with reference to the registered capital and corresponding creditors' rights and debt obligations attached thereto. Upon completion of such transfers, Anhui Xinhua Education become owned as to 60% by Mr. Wu Junbao, 20.5% by Mr. Wu Wei, and 19.5% by Mr. Xiao Guoqing.

On December 14, 2015, the registered capital of Anhui Xinhua Education was further increased to RMB360 million and such increase was contributed by Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing as to 60%, 20.5% and 19.5%, respectively. Upon completion of the increase in the registered capital, Anhui Xinhua Education was owned as to 60% by Mr. Wu Junbao, 20.5% by Mr. Wu Wei, and 19.5% by Mr. Xiao Guoqing.

On July 21, 2016, in anticipation of a proposed employee incentive arrangement, pursuant to an equity transfer agreement dated July 17, 2016, Mr. Wu Junbao transferred 5% of the shareholdings in Anhui Xinhua Education to Le En Te and 5% to Dong Fang Qi at a consideration of RMB18 million and RMB18 million, respectively. Le En Te and Dong Fang Qi were the proposed employee shareholding vehicles both owned as to 99.999998% by Mr. Wu Junbao, 0.000001% by Mr. Wu Wei and 0.000001% by Mr. Xiao Guoqing. On the same date, Mr. Wu Junbao also transferred 5.8% to Mr. Wu Wei and 5.8% to Mr. Xiao Guoqing pursuant to the same equity transfer agreement dated July 17, 2016, at a consideration of RMB20.88 million and RMB20.88 million respectively. Such consideration were determined with reference to the registered capital and were fully paid up by July 21, 2016. Upon completion of such transfers, Anhui Xinhua Education became owned as to 38.4% by Mr. Wu Junbao, 26.3% by Mr. Wu Wei, 25.3% by Mr. Xiao Guoqing, 5% by Le En Te, and 5% by Dong Fang Qi.

On December 6, 2016, the company name of Anhui Xinhua Education Development Co., Ltd. was changed to Anhui Xinhua Education Co., Ltd.\* (安徽新華教育有限公司). On February 15, 2017, its company name was further changed to Anhui Xinhua Education Group Co., Ltd.\* (安徽新華教育集團有限公司), being its current name.

In September and November 2018, Anhui Xinhua Education underwent increase and reduction of registered capital, respectively, pursuant to the Corporate Reorganization. Please see “— Corporate Reorganization — 4. Changes in registered capital of Anhui Xinhua Education” in this section for details. As of the Latest Practicable Date, Anhui Xinhua Education was owned as to 42.6667%, 29.2222%, and 28.1111% by Mr. Wu Junbao, Mr. Wu Wei, and Mr. Xiao Guoqing, respectively.

### **2. Anhui New East Culinary Institute\* (安徽新東方烹飪專修學院)**

Anhui New East Culinary Institute\* (安徽新東方烹飪專修學院) is one of the material PRC Consolidated Affiliated Entities under New East Culinary Education. It was established on March 2, 2006 under the laws of the PRC with a capital of RMB1 million. Upon its establishment, its school sponsor's interest was wholly-owned by Huang Yuan (黃源), an employee of the Group at that time. The reason for Huang Yuan in the capacity as an employee to establish the School and to hold the entire school sponsor's interest was for administrative convenience as Huang Yuan being staffed at our Group's headquarters could execute any share transfer documents upon instructions if there was a necessity. On August 6, 2008, its capital was increased to RMB2 million and remained to be wholly-owned by Huang Yuan.



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## HISTORY AND CORPORATE STRUCTURE

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In September 2008, Huang Yuan transferred all of the school sponsor's interest to Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing as to 34%, 33% and 33%, respectively, pursuant to a school sponsor's interest transfer agreement at a consideration of RMB680,000, RMB660,000 and RMB660,000, respectively. Such consideration were determined with reference to the school sponsor's interest and were fully paid up on September 12, 2008. Its capital was then increased to RMB7 million which remained to be owned as to 34% by Mr. Wu Junbao, 33% by Mr. Wu Wei, and 33% by Mr. Xiao Guoqing. Such transfer of school sponsor's interest and increase of capital in September 2008 was completed and registered with the relevant local governmental authorities on November 10, 2009 and October 16, 2008, respectively. On April 20, 2009, its capital was increased to RMB20 million and remained to be owned as to 34% by Mr. Wu Junbao, 33% by Mr. Wu Wei, and 33% by Mr. Xiao Guoqing. On November 9, 2009, its capital was increased to RMB40 million and remained to be owned as to 34% by Mr. Wu Junbao, 33% by Mr. Wu Wei, and 33% by Mr. Xiao Guoqing.

On January 6, 2010, Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing transferred 4%, 12.5% and 13.5%, respectively, of the school sponsor's interest to Wang Yongkai, an employee of the Group at that time, pursuant to a school sponsor's interest transfer agreement, at a consideration of RMB1.6 million, RMB5 million and RMB5.4 million, respectively. Such consideration were determined with reference to the school sponsor's interest and corresponding creditors' rights and debt obligations attached thereto. Upon completion of such transfers, Anhui New East Culinary Institute became owned as to 30% by Mr. Wu Junbao, 20.5% by Mr. Wu Wei, 19.5% by Mr. Xiao Guoqing, and 30% by Wang Yongkai. The reason for said transfer of school sponsor's interests to Wang Yongkai was for administrative convenience as Wang Yongkai being staffed at our Group's headquarters could execute any share transfer documents upon instructions if there was a necessity.

On July 20, 2012, Wang Yongkai transferred 30% of the school sponsor's interest to Mr. Wu Junbao pursuant to a school sponsor's interest transfer agreement at a consideration of RMB12 million. Such consideration was determined with reference to the school sponsor's interest and were fully paid up on June 28, 2012. Upon completion of such transfer, Anhui New East Culinary Institute became owned as to 60% by Mr. Wu Junbao, 20.5% by Mr. Wu Wei, and 19.5% by Mr. Xiao Guoqing.

On December 15, 2015, Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing transferred 60%, 20.5% and 19.5%, respectively, of the shareholdings in Anhui New East Culinary Institute to Anhui Xinhua Education pursuant to a school sponsor's interest transfer agreement dated December 3, 2015, where Anhui Xinhua Education increased its registered capital for subscription by such three sellers as consideration. Such consideration were determined with reference to the school sponsor's interest and were fully paid up by December 3, 2015. Upon completion of such transfers and as of the Latest Practicable Date, Anhui New East Culinary Institute was wholly-owned by Anhui Xinhua Education.

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## HISTORY AND CORPORATE STRUCTURE

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### **3. Chengdu New East Culinary Vocational Training School Co., Ltd.\* (成都新東方烹飪職業技能培訓學校有限公司)**

Chengdu New East Culinary Vocational Training School Co., Ltd.\* (成都新東方烹飪職業技能培訓學校有限公司) is another material PRC Consolidated Affiliated Entity under New East Culinary Education. It was established on January 14, 2003 under the laws of the PRC with a capital of RMB50,000. Upon its establishment as Chengdu Jinjiang Culinary Training School\* (成都錦江烹飪培訓學校), its school sponsor's interest was wholly-owned by Wu Feng (吳峰), an employee of the Group at that time. The reason for Wu Feng in the capacity as an employee to establish the School and to hold the entire school sponsor's interest was for administrative convenience as Wu Feng being staffed at our Group's headquarters could execute any share transfer documents upon instructions if there was a necessity. On July 6, 2004, the name of Chengdu Jinjiang Culinary Training School was changed to Chengdu New East Culinary School\* (成都新東方烹飪學校).

On December 30, 2008, Anhui New East Culinary Institute had contributed the entire school sponsor's interest of Chengdu New East Culinary School of RMB500,000, and such contribution was duly registered with the relevant government authority. On the same date, Anhui New East Culinary Institute was registered as the school sponsor of Chengdu New East Culinary School.

On November 18, 2009 the capital of Chengdu New East Culinary School was further increased to RMB3.5 million. On December 14, 2018, Chengdu New East Culinary School was registered as a for-profit private school and was renamed Chengdu New East Culinary Vocational Training School Co., Ltd.\* (成都新東方烹飪職業技能培訓學校有限公司). Upon completion of such registration and as of the Latest Practicable Date, Chengdu New East Culinary Vocational Training School Co., Ltd. remained to be wholly-owned by Anhui New East Culinary Institute.

### **4. Anhui Xinhua Computer Institute\* (安徽新華電腦專修學院)**

Anhui Xinhua Computer Institute\* (安徽新華電腦專修學院) is one of the material PRC Consolidated Affiliated Entities under Xinhua Internet Technology Education. It was established on December 28, 2004 under the laws of the PRC with a capital of RMB2 million. Upon its establishment, its school sponsor's interest was wholly-owned by Xinhua Investment.

On May 12, 2006, Xinhua Investment transferred all of the school sponsor's interest to Anhui Xinhua Education pursuant to a school sponsor's interest agreement dated November 11, 2005, at a consideration of RMB2 million. Such consideration was determined with reference to the registered capital and corresponding creditors' rights and debt obligations attached thereto. Upon completion of such transfer, Anhui Xinhua Computer Institute was owned as to 100% by Anhui Xinhua Education. Its capital was then on May 12, 2006 increased to RMB5 million. Upon the completion of the increase in capital and as of the Latest Practicable Date, it remained to be wholly-owned by Anhui Xinhua Education.

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## HISTORY AND CORPORATE STRUCTURE

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### 5. Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院)

Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院) (“Anhui Wontone”) is one of the material PRC Consolidated Affiliated Entities under Wontone Automotive Education. It was established on March 19, 2007 under the laws of the PRC with a capital of RMB1 million. Upon its establishment, its school sponsor’s interest was wholly-owned by Shu Congshuang (束從雙), an employee of the Group at that time. The reason for Shu Congshuang in his capacity as an employee to establish the School and to hold the entire school sponsor’s interest was for administrative convenience as Shu Congshuang being staffed at our Group’s headquarters could execute any share transfer documents upon instructions if there was a necessity. On July 20, 2008, its registered capital was increased to RMB2 million which remained to be wholly-owned by Shu Congshuang. On October 8, 2008, its registered capital was increased to RMB7 million which remained to be wholly-owned by Shu Congshuang.

On July 24, 2009, Shu Congshuang transferred 34%, 33% and 33% of the school sponsor’s interest to Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing, respectively, pursuant to a school sponsor’s interest transfer agreement dated May 26, 2009, at a consideration of RMB2.38 million, RMB2.31 million and RMB2.31 million, respectively. Such consideration were determined with reference to the school sponsor’s interest and were fully paid up by May 27, 2009. Its capital was then on July 24, 2009 increased to RMB10 million which remained to be owned as to 34%, 33% and 33% by Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing, respectively. On September 24, 2009, its capital was increased to RMB30 million which remained to be owned as to 34%, 33% and 33% by Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing, respectively.

On January 6, 2010, Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing transferred 4%, 12.5% and 13.5%, respectively, of the school’s sponsor interest to Wang Yongkai, an employee of the Group at that time, pursuant to a school sponsor’s interest transfer agreement dated October 18, 2009, at a consideration of RMB1.2 million, RMB3.75 million and RMB4.05 million, respectively. Such consideration were determined with reference to the school sponsor’s interests and corresponding creditors’ rights and debt obligations attached thereto. Upon completion of such transfers, Anhui Wontone became owned as to 30% by Mr. Wu Junbao, 20.5% by Mr. Wu Wei, 19.5% by Mr. Xiao Guoqing, and 30% by Wang Yongkai. The reason for such transfer of school sponsor’s interests to Wang Yongkai was for administrative convenience as Wang Yongkai being staffed at our Group’s headquarters could execute any share transfer documents upon instructions if there was a necessity.

On July 20, 2012, Wang Yongkai transferred 30% of the school sponsor’s interests to Mr. Wu Junbao pursuant to a school sponsor’s interest transfer agreement dated June 28, 2012, at a consideration of RMB9 million. Such consideration was determined with reference to the school sponsor’s interests and corresponding creditors’ rights and debt obligations attached thereto and was fully paid up by June 28, 2012. Upon completion of such transfer, Anhui Wontone became owned as to 60% by Mr. Wu Junbao, 20.5% by Mr. Wu Wei, and 19.5% by Mr. Xiao Guoqing.

On December 15, 2015, Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing transferred 60%, 20.5% and 19.5%, respectively, of the school sponsor’s interest to Anhui Xinhua Education pursuant to a school sponsor’s interest transfer agreement dated December 3, 2015, where Anhui Xinhua Education increased its registered capital for subscription by such three sellers as consideration. Such consideration were determined with reference to the school sponsor’s interest and corresponding creditors’ rights and debt obligations attached thereto and were fully paid up by December 3, 2015. Upon completion of such transfers and as of the Latest Practicable Date, Anhui Wontone was wholly-owned by Anhui Xinhua Education.

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## HISTORY AND CORPORATE STRUCTURE

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### 6. Chengdu Wontone Automobile Vocational Training School Co., Ltd.\* (成都萬通汽車培訓職業技能學校有限公司)

Chengdu Wontone Automobile Vocational Training School Co., Ltd.\* (成都萬通汽車培訓職業技能學校有限公司) is another material PRC Consolidated Affiliated Entity under Wontone Automotive Education. It was established on March 19, 2010 under the laws of the PRC with a capital of RMB500,000. Upon its establishment as Sichuan Wontone Automobile Vocational Training Institute\* (四川萬通汽車職業培訓學院), its school sponsor's interest was wholly-owned by Anhui Wontone. On June 9, 2015, its capital was increased to RMB1 million. On December 26, 2018, it was registered as a for-profit private school and was renamed Chengdu Wontone Automobile Vocational Training School Co., Ltd.\* (成都萬通汽車培訓職業技能學校有限公司), and as of the Latest Practicable Date, it remained to be wholly-owned by Anhui Wontone.

### 7. Omick Western Pastry Training (Shanghai) Co., Ltd.\* (歐米奇西點培訓(上海)有限公司)

Omick Western Pastry Training (Shanghai) Co., Ltd.\* (歐米奇西點培訓(上海)有限公司) is one of the material PRC Consolidated Affiliated Entities under Omick Education of Western Cuisine and Pastry. It was established as a limited liability company on September 21, 2015 under the laws of the PRC with a registered capital of RMB1 million and since then until the Latest Practicable Date it has been wholly-owned by Anhui New East Culinary Institute.

### 8. Beijing Wisezone Educational Technology Co., Ltd.\* (北京華信智原教育技術有限公司)

Beijing Wisezone Educational Technology Co., Ltd.\* (北京華信智原教育技術有限公司) is one of the material PRC Consolidated Affiliated Entities under Wisezone Data Technology Education. It was established as a limited liability company on November 1, 2005 under the laws of the PRC with a registered capital of RMB300,000. Upon its establishment, its shareholding was owned as to 80% by Tan Lutao (譚魯濤), an Independent Third Party; 10% by Meng Lei (孟蕾), an Independent Third Party; and 10% by Beijing Huacheng Xinneng Electrical Engineering Technology Co., Ltd.\* (北京華誠欣能電力工程技術有限公司), an Independent Third Party.

On February 20, 2006, Meng Lei and Beijing Huacheng Xinneng Electrical Engineering Technology Co., Ltd. transferred 10% and 10%, respectively, of the shareholdings in Beijing Wisezone Education Technology Co., Ltd. to Tan Lutao pursuant to each of their respective equity transfer agreements both dated February 10, 2006, each at a consideration of RMB30,000. Such consideration were determined with reference to the registered capital and were fully paid up by February 16, 2006. In view of future expansion of the Group and increasing demand for information technology related services in the society, Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing each then on February 20, 2006 made a capital contribution of RMB637,500 into Beijing Wisezone Education Technology Co., Ltd. Its registered capital was thus increased to RMB2.55 million which became owned as to 25%, 25%, 25% and 25% by Mr. Wu Junbao, Mr. Wu Wei, Mr. Xiao Guoqing, and Tan Lutao, respectively.

On June 2, 2015, Mr. Wu Junbao, Mr. Wu Wei, Mr. Xiao Guoqing, and Tan Lutao transferred each of their respective interests to Anhui Xinhua Education Development Co., Ltd. pursuant to each of their respective equity transfer agreements all dated January 20, 2015, each at a consideration of RMB650,000. Such consideration were determined with reference to, among others, the registered capital. Upon completion of such transfers and as of the Latest Practicable Date, Beijing Wisezone Education Technology Co., Ltd. was wholly-owned by Anhui Xinhua Education Development Co., Ltd., whose name was changed to Anhui Xinhua Education on February 15, 2017.

## HISTORY AND CORPORATE STRUCTURE

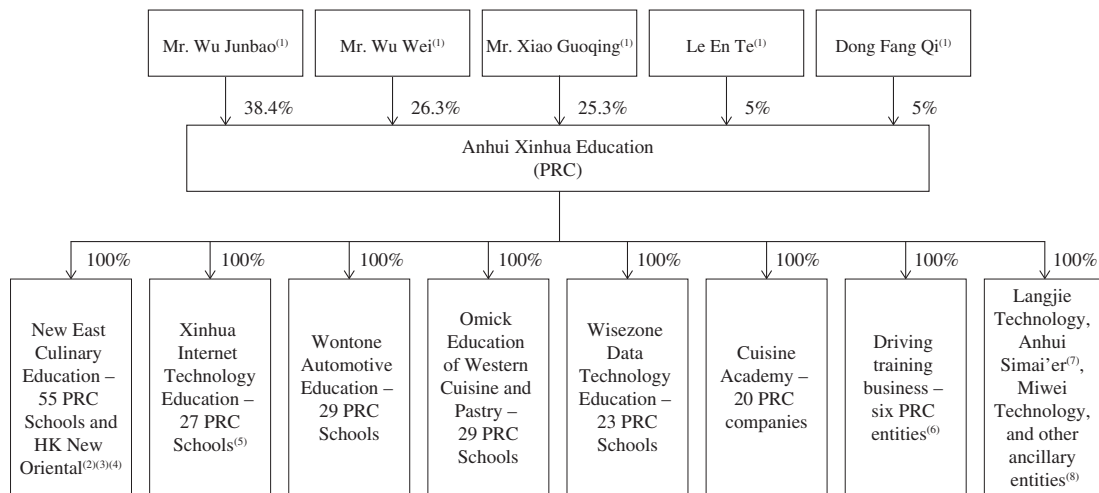
### 9. Shenzhen Cuisine East Institute Training Co., Ltd.\* (深圳美味東方學院培訓有限公司)

Shenzhen Cuisine East Institute Training Co., Ltd.\* (深圳美味東方學院培訓有限公司) is one of our material subsidiaries under Cuisine Academy. It was established as a limited liability company on August 21, 2017 under the laws of the PRC with a registered capital of RMB500,000 and was wholly-owned by Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) (“Xinhua East Investment”) until September 26, 2018. Since its incorporation on November 6, 2016 and up to the Latest Practicable Date, Xinhua East Investment has been wholly-owned by Anhui Xinhua Education.

On September 27, 2018, Xinhua East Investment transferred the entire shareholdings in Shenzhen Cuisine East Institute Training Co., Ltd. to Xinhua Chuangzhi, pursuant to an equity transfer agreement dated September 27, 2018, at a consideration of RMB500,000. Such consideration was determined with reference to the registered capital. Upon completion of said transfer and as of the Latest Practicable Date, Shenzhen Cuisine East Institute Training Co., Ltd. was wholly-owned by Xinhua Chuangzhi.

### CORPORATE REORGANIZATION

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



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*Notes:*

- (1) Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing are cousins. Mr. Wu Junbao is a general partner and Mr. Wu Wei and Mr. Xiao Guoqing are limited partners of Le En Te, which is owned as to 99.999998% by Mr. Wu Junbao, 0.000001% by Mr. Wu Wei and 0.000001% by Mr. Xiao Guoqing. Mr. Wu Junbao is a general partner and Mr. Wu Wei and Mr. Xiao Guoqing are limited partners of Dong Fang Qi, which is owned as to 99.999998% by Mr. Wu Junbao, 0.000001% by Mr. Wu Wei and 0.000001% by Mr. Xiao Guoqing.
- (2) The articles of association of Nanjing School currently provides that its school sponsors are Mr. Xiao Guoqing (肖國慶) and Mr. Ge Xiaoliang (葛孝良), a headmaster of one of our PRC Consolidated Affiliated Entities. Nanjing School has applied to the relevant local authorities of MHRSS and civil affairs authorities to change its school sponsors or amend the articles of association to reflect such change but has yet to obtain the relevant approvals. In this circumstance, Xinhua Chuangzhi will enter into various agreements that constitute Structured Contracts II (as disclosed in the section headed “Structured Contracts”) with Mr. Xiao Guoqing and Mr. Ge Xiaoliang under which all economic benefits arising from the business of Nanjing School will be transferred to Xinhua Chuangzhi by means of services fees payable by Nanjing School to Xinhua Chuangzhi.
- (3) The amendment to the articles of association of Shanghai Fengxian School to reflect the change of school sponsor(s) to Anhui New East Culinary Institute has not been approved by the relevant local branch of the civil affairs authorities. However, our PRC Legal Advisors is of the view that the legal rights and interests of our Group as the school sponsor of Shanghai Fengxian School is not affected. See “Structured Contracts – Operation of Structured Contracts – School sponsors’ interest of three PRC Consolidated Affiliated Entities” for further details.
- (4) The amendment to the articles of association of Jiangsu School to reflect the change of school sponsor(s) to Anhui New East Culinary Institute has not been approved by the relevant local branch of the civil affairs authorities. However, our PRC Legal Advisors is of the view that the legal rights and interests of our Group as the school sponsor of Jiangsu School is not affected. See “Structured Contracts – Operation of Structured Contracts – School sponsors’ interest of three PRC Consolidated Affiliated Entities” for further details.
- (5) The amendment to the articles of association of Nanjing Institute to reflect the change of school sponsor(s) to Anhui Xinhua Education Development Co., Ltd. has not been approved by the relevant local branch of the civil affairs authorities. However, our PRC Legal Advisors is of the view that the legal rights and interests of our Group as the school sponsor of Nanjing Institute is not affected. See “Structured Contracts – Operation of Structured Contracts – School sponsors’ interest of three PRC Consolidated Affiliated Entities” for further details.
- (6) To be disposed of pursuant to Corporate Reorganization.
- (7) Anhui Simai'er is indirectly held by Anhui Xinhua Education as it is a direct wholly-owned subsidiary of Langjie Technology.
- (8) Other ancillary entities include eight entities to be deregistered pursuant to the Corporate Reorganization and five PRC Consolidated Affiliated Entities which provide administrative functions by currently acting (or in future to act) as school sponsors or shareholders of our Schools (where applicable). See “Structured Contracts – Summary of the Material Terms of the Structured Contracts” in this prospectus for a complete list of PRC Consolidated Affiliated Entities.

## HISTORY AND CORPORATE STRUCTURE

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

### 1. Establishment of Xinhua Chuangzhi

Xinhua Chuangzhi was established in the PRC on August 28, 2018 as a limited liability company with a registered capital of RMB500,000 and was wholly-owned by Anhui Xinhua Education. Xinhua Chuangzhi is principally engaged in the provision of technical and management consultancy services to our PRC Consolidated Affiliated Entities.

### 2. Ensuring contractual arrangements to be narrowly tailored to address specific businesses

#### *Langjie Technology and Anhui Simai'er*

Langjie Technology is primarily engaged in technology development, consulting, promotion and services. Anhui Simai'er is a directly wholly-owned subsidiary of Langjie Technology which is primarily engaged in the provision of catering services and sale of foodstuffs. As confirmed by our PRC Legal Advisors, such businesses do not fall within the Negative List and thus are permitted to be foreign-invested.

#### *Cuisine Academy and HK New Oriental*

The 20 PRC companies under Cuisine Academy are engaged in provision of customized catering experience services. Such services concern personal interests and hobbies cultivation only. As confirmed by our PRC Legal Advisors, according to the interviews with the MHRSS and the MOE in September 2018, such services do not belong to vocational training that are subject to the Sino-Foreign Regulation as they are not subject to the jurisdiction of the MOE or the MHRSS. HK New Oriental is a Hong Kong entity which is not subject to the Negative List.

With the view to having the contractual arrangements narrowly tailored to address only businesses restricted from foreign investment or Sino-foreign cooperation under relevant PRC laws and regulations, Xinhua Chuangzhi acquired Langjie Technology, Anhui Simai'er<sup>(1)</sup>, and the 20 PRC companies under Cuisine Academy, and China East BVI acquired HK New Oriental. Set out below are details of the acquisition transactions.

No.	School/Company	Seller	Purchaser	Date of Agreement	Consideration (RMB)	Date of Completion <sup>(3)</sup>
1.	Langjie Technology . . . . .	Anhui Xinhua Education	Xinhua Chuangzhi	September 5, 2018	20,000,000	September 29, 2018
2.	Beijing Cuisine East Education Technology Co., Ltd.* (北京美味東方教育科技有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 11, 2018	500,000	September 29, 2018
3.	Guangzhou Cuisine Classroom Training Co., Ltd.* (廣州美味課堂培訓有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	October 10, 2018	500,000	October 16, 2018
4.	Guizhou Cuisine Academy Education & Training Co., Ltd.* (貴州美味學院教育培訓有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	October 8, 2018	500,000	October 12, 2018

## HISTORY AND CORPORATE STRUCTURE

No.	School/Company	Seller	Purchaser	Date of Agreement	Consideration (RMB)	Date of Completion <sup>(3)</sup>
5.	Hangzhou Cuisine Consultancy Service Co., Ltd.* (杭州美味諮詢服務有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 5, 2018	500,000	September 28, 2018
6.	Hefei Cuisine Classroom Education Consultancy Co., Ltd.* (合肥美味課堂教育諮詢有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	October 11, 2018	500,000	October 16, 2018
7.	Henan Cuisine Academy Education Consultancy Co., Ltd.* (河南美味學院教育諮詢有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 27, 2018	1,000,000	September 27, 2018
8.	Hubei Cuisine Academy Training Co., Ltd.* (湖北美味學院培訓有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 5, 2018	2,000,000	September 26, 2018
9.	Jilin Province Cuisine Classroom Vocational Skills Consultancy Co., Ltd.* (吉林省美味課堂職業技能諮詢有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 25, 2018	2,000,000	October 12, 2018
10.	Jinan Cuisine Classroom Catering Management Consultancy Co., Ltd.* (濟南美味課堂餐飲管理諮詢有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 30, 2018	500,000	October 2, 2018
11.	Kunming Cuisine Education Information Consultancy Co., Ltd.* (昆明美味教育信息諮詢有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	October 23, 2018	1,000,000	October 25, 2018
12.	Lanzhou Cuisine Academy Educational Consultancy Co., Ltd.* (蘭州美味學院教育諮詢有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 26, 2018	500,000	September 28, 2018
13.	Nanjing Tasty Culinary Training Co., Ltd.* (南京味美廚藝培訓有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 27, 2018	500,000	September 27, 2018
14.	Qingdao Cuisine Classroom Education Consultancy Co., Ltd.* (青島美味課堂教育諮詢有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 29, 2018	500,000	September 29, 2018
15.	Xiamen Cuisine East Education Co., Ltd.* (廈門美味東方教育有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 28, 2018	500,000	October 9, 2018
16.	Shenzhen Cuisine East Academy Training Co., Ltd.* (深圳美味東方學院培訓有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 27, 2018	500,000	October 8, 2018



## HISTORY AND CORPORATE STRUCTURE

No.	School/Company	Seller	Purchaser	Date of Agreement	Consideration (RMB)	Date of Completion <sup>(3)</sup>
17.	Tianjin Cuisine Education Technology Co., Ltd.* (天津美味教育科技有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 14, 2018	500,000	September 28, 2018
18.	Xi'an Cuisine East Catering Management Co., Ltd.* (西安美味東方餐飲管理有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 28, 2018	500,000	September 29, 2018
19.	Shenyang Cuisine Classroom Education Enterprise Management Co., Ltd.* (沈陽美味學院課堂教育企業管理有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 5, 2018	500,000	September 30, 2018
20.	Dalian Cuisine East Educational Technology Co., Ltd.* (大連美味東方教育科技有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 5, 2018	500,000	September 26, 2018
21.	HK New Oriental . . . . .	Anhui Xinhua Education	China East BVI	N/A <sup>(4)</sup>	444,000 (equivalent to HK\$500,000)	October 29, 2018

**Notes:**

- (1) As Anhui Simai'er is directly wholly-owned by Langjie Technology, it was indirectly acquired by Xinhua Chuangzhi.
- (2) Xinhua East Investment is directly wholly-owned by Anhui Xinhua Education.
- (3) For PRC entities, date of completion is the date of business license which is obtained after due registration with the relevant local government authorities, while for Hong Kong entities, date of completion is the date when stamp duty has been duly paid.
- (4) There is no share purchase agreement for the transfer of HK New Oriental.

## HISTORY AND CORPORATE STRUCTURE

### 3. Disposal of equity interests or school sponsor's interests in subsidiaries engaged in non-core businesses

Prior to the Corporate Reorganization, we had owned six entities that provided training courses for driving examinations. We also owned Miwei Technology which provided online courses and support through mobile applications. With a view to focusing on our core competencies in our principal businesses, streamlining our group structure and simplifying our businesses and brand portfolio, the following subsidiaries were disposed of and set out below are details of the disposals:

No.	Disposed entity	Seller	Buyer	Amount and basis of consideration	Date of completion <sup>(4)</sup>	Date of settlement	Principal business activities
1	Hefei Yuxing Automobile Driver Training Co., Ltd.* (合肥宇星機動車駕駛員培訓有限公司) ("Hefei Yuxing") . . .	Anhui Wontone (100%)	Xinhua Investment <sup>(1)</sup> (41.8%), Anhui Xinhua Real Estate Co., Ltd.* (安徽新華房地產有限公司) <sup>(2)</sup> ("Anhui Xinhua Real Estate") (29.6%), and Anhui Huadi Rongxin Real Estate Co., Ltd.* (安徽華地融信房地產有限公司) <sup>(3)</sup> ("Huadi Rongxin") (28.6%)	RMB4,180, RMB2,960 and RMB2,860, respectively, which was determined after negotiations between the parties and taking into account the net liabilities position of Hefei Yuxing	November 15, 2018	October 26, 2018	Provision of driving training educational services
2	Hefei Xin'an Automobile Driver Training School* (合肥新安機動車駕駛員培訓學校) ("Hefei Xin'an"). . . .	Anhui Wontone (100%)	Xinhua Investment <sup>(1)</sup> (41.8%), Anhui Xinhua Real Estate <sup>(2)</sup> (29.6%), and Huadi Rongxin <sup>(3)</sup> (28.6%)	RMB4,180, RMB2,960 and RMB2,860, respectively, which was determined after negotiations between the parties and taking into account the net liabilities position of Hefei Xin'an	March 7, 2019	October 26, 2018	Provision of driving training educational services
3	Nanjing Yuxing Driver Training Co., Ltd.* (南京宇星駕駛員培訓有限公司) ("Nanjing Yuxing") . . .	Anhui Wontone (100%)	Mr. Hou Xiaoming (侯曉明) and Mr. Zhang Zijun (張子軍), each of them an Independent Third Party	Collectively RMB1 million which was determined after arm's lengths negotiations between the parties and taking into account the net liabilities position of Nanjing Yuxing	October 31, 2018	September 28, 2018	Provision of driving training educational services
4	Xi'an City Yuxing Driver Training Co., Ltd.* (西安市宇星駕駛員培訓有限公司) ("Xi'an Yuxing") . . .	Anhui Wontone (100%)	Xinhua Investment <sup>(1)</sup> (41.8%), Anhui Xinhua Real Estate <sup>(2)</sup> (29.6%), and Huadi Rongxin <sup>(3)</sup> (28.6%)	RMB4,180, RMB2,960 and RMB2,860, respectively, which was determined after negotiations between the parties and taking into account the net liabilities position of Xi'an Yuxing	November 19, 2018	October 26, 2018	Provision of driving training educational services

## HISTORY AND CORPORATE STRUCTURE

No.	Disposed entity	Seller	Buyer	Amount and basis of consideration	Date of completion <sup>(4)</sup>	Date of settlement	Principal business activities
5	Chongqing Yuxing Xincheng Automobile Driving Training Co., Ltd.* (重慶宇星新城汽車駕駛培訓有限公司) (“Chongqing Yuxing”).	Anhui Wontone (100%)	Xinhua Investment <sup>(1)</sup> (41.8%), Anhui Xinhua Real Estate <sup>(2)</sup> (29.6%), and Huadi Rongxin <sup>(3)</sup> (28.6%)	RMB4,180, RMB2,960 and RMB2,860, respectively, which was determined after negotiations between the parties and taking into account the net liabilities position of Chongqing Yuxing	November 27, 2018	October 26, 2018	Provision of driving training educational services
6	Changsha City Yuxing Automobile Driver Training Co., Ltd.* (長沙市宇星機動車駕駛員培訓有限公司) (“Changsha Yuxing”).	Hunan Wontone Automobile Vocational Training School* (湖南萬通汽車職業培訓學校) (100%)	Xinhua Investment <sup>(1)</sup> (41.8%), Anhui Xinhua Real Estate <sup>(2)</sup> (29.6%), and Huadi Rongxin <sup>(3)</sup> (28.6%)	RMB4,180, RMB2,960 and RMB2,860, respectively, which was determined after negotiations between the parties and taking into account the net liabilities position of Changsha Yuxing	November 22, 2018	October 26, 2018	Provision of driving training educational services
7	Miwei Technology . . .	Xinhua East Investment (100%)	Mr. Wu Junbao (41.8%), Mr. Wu Wei (29.6%) and Mr. Xiao Guoqing (28.6%)	RMB418,000, RMB296,000 and RMB286,000, respectively, which was determined after negotiations between the parties by reference to the registered share capital	November 28, 2018	October 26, 2018	Technology consulting and services; production of arts & culture; products design

**Notes:**

- (1) Xinhua Investment is owned as to 99% by Mr. Wu Junbao and as to 1% by Mr. Wu Di, the son of Mr. Wu Junbao.
- (2) Anhui Xinhua Real Estate is wholly-owned by Anhui Xinhua Development Group Co., Ltd.\* (安徽新華發展集團有限公司) (“Anhui Xinhua Development”). Anhui Xinhua Development is owned as to 95% by Mr. Wu Wei and as to 5% by Ms. Cheng Jing (程靜), the spouse of Mr. Wu Wei.
- (3) Huadi Rongxin is owned as to 98% by Anhui Huadi Real Estate Co., Ltd.\* (安徽華地房地產有限公司) (“Huadi Real Estate”) and as to 2% by Anhui Xinhua Holdings Group Investment Co., Ltd.\* (安徽新華控股集團投資有限公司) (“Anhui Xinhua Holdings”). Huadi Real Estate is wholly owned by Anhui Xinhua Holdings. Anhui Xinhua Holdings is owned as to 50% by Mr. Xiao Guoqing and as to 50% by Anhui Zhongan International Investment Management Co., Ltd.\* (安徽中安國際投資管理有限公司) (“Anhui Zhongan”). Anhui Zhongan is owned as to 99% by Mr. Xiao Guoqing and as to 1% by Mr. Wu Jincheng (吳金城), the son of Mr. Xiao Guoqing.
- (4) Date of completion is the date of business license or registration certificate of private non-enterprise entities which is obtained after due registration with the relevant local government authorities.

## HISTORY AND CORPORATE STRUCTURE

### 4. Changes in registered capital of Anhui Xinhua Education

As part of its internal shareholding restructuring, on September 18, 2018, Anhui Xinhua Education increased its registered capital to RMB501.94 million from RMB360 million. On November 13, 2018, in light of the proposed Listing and a change in the proposed employee incentive arrangement, Anhui Xinhua Education reduced its registered capital to RMB100 million by RMB401.94 million comprised of the previous capital contribution from Mr. Wu Junbao as to approximately RMB150.1 million, Mr. Wu Wei as to approximately RMB102.8 million, Mr. Xiao Guoqing as to approximately RMB98.9 million, Le En Te as to approximately RMB25.1 million and Dong Fang Qi as to approximately RMB25.1 million. Upon completion of said reduction, the then proposed employee shareholding vehicles, Le En Te and Dong Fang Qi, ceased to be shareholders of Anhui Xinhua Education. Upon completion of said reduction, Anhui Xinhua Education became owned as to 42.6667%, 29.2222%, and 28.1111% by Mr. Wu Junbao, Mr. Wu Wei, Mr. Xiao Guoqing, respectively. As confirmed by the PRC Legal Advisors, the reduction of registered capital was completed in accordance with the procedures under the articles of Anhui Xinhua Education.

### 5. Deregistration of eight entities

With a view to focusing on our core competencies, streamlining our group structure and simplifying our businesses and brand portfolio, we have deregistered eight entities. The table below shows the details of such companies or Schools and their deregistration:

No.	Deregistered Entity	Registered capital/Capital (RMB) immediately before deregistration by our Group	Shareholding structure immediately before deregistration by our Group	Date of deregistration
1	Anhui Simai'er Catering Co., Ltd. Fulaijia First Supermarket Branch* (安徽思麥爾餐飲有限公司福來佳第一超市分公司) . . . . .	N/A	N/A	August 22, 2018
2	Anhui Simai'er Catering Co., Ltd. Fulaijia Second Supermarket Branch* (安徽思麥爾餐飲有限公司福來佳第二超市分公司) . . . . .	N/A	N/A	August 22, 2018
3	Anhui Simai'er Catering Co., Ltd. Fulaijia Third Supermarket Branch* (安徽思麥爾餐飲有限公司福來佳第三超市分公司) . . . . .	N/A	N/A	August 15, 2018
4	Anhui Simai'er Catering Co., Ltd. Fulaijia Fourth Supermarket Branch* (安徽思麥爾餐飲有限公司福來佳第四超市分公司) . . . . .	N/A	N/A	August 15, 2018

## HISTORY AND CORPORATE STRUCTURE

No.	Deregistered Entity	Registered capital/Capital (RMB) immediately before deregistration by our Group	Shareholding structure immediately before deregistration by our Group	Date of deregistration
5	Beijing Daxing Omick Culinary Vocational Technical Training School* (北京市大興區歐米奇烹飪職業技能培訓學校) . . . . .	500,000	Beijing New East Culinary Vocational Skills Training School* (北京市新東方烹飪職業技能培訓學校) (100%)	August 2, 2018
6	Jiangxi New East Gourmet Culinary Training Co., Ltd.* (江西省新東方美食烹飪培訓有限公司) . . . . .	2,000,000	Anhui Xinhua Education (99%) and Mr. Xu Shaobing (1%)	November 14, 2018
7	Beijing Wisezone Educational Technology Co., Ltd. Haidian Technology Branch* (北京華信智原教育技術有限公司海澱科技分公司) . . . . .	N/A	N/A	November 27, 2018
8	Jinan Tianqiao Xinhua Jinbang Training School Co., Ltd.* (濟南市天橋區新華金榜培訓學校有限公司) . . . . .	100,000	Xinhua East Investment (100%)	February 28, 2019

### 6. Incorporation of Wu Junbao Education

Wu Junbao Education, an investment holding company for Mr. Wu Junbao, was incorporated as a limited liability company under the laws of the BVI on September 12, 2018 and authorized to issue a maximum of 50,000 shares without par value. On the same day, one share of Wu Junbao Education was issued and allotted to Mr. Wu Junbao for US\$1.00.

### 7. Incorporation of Wu Wei Education

Wu Wei Education, an investment holding company for Mr. Wu Wei, was incorporated as a limited liability company under the laws of the BVI on September 12, 2018 and authorized to issue a maximum of 50,000 shares without par value. On the same day, one share of Wu Wei Education was issued and allotted to Mr. Wu Wei for US\$1.00.

### 8. Incorporation of Xiao Guoqing Education

Xiao Guoqing Education, an investment holding company for Mr. Xiao Guoqing, was incorporated as a limited liability company under the laws of the BVI on September 12, 2018 and authorized to issue a maximum of 50,000 shares without par value. On the same day, one share of Xiao Guoqing Education was issued and allotted to Mr. Xiao Guoqing for US\$1.00.

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## HISTORY AND CORPORATE STRUCTURE

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### 9. Incorporation of Xinhua US

Xinhua US was incorporated as a limited company under the laws of the State of California, U.S. on October 2, 2018 with 10,000 shares of US\$0.001 each being authorized to be issued.

### 10. Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on October 4, 2018 with an authorized share capital of HK\$380,000 divided into 3,800,000,000 shares with par value of HK\$0.0001 each. On the date of incorporation, the initial subscriber subscribed for, and our Company issued and allotted, the one subscriber Share. On the same date, the one initial Share was transferred from the initial subscriber to Wu Wei Education Company Limited for a consideration at par value, and our Company then issued and allotted 426,667 Shares, 292,221 Shares and 281,111 Shares to Wu Junbao Education, Wu Wei Education and Xiao Guoqing Education, respectively, for cash at par value. Our Company is the listing vehicle.

### 11. Incorporation of China East BVI

China East BVI, an investment holding company, was incorporated as a limited liability company under the laws of BVI on October 19, 2018 and authorized to issue a maximum of 50,000 shares without par value. On the same day, one share of China East BVI was issued and allotted to our Company for US\$1.00.

### 12. Pre-IPO investment into our Company by Lu Lu Education

On October 26, 2018, Lu Lu Education subscribed for and our Company issued and allotted 30 Shares to Lu Lu Education for a consideration at HK\$600,000. Set out below are further details of such pre-IPO investment made by Lu Lu Education:

<b>Name and background of the pre-IPO investor and its relationship with the Group: . . . . .</b>	Lu Lu Education is a limited liability company incorporated under the laws of BVI and is wholly-owned by Ms. Lu Lu, an Independent Third Party. Ms. Lu Lu has around 25 years of working experience in the finance sector whereby she has eventually gained exposure to securities dealing, asset management and foreign exchange trading. Ms. Lu Lu has expressed her interest in investing in the education industry in the PRC in light of the potential growth.
<b>Date of investment: . . . . .</b>	October 26, 2018
<b>% of Shares allotted to the pre-IPO investor: . . . . .</b>	0.0030% (or 30 Shares out of the 1,000,030 Shares in issue as of the date of this prospectus)
<b>Amount of consideration paid: . . . . .</b>	HK\$600,000
<b>Implied pre-money valuation<sup>(1)</sup>: . . . . .</b>	HK\$19,999.4 million <sup>(4)</sup>

## HISTORY AND CORPORATE STRUCTURE

<b>Implied post-money valuation<sup>(2)</sup>: . . . . .</b>	HK\$20 billion <sup>(3)(4)</sup>
<b>Basis of determination of consideration paid: . . . . .</b>	Arm's length negotiations between our Company and Lu Lu Education after taking into consideration the assessed value of our Company and the financial information of our Group.
<b>Payment date of the consideration: . . . . .</b>	October 29, 2018
<b>Cost per share paid by the pre-IPO investor and respective premium to the IPO price: . . . . .</b>	HK\$20,000 per Share before the Capitalization Issue  Approximately HK\$11.47 per Share after the Capitalisation Issue  Approximately 4.0% premium to the Offer Price assuming the Offer Price of HK\$11.03, being the mid-point of the Offer Price range
<b>Use of proceeds and utilization: . . . . .</b>	General working capital  As at the Latest Practicable Date, none of the proceeds of pre-IPO investment had been utilised by our Company
<b>Strategic benefits of the pre-IPO investment: . . . . .</b>	Our Company will benefit from the additional capital provided by the pre-IPO investment for business development of our Group. Our Company can also leverage on the experience of Ms. Lu Lu in the financial services sector to advise us on the possible methods of external financing in light of the needs and development of our Group.
<b>Lock-up . . . . .</b>	Up to six months from the Listing Date
<b>Special rights: . . . . .</b>	No special rights were granted to Lu Lu Education that will survive the Listing

*Notes:*

- (1) A pre-money valuation is a term widely used in private equity or venture capital industries, referring to the valuation of a company or asset prior to an investment or financing. If an investment adds cash to a company, that company will have different valuations before and after the investment. The pre-money valuation refers to a company's valuation before the investment.
- (2) A post-money valuation is the value of a company after an investment has been made. This value is equal to the sum of the pre-money valuation and the amount of new equity.
- (3) The implied post-money valuation is calculated by the amount of consideration paid divided by the percentage of Shares allotted to the pre-IPO investor. Thus, HK\$600,000 divided by 0.0030% equals an implied post-money valuation of HK\$20 billion.
- (4) By referring to the meanings of the pre-money valuation and post-money valuation in notes (1) and (2), the post-money valuation, being HK\$20 billion, equals to the sum of the pre-money valuation, being HK\$19,999.4 million, and the pre-IPO investment, being HK\$600,000.

After issuance and allotment of 30 Shares to Lu Lu Education, our Company became owned as to 42.6654% by Wu Junbao Education, 29.2213% by Wu Wei Education, 28.1103% by Xiao Guoqing Education and 0.0030% by Lu Lu Education.

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## HISTORY AND CORPORATE STRUCTURE

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### *Public float*

Since Lu Lu Education is an Independent Third Party and will not be holding more than 10% of the total issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering, it will not be a substantial Shareholder of our Company under the Listing Rules. Accordingly, all Shares held by Lu Lu Education will be counted as part of the public float for the purpose of Rule 8.08 of the Listing Rules.

### *Sole Sponsor's view*

The Sole Sponsor has confirmed that the pre-IPO investment is in compliance with the Interim Guidance on Pre-IPO Investments (HKEX-GL29-12) and the Guidance on Pre-IPO Investments (HKEX-GL43-12) issued by the Stock Exchange.

### **13. Transfer of China Xinhua Vocational from Mr. Wu Wei to China East BVI**

China Xinhua Vocational, an investment holding company, was incorporated as a limited company under the laws of the Hong Kong on August 10, 2018 and wholly-owned by Mr. Wu Wei. On November 13, 2018, as part of the Corporate Reorganization, China East BVI acquired one share representing the entire issued share capital of China Xinhua Vocational from Mr. Wu Wei at a nominal consideration of HK\$1.00. Upon completion of the transfer, China Xinhua Vocational became wholly-owned by China East BVI.

### **14. Increase in registered capital in Xinhua Chuangzhi**

On November 14, 2018, the registered capital in Xinhua Chuangzhi was increased from RMB500,000 to RMB5 million. Such increase in the registered capital of Xinhua Chuangzhi was contributed by Anhui Xinhua Education as to RMB4.45 million and Wide Bridge as to RMB50,000. Upon completion of registration with competent administration of industry and commerce on November 14, 2018, Xinhua Chuangzhi became owned as to 99% by Anhui Xinhua Education and as to 1% by Wide Bridge, and Xinhua Chuangzhi became a Sino-foreign joint venture.

### **15. Acquisition of 99% equity interests in Xinhua Chuangzhi by China Xinhua Vocational**

On November 26, 2018, China Xinhua Vocational acquired 99% equity interests held by Anhui Xinhua Education in Xinhua Chuangzhi, at a consideration of RMB4.95 million. The consideration was determined with reference to its paid up registered capital. Upon completion of registration with competent administration of industry and commerce on November 26, 2018, Xinhua Chuangzhi was owned as to 99% by China Xinhua Vocational and as to 1% by Wide Bridge, and Xinhua Chuangzhi became a wholly foreign owned enterprise.

### **16. Acquisition of Wide Bridge from Lu Lu Education by China East BVI**

On November 27, 2018, as part of the Corporate Reorganization, China East BVI acquired one share, representing the entire issued share capital of Wide Bridge, from Lu Lu Education at a consideration of HK\$600,000. Upon completion of the transfer, Wide Bridge became wholly-owned by China East BVI.



# HISTORY AND CORPORATE STRUCTURE

## 17. Entering into the Structured Contracts to control our PRC Consolidated Affiliated Entities by WFOE

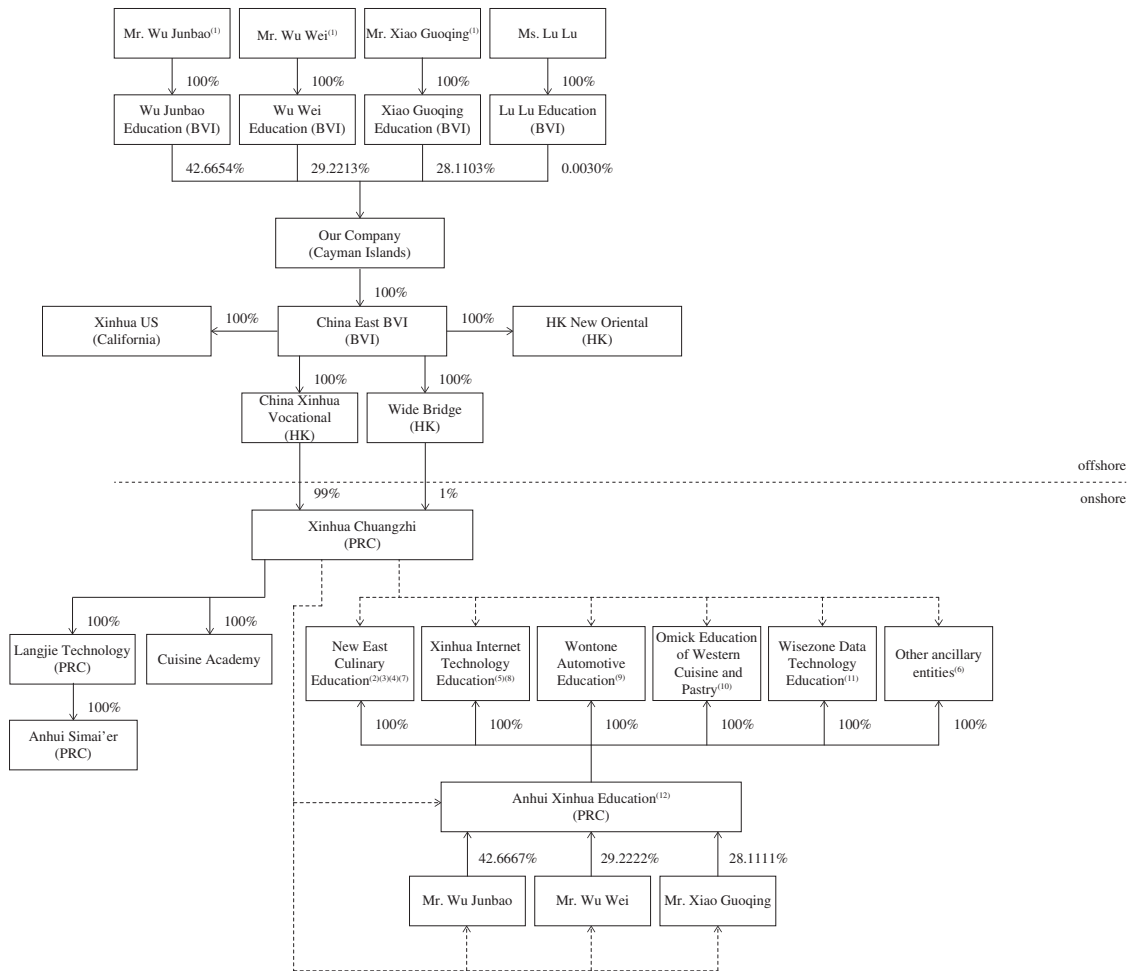
On November 30, 2018, WFOE entered into various agreements that constitute Structured Contracts with, among others, our PRC Consolidated Affiliated Entities, under which all economic benefits arising from the business of our PRC Consolidated Affiliated Entities are transferred to WFOE by means of services fees payable by our PRC Consolidated Affiliated Entities to WFOE.

## COMPLIANCE WITH PRC LAWS AND REGULATIONS

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 in all material aspects.

## GROUP STRUCTURE UPON THE CORPORATE REORGANIZATION

The following chart sets forth our corporate structure after Corporate Reorganization and immediately prior to the Listing:



----- Control of the PRC Consolidated Affiliated Entities through Structured Contracts

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## HISTORY AND CORPORATE STRUCTURE

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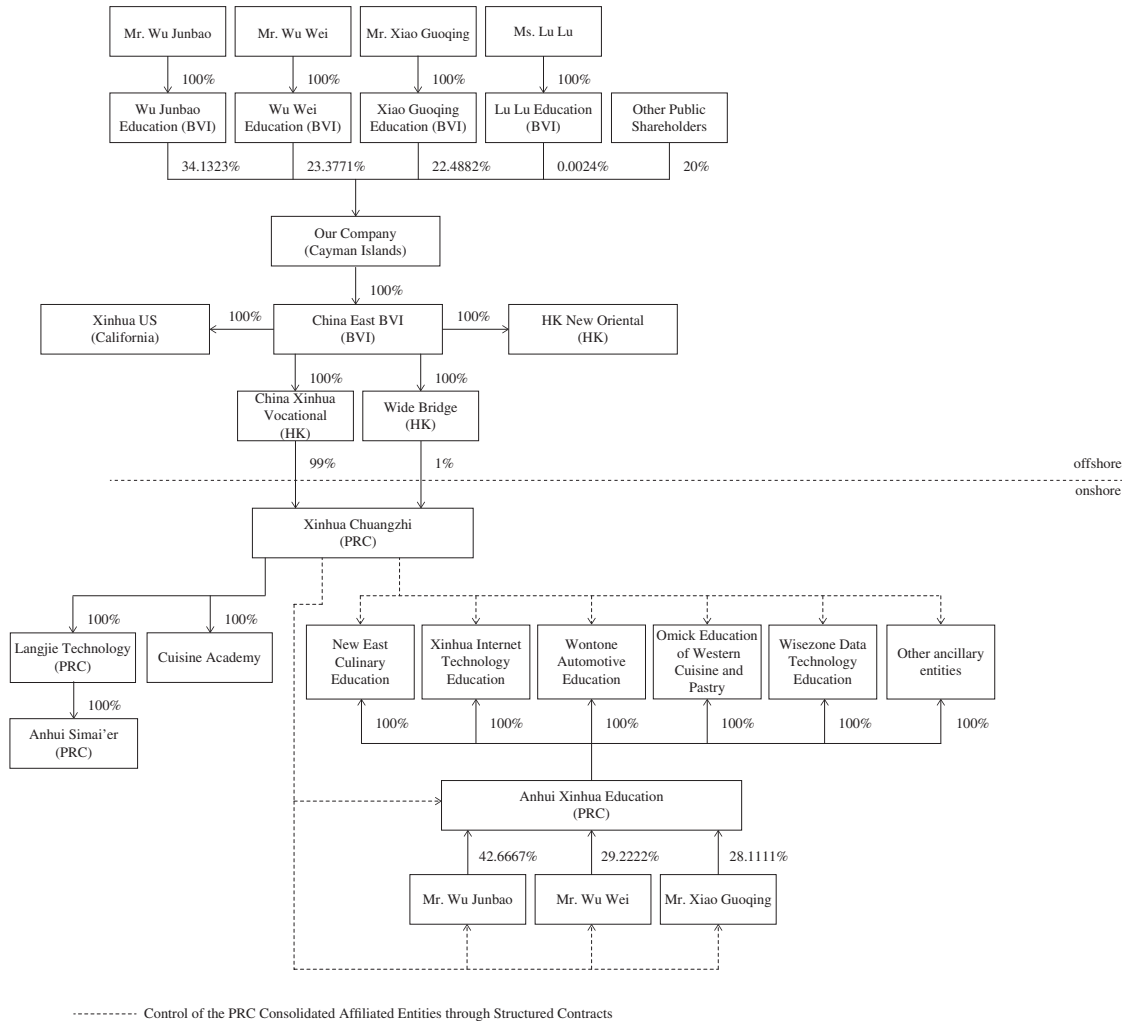
*Notes:*

- (1) Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing are cousins.
- (2) The articles of association of Nanjing School, one of the Schools under New East Culinary Education, currently provides that its school sponsors are Mr. Xiao Guoqing (肖國慶) and Mr. Ge Xiaoliang (葛孝良), a headmaster of one of our PRC Consolidated Affiliated Entities. Nanjing School has applied to the relevant authorities MHRSS and civil affairs authorities to change its school sponsors or amend its articles of association to reflect such change but has yet to obtain the relevant approvals. In this circumstance, Xinhua Chuangzhi will enter into various agreements that constitute Structured Contracts II (as disclosed in the section headed “Structured Contracts”) with Mr. Xiao Guoqing and Mr. Ge Xiaoliang under which all economic benefits arising from the business of Nanjing School will be transferred to Xinhua Chuangzhi by means of services fees payable by Nanjing School to Xinhua Chuangzhi.
- (3) The amendment to the articles of association of Shanghai Fengxian School to reflect the change of school sponsor(s) to Anhui New East Culinary Institute has not been approved by the relevant local branch of the civil affairs authorities. However, our PRC Legal Advisors is of the view that the legal rights and interests of our Group as the school sponsor of Shanghai Fengxian School is not affected. See “Structured Contracts – Operation of Structured Contracts – School sponsors’ interest of three PRC Consolidated Affiliated Entities” for further details.
- (4) The amendment to the articles of association of Jiangsu School to reflect the change of school sponsor(s) to Anhui New East Culinary Institute has not been approved by the relevant local branch of the civil affairs authorities. However, our PRC Legal Advisors is of the view that the legal rights and interests of our Group as the school sponsor of Jiangsu School is not affected. See “Structured Contracts – Operation of Structured Contracts – School sponsors’ interest of three PRC Consolidated Affiliated Entities” for further details.
- (5) The amendment to the articles of association of Nanjing Institute to reflect the change of school sponsor(s) to Anhui Xinhua Education Development Co., Ltd. has not been approved by the relevant local branch of the civil affairs authorities. However, our PRC Legal Advisors is of the view that the legal rights and interests of our Group as the school sponsor of Nanjing Institute is not affected. See “Structured Contracts – Operation of Structured Contracts – School sponsors’ interest of three PRC Consolidated Affiliated Entities” for further details.
- (6) Other ancillary entities include five PRC Consolidated Affiliated Entities which provide administrative functions by currently acting (or in future to act) as school sponsors or shareholders of our Schools (where applicable). See “Structured Contracts – Summary of the Material Terms of the Structured Contracts” in this prospectus for further details.
- (7) As of the Latest Practicable Date, the number of PRC Consolidated Affiliated Entities under New East Culinary Education is 57. See “Structured Contracts – Summary of the Material Terms of the Structured Contracts” in this prospectus for further details.
- (8) As of the Latest Practicable Date, the number of PRC Consolidated Affiliated Entities under Xinhua Internet Technology Education is 27. See “Structured Contracts – Summary of the Material Terms of the Structured Contracts” in this prospectus for further details.
- (9) As of the Latest Practicable Date, the number of PRC Consolidated Affiliated Entities under Wontone Automotive Education is 29. See “Structured Contracts – Summary of the Material Terms of the Structured Contracts” in this prospectus for further details.
- (10) As of the Latest Practicable Date, the number of PRC Consolidated Affiliated Entities under Omick Education of Western Cuisine and Pastry is 29. See “Structured Contracts – Summary of the Material Terms of the Structured Contracts” in this prospectus for further details.
- (11) As of the Latest Practicable Date, the number of PRC Consolidated Affiliated Entities under Wisezone Data Technology Education is 23. See “Structured Contracts – Summary of the Material Terms of the Structured Contracts” in this prospectus for further details.
- (12) As of the Latest Practicable Date, the total number of PRC Consolidated Affiliated Entities of our Group, including Anhui Xinhua Education, is 171. See “Structured Contracts – Summary of the Material Terms of the Structured Contracts” in this prospectus for a complete list.

# HISTORY AND CORPORATE STRUCTURE

## GROUP STRUCTURE UPON THE LISTING

The following chart<sup>(1)</sup> sets forth our corporate structure upon the Listing, assuming no exercise of the Over-allotment Option or any options that may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme:

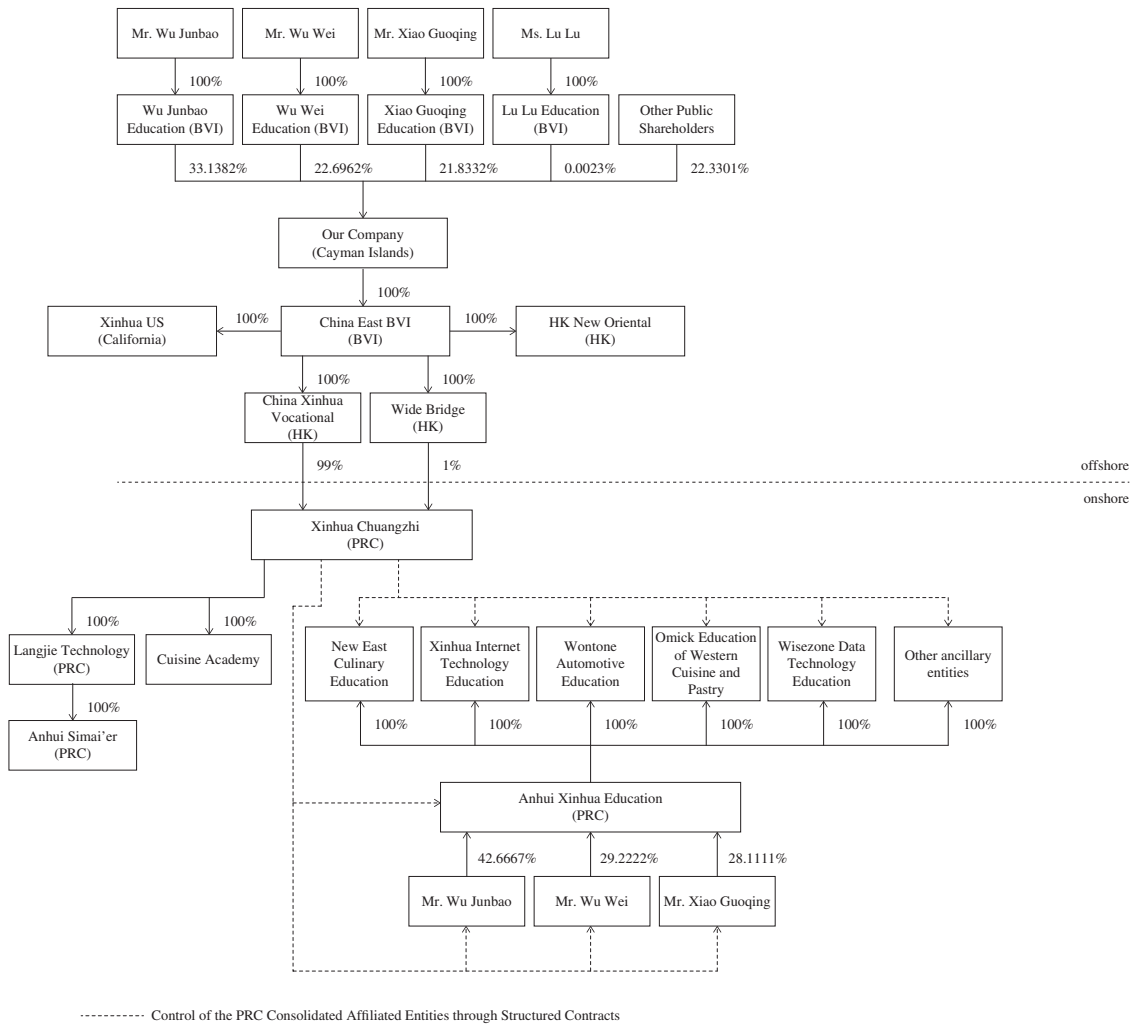


**Note:**

- (1) For information about certain individuals, entities and segments shown in the above corporate structure chart, see the corresponding notes to the chart under “— Group Structure Upon the Corporate Reorganization” in this section.

# HISTORY AND CORPORATE STRUCTURE

The following chart<sup>(1)</sup> sets forth our corporate structure upon the Listing, assuming the Over-allotment Option is exercised in full but no Shares are issued under the Pre-IPO Share Option Scheme or the Share Option Scheme:



**Note:**

- (1) For information about certain individuals, entities and segments shown in the above corporate structure chart, see the corresponding notes to the chart under “— Group Structure Upon the Corporate Reorganization” in this section.

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## HISTORY AND CORPORATE STRUCTURE

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### SCHOOL TO BE ESTABLISHED

#### New School in the United States

With a view to building our presence overseas and creating synergies with our Schools in China, we plan to expand our network abroad by establishing a vocational training school in the State of California to provide degree granting programs and certificate granting programs, through Xinhua Training School US. On October 2, 2018, we established Xinhua US in the U.S. as our entity to operate and manage the Xinhua Training School US to be established. We have engaged an agent who has experience in post-secondary education to assist us in establishing Xinhua Training School US in the State of California and filling applications with the BPPE regarding the establishment of a vocational education school, in California, the U.S. On November 16, 2018, we filed an application for a provisional license for the Xinhua Training School US with the BPPE. We have expended approximately US\$44,700 in connection with our establishment of the Xinhua Training School US as of the Latest Practicable Date.

### SAFE REGISTRATION

Pursuant to *Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles* (Hui Fa [2014] 37) (《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》匯發[2014]37號) (the “SAFE Circular No. 37”), promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “Overseas SPV”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the *Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies* (Hui Fa [2015] 13) (《關於進一步簡化和改進直接投資外匯管理政策的通知》匯發[2015]13號) (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, the PRC residents who are the shareholders of the Overseas SPVs in our Group have completed the registration under the SAFE Circular No. 13 and SAFE Circular No. 37 on November 9, 2018.

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## HISTORY AND CORPORATE STRUCTURE

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### M&A RULES

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State-owned Assets Supervision and Administration Commission, the State Administration of Taxation, SAMR, CSRC and SAFE, jointly issued the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (the “M&A Rules”), which became effective on September 8, 2006, and was amended on June 22, 2009. Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in 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. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required.

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

As advised by our PRC Legal Advisors, the 99% equity interests transfer in Xinhua Chuangzhi from Anhui Xinhua Education to China Xinhua Vocational did not constitute an equity or asset merger or acquisition under the M&A Rules because Xinhua Chuangzhi has become a sino-foreign owned enterprise instead of a domestic enterprise when the said transfer took place. Thus, such equity interests transfer and the Corporate Reorganization should not be subject to governmental approvals in accordance with the M&A Rules, and the Listing of our Company does not require approvals from CSRC. Nevertheless, the said equity interest transfer has been registered with competent PRC governmental authorities in accordance with applicable PRC regulations such as the Administration of Filing for Establishment and Change of Foreign Investment Enterprises.

### Pre-IPO Share Option Scheme

We have adopted the Pre-IPO Share Option Scheme on December 7, 2018. Please see “F. Pre-IPO Share Option Scheme and Share Option Scheme — 1. Pre-IPO Share Option Scheme” in Appendix V to this prospectus for further details.

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## STRUCTURED CONTRACTS

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### BACKGROUND OF THE STRUCTURED CONTRACTS

We currently conduct our vocational education and vocational training businesses mainly through our PRC Consolidated Affiliated Entities in the PRC as PRC laws and regulations generally restrict foreign ownership in the private education industry in the PRC. PRC laws and regulatory practice currently restrict the operation of vocational education and vocational training institutions to Sino-foreign cooperation ownership, in addition to imposing qualification requirements on the foreign owners. Further, we obtained the verbal confirmations from the MHRSS and the MOE that, (i) no implementing measures or specific guidance were promulgated pursuant to the Qualification Requirement; and (ii) the approving regulatory authorities as they currently stand and under the existing legal regime will not approve the establishment of Anhui Xinhua Education as a Sino-Foreign Joint Venture Private School. Therefore, we believe that the government approval of the reorganization of Anhui Xinhua Education as a Sino-Foreign Joint Venture Private School had been withheld. The Structured Contracts, through which we obtain control over and derive the economic benefits from our PRC Consolidated Affiliated Entities, have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations.

### Vocational Education and Vocational Training

Pursuant to the *Implementation Opinions on Encouraging and Guiding Private Fund's Entry into the Education Sector and Promoting Healthy Development of Private Education* (《關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) promulgated by the MOE on June 18, 2012 (the "Implementation Opinions"), foreign-invested companies that engage in educational activities in the PRC should comply with the Foreign Investment Catalog.

Pursuant to the Foreign Investment Catalog, the latest amendment to which was promulgated by the NDRC and the MOFCOM on June 28, 2017 and became effective on July 28, 2017, and the Negative List, (i) the provision of non-formal vocational training (非學制類職業培訓) in the PRC falls into within the "encouraged" category, while vocational education and vocational training that is not listed in the Foreign Investment Catalog falls into within the "permitted" category. However, pursuant to the *Regulation on Sino-foreign Cooperation in Operating Schools* (《中華人民共和國中外合作辦學條例》) and the *Implementing Measures on the Regulation on Sino-foreign Cooperation in Operating Schools* (《中外合作辦學條例實施辦法》), and when applying to the Sino-foreign cooperative training on vocational skills, the *Management Measures on the Sino-foreign Cooperative School Running regarding Vocational Skills Training* (《中外合作職業技能培訓辦學管理辦法》) promulgated by the Ministry of Labour and Social Security (勞動和社會保障部) (now known as the Ministry of Human Resources and Social Security (人力資源和社會保障部)), if we were to apply for any of our Schools to be reorganized as a Sino-foreign joint venture private school for PRC students at vocational education and vocational training institutions (a "Sino-Foreign Joint Venture Private School"), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification and that provides high quality education (the "Qualification Requirement") and a foreign investor is prohibited to set up schools where students are to be recruited primarily among the PRC citizens, other education institutes or vocational training institutes in the PRC solely by itself. Furthermore, pursuant to the *Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education* (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the "Foreign Ownership Restriction").

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## STRUCTURED CONTRACTS

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With the assistance of our PRC Legal Advisors, we consulted the MHRSS on September 25, 2018, and the MOE on September 26, 2018 (collectively as the “September Interviews”), being the competent authorities as advised by our PRC Legal Advisors to confirm the matters relating to the Sino-Foreign Joint Venture Private Schools relevant to us. We were advised by the MHRSS and the MOE (collectively as the “Relevant Authorities”) that:

- (i) each of the Foreign Ownership Restriction and Qualification Requirement applies to Sino-Foreign Joint Venture Private Schools in the PRC, except in Shanghai Free Trade Zone where the establishment of a wholly foreign-owned vocational training institute is permitted;
- (ii) as a matter of principle, a foreign school sponsor or investor shall be a foreign education institution with similar qualification as the domestic investor that provides a higher quality of education under the Qualification Requirement. However, there are no implementing measures or specific guidance on the same and interpretation of the said requirement by different local authorities may be different. In such circumstances, the establishment, existence and operation of HK New Oriental should not be regarded as meeting the Qualification Requirement;
- (iii) the Relevant Authorities will not approve the establishment of Anhui Xinhua Education as a Sino-Foreign Joint Venture Private School even if the relevant entities of the Group fulfilled the Qualification Requirement;
- (iv) the execution of the Structured Contracts does not require approval from or filing with the education or human resources and social security authorities or violate any PRC laws and regulation; and
- (v) the businesses of provision of interest and experience courses are not subject to jurisdiction of the MOE or the MHRSS.

As of the Latest Practicable Date, we do not operate any business in the Shanghai Free Trade Zone. For such reason and in view of the advice and confirmation from the Relevant Authorities above, we believe we will not be given approval to reorganize Anhui Xinhua Education as a Sino-Foreign Joint Venture Private School.

Notwithstanding the above, we are committed to working towards meeting the Qualification Requirement, and when applicable, addressing any implementing measures or specific guidance that has been published by the relevant authorities. We have adopted a specific plan and will continue to expend genuine efforts and financial resources to do so. We have undertaken to make periodic inquiries of relevant educational authorities following the Listing to understand any regulatory developments, including whether there will be any change in policy for approving Sino-Foreign Joint Venture Private Schools in the areas where we operate our business in the PRC, and assess whether we are qualified to meet the Qualification Requirement, with a view to unwinding the Structured Contracts wholly or partially as and when practicable and permissible under the prevailing PRC laws and regulations. See “— Background of the Structured Contracts — Circumstances in which We Will Unwind the Structured Contracts” and “— Background of the Structured Contracts — Plan to Comply with the Qualification Requirement” in this section of this prospectus for details.



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## STRUCTURED CONTRACTS

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As of the date of this prospectus, we have not encountered any interference or encumbrance from any governing bodies in our plan to adopt the Structured Contracts and the consolidated financial results of our PRC Consolidated Affiliated Entities, which engage in vocational education and vocational training. Our PRC legal advisors have opined that based on September Interviews, the Structured Contracts in relation to the operation of vocational education and vocational training are valid, legal and binding and do not contravene PRC laws and regulations except for those disclosed under “— Legality of the Structured Contracts — PRC Legal Opinions” under this section and “Risk Factors — Risks relating to our Structured Contracts” of this prospectus. As disclosed above, we have consulted with the Relevant Authorities in the PRC, which confirmed that the Structured Contracts do not require approval from or filing with the education or human resources and social security authorities or violate any PRC laws and regulations. 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.

### **Circumstances in which We Will Unwind the Structured Contracts**

Under the Sino-Foreign Regulation and in accordance with the September Interviews, foreign investment in vocational education and vocational training in the PRC is required to be in the form of cooperation between PRC educational institutions and foreign educational institutions and subject to the Qualification Requirement and the Foreign Ownership Restriction, a foreign investor can only hold less than 50% interest in a Sino-Foreign Joint Venture Private School.

In the event that the Qualification Requirement is removed or we are able to meet the Qualification Requirement and there is a change in policy, but (a) the Foreign Ownership Restriction remains, or (b) the Foreign Ownership Restriction is 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 PRC Consolidated Affiliated Entities (such as a 49.99% equity interest) as our Company or any of its subsidiaries, as a foreign investor, can only hold a portion of the total investment in a Sino-Foreign Joint Venture Private School up to no more than 50%. However, our Company will not be able to control such PRC Consolidated Affiliated Entities without the Structured Contracts in place with respect to the domestic interests. Accordingly, if the Foreign Ownership Restriction remains, regardless of whether the Qualification Requirement is removed or met our Company will still rely on contractual arrangements to establish control over our PRC Consolidated Affiliated Entities. Our Company will also acquire rights to appoint members to the board of directors who together shall constitute less than 50% of the board of directors of the relevant PRC Consolidated Affiliated Entities. 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; and
- in circumstance (b), our Company would be allowed to directly hold 100% of the interests in our PRC Consolidated Affiliated Entities and our Company will fully unwind the Structured Contracts and directly hold all equity interests in our PRC Consolidated Affiliated Entities. Our Company will also acquire rights to appoint all members of the board of directors of the PRC Consolidated Affiliated Entities.

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## STRUCTURED CONTRACTS

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In addition, the WFOE has decided that, if the PRC regulatory environment changes and the Qualification Requirement is removed (and assuming there are no other changes in the relevant PRC laws and regulations), it will exercise the call option in full to hold all or partial of the interest, to the extent permitted in the PRC Consolidated Affiliated Entities and unwind the contractual arrangements in whole or in part accordingly. See “Termination of the Structured Contracts” in this section of this prospectus for further details.

### **Plan to Comply with the Qualification Requirement**

We have adopted a specific plan and begun to take the following concrete steps which we reasonably believe are meaningful endeavors to demonstrate compliance with the Qualification Requirement. According to the September Interviews, there are no implementing measures or specific guidance on the Qualification Requirement and therefore they will not approve an application to convert our PRC Consolidated Affiliated Entities or the schools to be newly established or invested by us into Sino-Foreign Joint Venture Private Schools at this stage. Subject to the discretion of the competent authorities, our PRC legal advisors consider that the following steps taken by us to demonstrate compliance with the Qualification Requirements are reasonable and appropriate.

As of the Latest Practicable Date, we had taken the following concrete steps to implement our plan. On October 2, 2018, we formed a holding company of a new school in the United States, namely, Xinhua US. We have submitted a formal application to the BPPE through the non-accredited application process on November 16, 2018 to apply for the establishment of a vocational training school i.e. Xinhua Training School US. The approval process with the BPPE is expected to complete within approximately 12 months from the date of application. Xinhua US will be responsible for the daily operation and management of the Xinhua Training School US to be established. As of the Latest Practicable Date, we are in the process of designing the vocational training programs to be offered by the Xinhua Training School US. We have also nominated Mr. Xu Shaobing to oversee the administration of Xinhua Training School US. We had expended approximately US\$44,700 in connection with our plan as of the Latest Practicable Date. For details of the regulatory environment in California for the operation of a vocational training school, see “Regulations — Regulations on Private Post secondary Education in the State of California” in this prospectus.

In the opinion of our PRC legal advisors, taking into consideration of the September Interviews, if the Foreign Ownership Restriction is removed but the Qualification Requirement remains and assuming the new school to be operated by Xinhua US, i.e. the Xinhua Training School US 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 or human resources and social security authorities for the establishment of a Sino-Foreign Joint Venture Private School in the future (provided that the then PRC laws and regulations do not impose new requirements, restrictions, or prohibitions in relation to the establishment of the Sino-Foreign Joint Venture Private Schools), we will be able to operate our Schools in the PRC directly through the new school operated by Xinhua US, i.e. the Xinhua Training School US or such other educational institution subject to the approval from and the discretion of the competent education or human resources and social security authorities.

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## STRUCTURED CONTRACTS

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

- (i) under the guidance of our PRC legal advisors, continue to keep ourselves updated with regard to all relevant regulatory developments and guidance relating to the Qualification Requirement; and
- (ii) provide periodic updates in our annual and interim reports after Listing to inform our Shareholders of our efforts and actions undertaken with the Qualification Requirement.

### OPERATION OF THE STRUCTURED CONTRACTS

In order to comply with the PRC laws and regulations as set out above while availing ourselves of international capital markets and maintaining effective control over all of our operations, on November 30, 2018, our wholly-owned subsidiary, the WFOE, entered into various agreements that constitute the Structured Contracts with, among others, our PRC Consolidated Affiliated Entities, under which all economic benefits arising from the business of our PRC Consolidated Affiliated Entities are transferred to the WFOE to the extent permitted under the PRC laws and regulations by means of service fees payable by our PRC Consolidated Affiliated Entities to the WFOE.

As of the date of the Structured Contracts, the school sponsor's interest of one of our PRC Consolidated Affiliated Entities were not registered as ours due to the unavailability of certain approval procedures at relevant authorities. See note to the diagram below for details. Accordingly, the Structured Contracts comprise of (i) agreements entered into by and among the WFOE, Anhui Xinhua Education and its subsidiary entities as described therein (which are our PRC Consolidated Affiliated Entities, excluding Nanjing School), as the case may be, including (a) the exclusive management consultancy and business cooperation agreement, (b) the exclusive call option agreement, (c) the equity pledge agreement, as well as (d) the power of attorney provided by each of the Registered Shareholders (collectively as the "Structured Contracts I"), and (ii) agreements entered into by and among the WFOE, Nanjing School and its school sponsors, namely Mr. Xiao Guoqing (肖國慶) and Mr. Ge Xiaoliang (葛孝良), as the case may be, including (a) the exclusive management consultancy and business cooperation agreement, (b) the exclusive call option agreement, (c) the accounts receivable pledge agreement, (d) the school sponsors' or capital contributors' rights entrustment agreement, as well as (e) the school sponsor's or capital contributor's power of attorney provided by each of Mr. Xiao Guoqing (肖國慶) and Mr. Ge Xiaoliang (葛孝良) (collectively as the "Structured Contracts II").

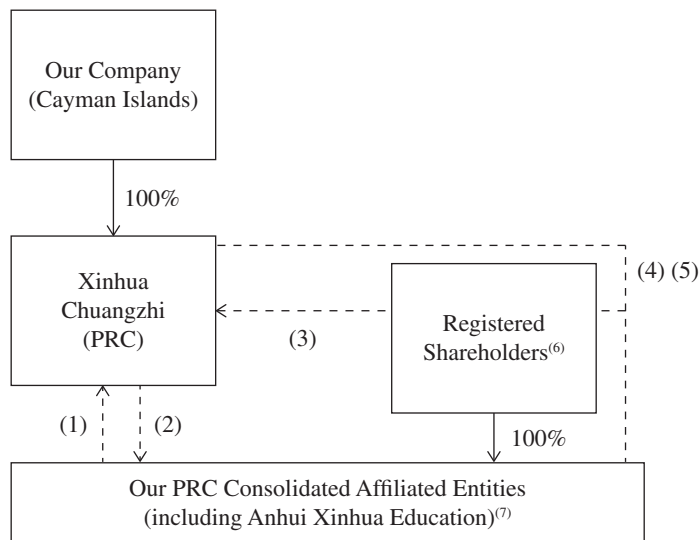
As advised by our PRC Legal Advisors, under PRC laws and regulations, entities or individuals who establish a private non-enterprise entity are generally referred to as "sponsors" rather than "owners" or "shareholders", and the substance of "sponsor interest" with respect to a private non-enterprise entity is substantially similar to that of "ownership" from the legal perspectives. Specifically, the sponsor may amend or cause amendments to the private non-enterprise entity's constitutional documents and has the right to elect and replace members of the decision making bodies, and therefore it could exercise control over the private non-enterprise entity's business and affairs. However, the sponsor interest is subject to more restrictions and limitations compared to "shareholder right". For example, the sponsor of a school has no right to dividends or distribution of residual property if the school is in the form of private non-enterprise entity; in addition, unlike the equity interest in a regular company, the sponsor interest of a private non-enterprise entity cannot be subject to a pledge under PRC laws and regulations. Given that any pledge of the school sponsors' interests over the schools would be unenforceable under PRC laws and regulations and the school sponsors of

## STRUCTURED CONTRACTS

Nanjing School are PRC individuals, equity pledge agreements would be unsuitable and as an alternative, the accounts receivable pledge agreement and the school sponsors' or capital contributors' rights entrustment agreement were entered into and the school sponsor's or capital contributor's power of attorney were provided by each of the school sponsors to Nanjing School to ensure the performance of the Structured Contracts II and our control over the principal revenue stream (including but not limited to cash, deposit and prepayments) of Nanjing School. Under the accounts receivable pledge agreement, Nanjing School shall set up its only bank account at a bank designated by WFOE (the "Designated Account") and it should not possess any other accounts. WFOE shall have the right to supervise the daily operation of the Designated Account and any transaction therein shall require the written consent of WFOE. In the event of default, WFOE shall be entitled to deduct the relevant amount from the Designated Account. Given that (i) WFOE will be able to secure control over the only bank account of Nanjing School under the account receivable pledge agreement; (ii) Nanjing School does not own any real property; and (iii) as advised by our PRC Legal Advisors, educational facilities of schools are not permitted to be mortgaged pursuant to applicable PRC laws and regulations, our Directors are of the view that there is no more suitable assets other than the Designated Account to guarantee Nanjing School's obligations under the Structured Contracts II.

In addition, in order to prevent the leakage of assets and values of our PRC Consolidated Affiliated Entities, the Registered shareholders, Anhui Xinhua Education and its subsidiary entities and the school sponsors of Nanjing School have undertaken that, without the prior written consent of Xinhua Chuangzhi, our PRC Consolidated Affiliated Entities shall not, among others, distribute dividends or reasonable returns in any form.

The following simplified diagram illustrates the flow of economic benefits from our PRC Consolidated Affiliated Entities (excluding Nanjing School) to our Group stipulated under the Structured Contracts I:



*Notes:*

- (1) Payment of service fees. See “— Summary of the Material Terms of the Structured Contracts — (1) Exclusive Management Consultancy and Business Cooperation Agreements under Structured Contracts I and Structured Contracts II” in this section for further details.
- (2) Provision of services. See “— Summary of the Material Terms of the Structured Contracts — (1) Exclusive Management Consultancy and Business Cooperation Agreements under Structured Contracts I and Structured Contracts II” in this section for further details.

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## STRUCTURED CONTRACTS

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- (3) Powers of attorney to exercise all shareholders' rights in our PRC Consolidated Affiliated Entities (excluding Nanjing School). See "— Summary of the Material Terms of the Structured Contracts — (4) Powers of attorney under Structured Contracts I" in this section for further details.
- (4) Exclusive call option to acquire all or part of the equity interest in or assets owned by our PRC Consolidated Affiliated Entities (excluding Nanjing School). See "— Summary of the Material Terms of the Structured Contracts — (2) Exclusive Call Option Agreements under Structured Contracts I and Structured Contracts II" in this section for further details.
- (5) Pledge of all the equity interest in Anhui Xinhua Education. See "— Summary of the Material Terms of the Structured Contracts — (3) Equity Pledge Agreement under Structured Contracts I" in this section for further details.
- (6) Registered Shareholders refer to the registered shareholders of Anhui Xinhua Education, i.e. Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing.
- (7) The amendments to the articles of association of three of our PRC Consolidated Affiliated Entities, namely, Shanghai Fengxian School, Jiangsu School, and Nanjing Institute, to reflect the change of school sponsor(s) to certain entities of our Group, have not been approved by the relevant local branch of the civil affairs authorities. However, our PRC Legal Advisors is of the view that the legal rights and interests of our Group as the school sponsor of the said Schools are not affected. See "— Operation of Structured Contracts — School sponsors' interest of three PRC Consolidated Affiliated Entities" for further details.
- (8) "—" denotes direct or indirect legal and beneficial ownership in the equity interest or school sponsor's or capital contributor's rights.
- (9) "-----" denotes Structured Contracts I.

### School sponsors' interest of three PRC Consolidated Affiliated Entities

The amendments to articles of association of three of our PRC Consolidated Affiliated Entities, namely, Shanghai Fengxian School, Jiangsu School and Nanjing Institute (collectively as the "Relevant Schools"), to reflect the change of school sponsor(s) to certain entities of our Group, have not been approved by the relevant local branch of the civil affairs authorities. However, for reasons explained below, our PRC Legal Advisors is of the view that the legal rights and interests of these certain entities of our Group as the school sponsors of the Relevant Schools are not affected.

Details on the background, circumstances, rectification measures and our PRC Legal Advisors' advice are set out below:

#### (i) *Shanghai Fengxian School*

<b>Amount of revenue attributable to this School during the Track Record Period</b>	For the years ended December 31, 2016, 2017 and 2018, the revenue generated from this School was RMB1 million, RMB5.8 million and RMB7 million, respectively.
<b>Amount of profits or losses attributable to this School during the Track Record Period</b>	For the years ended December 31, 2016, this School suffered a loss of RMB981,000. For the years ended December 31, 2017 and 2018, the profits generated from this School was RMB3.4 million and RMB2.3 million, respectively.
<b>School sponsor(s) as shown on its current articles of association ("Historical Sponsor(s)")</b>	Mr. Yang Bing (楊兵), a headmaster of one of our PRC Consolidated Affiliated Entities, and Mr. Liang Yong (梁勇), an Independent Third Party

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<b>Reason for the existence of Historical Sponsors</b>	The original school sponsors were Mr. Yang Bing and Mr. Liang Yong before Shanghai Fengxian School was acquired from them by Anhui New East Culinary Institute.
<b>Change of school sponsor(s) and current status of governmental approval</b>	Shanghai Fengxian School has applied for and the relevant local authorities of MHRSS has approved the change of the Historical Sponsors to Anhui New East Culinary Institute. However, the relevant local branch of the civil affairs authority has not approved the amended articles of association reflecting such change of school sponsor.
<b>Rectification measures by the Historical Sponsors</b>	Each of Mr. Yang Bing and Mr. Liang Yong has signed a written confirmation dated November 20, 2018, confirming that Anhui New East Culinary Institute legally owns the entire school sponsor's interest, that each of them agrees to surrender all of the school sponsor's interest and will not claim any rights thereunder in the future, and that each of them will unconditionally cooperate with any formalities for registration changes in the future.
<b>Confirmation from the relevant competent authority</b>	<p>On November 20, 2018, with the assistance of our PRC Legal Advisors, we consulted with the chief of Social Organization Management Section (社會組織管理科科長) in Shanghai Fengxian Communities Management Bureau (上海市奉賢區社團管理局) on the change of school sponsor, and it has been verbally confirmed that:</p> <ul style="list-style-type: none"><li>(i) it does not process the application for changing of school sponsors;</li><li>(ii) the actual school sponsor of Shanghai Fengxian School shall be Anhui New East Culinary Institute; and</li><li>(iii) there shall be no material impediment if, subject to the approval of local authorities of MHRSS, Shanghai Fengxian School chooses to become a for-profit private school and register as a limited liability company whose shareholder is Anhui New East Culinary Institute.</li></ul>

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**(ii) Jiangsu School**

<b>Amount of revenue attributable to this School during the Track Record Period</b>	For the years ended December 31, 2016, 2017 and 2018, the revenue generated from this School was RMB50.6 million, RMB48.4 million and RMB27.3 million, respectively.
<b>Amount of profits attributable to this School during the Track Record Period</b>	For the years ended December 31, 2016, 2017 and 2018, the profits generated from this School was RMB19.6 million, RMB20.1 million and RMB6.2 million, respectively.
<b>Historical Sponsor</b>	Chinese Zhigong Party Jiangsu Provincial Committee (中國致公黨江蘇委員會), an Independent Third Party
<b>Reason for the existence of Historical Sponsor</b>	Our Directors confirm the reason for having an Independent Third Party to register as the school sponsor of Jiangsu School was that the relevant local authorities in Nanjing, Jiangsu at the time when Jiangsu School was established would only allow establishment of a school by a school sponsor who, for a natural person, possessed a local household registration (“hukou”) or which, for a legal person, was incorporated or established in that locality. Given that the relevant person-in-charge of our Group for the establishment of Jiangsu School at that time was a member of the Chinese Zhigong Party, he had requested for the Jiangsu Provincial Committee of the same party to be the school sponsor of Jiangsu School under the instructions of our Group so as to fulfill the aforesaid locality requirement.
<b>Change of school sponsor and current status of governmental approval</b>	Jiangsu School has applied for and the relevant local authorities of MHRSS has approved the change of school sponsor. However, the relevant local branch of the civil affairs authorities has not approved its amended articles of association.

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**Rectification measures by  
the Historical Sponsor**

Chinese Zhigong Party Jiangsu Provincial Committee has signed a written confirmation dated November 21, 2007 confirming that the school sponsor of Jiangsu School has been changed to Anhui Xinhua Education Development Co., Ltd., which subsequently transferred its school sponsor's interests and rights in Jiangsu School to Anhui New East Culinary Institute. Such transfer of school sponsor's interests was approved by the relevant local authorities of MHRSS on October 7, 2008.

**Confirmation from the  
relevant competent  
authority**

On November 26, 2018, with the assistance of our PRC Legal Advisors, we consulted with the chief of Social Organization Management Bureau (社會組織管理局科長) in Jiangsu Civil Affairs Department (江蘇省民政廳) on the change of school sponsor, and it has been verbally confirmed that:

- (i) it does not process the application for changing of school sponsors;
- (ii) the actual school sponsor of Jiangsu School shall be Anhui New East Culinary Institute; and
- (iii) there shall be no material impediment if, subject to the approval of local authorities of MHRSS, Jiangsu School chooses to become a for-profit private school and register as a limited liability company with its shareholder being Anhui New East Culinary Institute.



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*(iii) Nanjing Institute*

<b>Amount of revenue attributable to this School during the Track Record Period</b>	For the years ended December 31, 2016, 2017 and 2018, the revenue generated from this School was RMB8 million, RMB11.2 million and RMB32.2 million, respectively.
<b>Amount of profits attributable to this School during the Track Record Period</b>	For the years ended December 31, 2016, 2017 and 2018, the profits generated from this School was RMB682,000, RMB5.8 million and RMB13.9 million, respectively.
<b>Historical Sponsor</b>	Mr. Zhou Baoyin (周寶銀), a former employee of our Group
<b>Reason for the existence of Historical Sponsor</b>	Our Directors confirm the reason for having a former employee of our Group to register as the school sponsor of Nanjing Institute was that relevant local authorities in Nanjing, Jiangsu at the time of registration would only allow registration of a school sponsor who, for a natural person, possessed a hukou or which, for a legal person, was incorporated or established in that locality. Given that Mr. Zhou Baoyin's hukou was in Nanjing, he was instructed by our Group to be the school sponsor of Nanjing Institute so as to fulfill the aforesaid locality requirement.
<b>Change of school sponsor and current status of governmental approval</b>	Nanjing Institute has applied for and the relevant local education authorities have approved the change of school sponsor. However, the relevant local branch of the civil affairs authorities has not approved its amended articles of association.
<b>Rectification measures by the Historical Sponsor</b>	Mr. Zhou Baoyin has signed a written confirmation dated November 22, 2018 confirming that Anhui Xinhua Education legally owns the entire school sponsor's interest, that he agrees to surrender all of his school sponsor's interest and will not claim any rights thereunder in the future, and that he will unconditionally cooperate with any formalities for registration changes in the future.

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**Confirmation from the relevant competent authority**

On November 26, 2018, with the assistance of our PRC Legal Advisors, we consulted with the deputy director of Social Organization Management Bureau (社會組織管理局副局長) in Nanjing Civil Affairs Bureau (南京市民政局) on the change of school sponsor, and it has been verbally confirmed that:

- (i) it does not process the application for changing of school sponsors;
- (ii) the actual school sponsor of Nanjing Institute shall be Anhui Xinhua Education Development Co., Ltd.; and
- (iii) there shall be no material impediment if, subject to the approval of local education authorities, Nanjing Institute chooses to become a for-profit private school and register as a limited liability company with its shareholder being Anhui Xinhua Education Development Co., Ltd.

***(iv) Further confirmations from the Relevant Local Authorities***

As of the Latest Practicable Date, for the change of school sponsors, the Relevant Schools have obtained the approvals from the relevant local education authorities or authorities of MHRSS, but the related amendments to the articles of association of the Relevant Schools have not been approved. The relevant officials at the Shanghai Fengxian Communities Management Bureau, Jiangsu Civil Affairs Department and Nanjing Civil Affairs Bureau (collectively as the “Relevant Local Authorities”) throughout our consultations in November 2018 had further verbally confirmed:

- (1) as the Relevant Local Authorities are not authorised to approve the change of school sponsor(s) under the PRC laws and regulations regarding the registration of private non-enterprise entities, the change of school sponsor(s) is not subject to their approval. Technically, the Relevant Local Authorities are of the view that the “sponsor(s)” in the articles of association is referred to as the “founder(s)”, namely, the initial sponsor(s) establishing the school, and therefore as a statement of historical fact, the name and identity of the “founder(s)” shall not be amended and they will not process such application for approval; nevertheless, the Relevant Local Authorities have been informed of and did not raise objection to the change of school sponsors in the Relevant Schools; and
- (2) if the Relevant Schools elect to register as for-profit private schools in due course, the actual school sponsors of the Relevant Schools will be registered at the local industry and commerce authorities as the actual owners/school sponsors of such schools.

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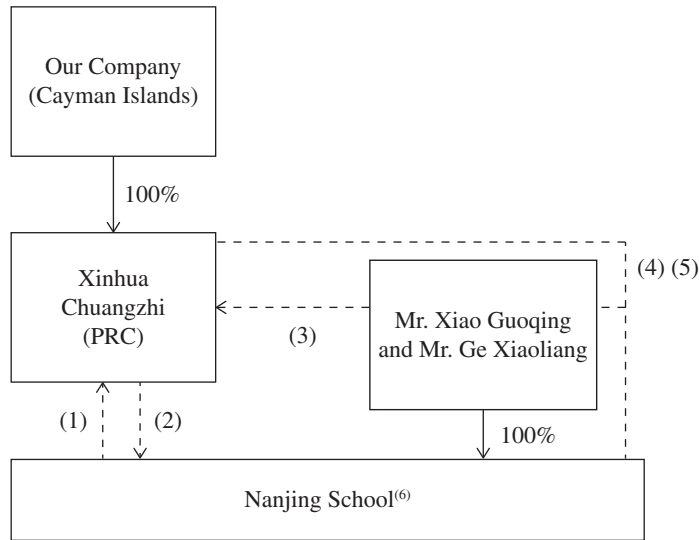
**(v) *Our PRC Legal Advisors' advice***

As advised by our PRC Legal Advisors:

- (1) each of the above written confirmation from Mr. Yang Bing, Mr. Liang Yong, Chinese Zhigong Party Jiangsu Provincial Committee and Mr. Zhou Baoyin has been legally obtained and is valid and binding;
- (2) each of the Relevant Local Authorities is the competent authority for approving the respective amendments to their articles of association of the Relevant Schools;
- (3) each of the Relevant Local Authorities has the authority to give confirmation on the identity of the actual school sponsors of Relevant Schools, and the possibility that such confirmations are challenged by higher authorities is relatively low;
- (4) according to the relevant PRC laws and regulations, although the change of school sponsors of the Relevant Schools requires approval from the relevant local education authorities or authorities of MHRSS, it is not subject to approval of the civil affairs authorities. Nevertheless, the change of school sponsors will require an amendment to the specific provision of the articles of association of the Relevant Schools on school sponsors, which requires approval from the relevant civil affairs authorities. Thus, the Relevant Schools shall complete the corresponding procedures at the relevant civil affairs authorities to obtain approval of their respective amended articles of association, even though the change of school sponsors itself is not subject to the approval of civil affairs authorities; and
- (5) it was for reason of technical interpretation of the relevant regulations by the Relevant Local Authorities that they did not accept the application of the amended articles of association on the change of sponsor(s) named therein, and such fact does not imply that any of the Relevant Local Authorities has any objection to our Group's ownership of the sponsor interest in the Relevant Schools, and the fact that the amended articles of association not being approved by the Relevant Local Authorities for the foregoing reason does not affect the legal rights and interests of these certain entities of our Group being the school sponsors of the Relevant Schools.

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The following simplified diagram illustrates the flow of economic benefits from Nanjing School to our Group stipulated under the Structured Contracts II:



**Notes:**

- (1) Payment of service fees. See “— Summary of the Material Terms of the Structured Contracts — (1) Exclusive Management Consultancy and Business Cooperation Agreements under the Structured Contracts I and Structured Contracts II” in this section for further details.
- (2) Provision of services. See “— Summary of the Material Terms of the Structured Contracts — (1) Exclusive Management Consultancy and Business Cooperation Agreements under the Structured Contracts I and Structured Contracts II” in this section for further details.
- (3) Entrustment of school sponsors’ or capital contributors’ rights by the school sponsors or capital contributors of Nanjing School including the School Sponsor’s or Capital Contributor’s Powers of Attorney. See “— Summary of the Material Terms of the Structured Contracts — (6) School Sponsors’ or Capital Contributors’ Rights Entrustment Agreement under the Structured Contracts II” and “— Summary of the Material Terms of the Structured Contracts — (7) School Sponsor’s or Capital Contributor’s Powers of Attorney under the Structured Contracts II” in this section for details.
- (4) Exclusive call option to acquire all or part of the school sponsor’s interest in Nanjing School. See “— Summary of the Material Terms of the Structured Contracts — (2) Exclusive Call Option Agreements under the Structured Contracts I and Structured Contracts II” in this section for further details.
- (5) Pledge of all accounts receivable of Nanjing School. See “— Summary of the Material Terms of the Structured Contracts — (5) Accounts Receivable Pledge Agreement under the Structured Contracts II” in this section for further details.
- (6) The articles of association of Nanjing School currently provides that its school sponsors are Mr. Xiao Guoqing (肖國慶) and Mr. Ge Xiaoliang (葛孝良), a headmaster of one of our PRC Consolidated Affiliated Entities. Nanjing School has applied to the relevant local authorities of MHRSS and civil affairs authorities to change its school sponsors or amend the articles of association to reflect such change but has yet to obtain the relevant approvals. In this circumstance, Xinhua Chuangzhi has entered into various agreements that constitute Structured Contracts II with Mr. Xiao Guoqing and Mr. Ge Xiaoliang under which all economic benefits arising from the business of Nanjing School will be transferred to Xinhua Chuangzhi by means of services fees payable by Nanjing School to Xinhua Chuangzhi.
- (7) “—” denotes direct or indirect legal and beneficial ownership in the equity interest or school sponsor’s or capital contributor’s rights.
- (8) “-----” denotes Structured Contracts II.

For further details, see “— Summary of the Material Terms of the Structured Contracts” in this section.

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### Summary of the Material Terms of the Structured Contracts

A description of each of the specific agreements that comprise the Structured Contracts I and Structured Contracts II is set out in this subsection. Set out below is the list of our PRC Consolidated Affiliated Entities which we obtain control over and derive economic benefits from through the Structured Contracts.

<u>Nature/Brand/Segment of our PRC Consolidated Affiliated Entity</u>	<u>Name of our PRC Consolidated Affiliated Entity</u>
(i) Ancillary entities providing administrative functions by currently acting (or in future to act) as school sponsors or shareholders of our Schools	<ol style="list-style-type: none"> <li>1. Anhui Xinhua Education</li> <li>2. Hefei Xinhua East Education Investment Co., Ltd.* (合肥新華東方教育投資有限公司)</li> <li>3. Hefei Xinhua Zhiyuan Education Investment Co., Ltd.* (合肥新華智原教育投資有限公司)</li> <li>4. Hefei Xinhua Xueli Education Investment Co., Ltd.* (合肥新華學力教育投資有限公司)</li> <li>5. Chengdu Tianji</li> <li>6. Sichuan Xinhua Jinjin Education Investment Co., Ltd.* (四川新華金津教育投資有限公司)</li> </ol>
(ii) New East Culinary Education	<ol style="list-style-type: none"> <li>7. Anhui New East Culinary Technical School* (安徽新東方烹飪技工學校)</li> <li>8. Anhui New East Culinary Institute* (安徽新東方烹飪專修學院)</li> <li>9. Anhui New East Culinary Institute Co., Ltd.* (安徽新東方烹飪專修學院有限公司)</li> <li>10. Qinghai New East Culinary Vocational Training School Co., Ltd.* (青海新東方烹飪職業培訓學校有限公司)</li> <li>11. Xuzhou New East Culinary Vocational Training School Co., Ltd.* (徐州新東方烹飪職業培訓學校有限公司)</li> <li>12. Nanchong New East Culinary Vocational Skills Training Co., Ltd.* (南充新東方烹飪職業技能培訓有限公司)</li> <li>13. Hainan New East Culinary Technical School* (海南新東方烹飪技工學校)</li> <li>14. Beijing City New East Culinary Vocational Training School* (北京市新東方烹飪職業技能培訓學校)</li> <li>15. Beijing City Chaoyang District New East Culinary Vocational Training School* (北京市朝陽區新東方烹飪職業技能培訓學校)</li> </ol>

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Nature/Brand/Segment of our PRC Consolidated Affiliated Entity	Name of our PRC Consolidated Affiliated Entity
	16. Changsha New East Culinary Institute* (長沙新東方烹飪學院)
	17. Hainan New East Culinary Vocational Training School* (海南新東方烹飪職業培訓學校)
	18. Tianjin City Jinghai District New East Culinary Vocational Skills Training School Co., Ltd.* (天津市靜海區新東方烹飪職業技能培訓學校有限公司)
	19. Chongqing City New East Culinary Vocational Training Institute* (重慶市新東方烹飪職業培訓學院)
	20. Chengdu New East Culinary Vocational Training School Co., Ltd.* (成都新東方烹飪職業技能培訓學校有限公司)
	21. Yunnan New East Culinary Vocational Training School* (雲南新東方烹飪職業培訓學校)
	22. Yunnan New East Culinary School* (雲南新東方烹飪學校)
	23. Jiangxi Nanchang New East Culinary Secondary Vocational School* (江西南昌新東方烹飪中專學校)
	24. Jiangsu New East Culinary Training School* (江蘇新東方烹飪技術學校)
	25. Guiyang New East Culinary Technical School* (貴陽新東方烹飪技工學校)
	26. Guiyang New East Culinary Institute* (貴陽新東方烹飪學院)
	27. Guiyang New East Culinary Institute Co., Ltd.* (貴陽新東方烹飪學院有限公司)
	28. Zhengzhou City New East Culinary Vocational Training School Co., Ltd.* (鄭州市新東方烹飪職業技能培訓學校有限公司)
	29. Shenzhen City Pingshan District New East Culinary Vocational Training School* (深圳市坪山區新東方烹飪職業培訓學校)
	30. Guangzhou City Panyu District New East Culinary Vocational Training School* (廣州市番禺區新東方烹飪職業培訓學校)
	31. Shandong New East Culinary Vocational Training School Co., Ltd.* (山東新東方烹飪職業培訓學院有限公司)
	32. Shijiazhuang City Luancheng District New East Culinary Vocational Skills Training School Co., Ltd.* (石家莊市欒城區新東方烹飪職業技能培訓學校有限公司)

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Nature/Brand/Segment of our PRC Consolidated Affiliated Entity	Name of our PRC Consolidated Affiliated Entity
	33. Shanxi New East Culinary Vocational Training School* (山西新東方烹飪職業培訓學校)
	34. Shenyang New East Culinary School Co., Ltd.* (沈陽新東方烹飪學校有限公司)
	35. Fujian Province New East Culinary Vocational Training School* (福建省新東方烹飪職業培訓學校)
	36. Hangzhou City Yuhang District New East Culinary School* (杭州市余杭區新東方烹飪學校)
	37. Suzhou City New East Vocational Training School* (蘇州市新東方烹飪職業培訓學校)
	38. Shaanxi New East Culinary Training School Co., Ltd.* (陝西新東方烹飪培訓學校有限公司)
	39. Dalian Jinzhou New District New East Culinary Vocational Training School* (大連金州新區新東方烹飪職業培訓學校)
	40. Qingdao Chengyang New East Culinary Vocational Training School Co., Ltd.* (青島城陽新東方烹飪職業培訓學校有限公司)
	41. Changchun City Kuancheng New East Culinary Vocational Training School Co., Ltd.* (長春市寬城新東方烹飪職業培訓學校有限責任公司)
	42. Xinjiang New East Culinary School* (新疆新東方烹飪學校)
	43. Hohhot City New East Culinary Vocational Training School* (呼和浩特市新東方烹飪職業培訓學校)
	44. Gansu New East Culinary Vocational Training School* (甘肅新東方烹飪職業培訓學校)
	45. Harbin New East Culinary Vocational Training School Co., Ltd.* (哈爾濱新東方烹飪職業培訓學校有限公司)
	46. Hubei New East Culinary Vocational Training School* (湖北新東方烹飪職業培訓學校)
	47. Shanghai Xinman Culinary Training Co., Ltd.* (上海新曼烹飪培訓有限公司)
	48. Shanghai Xinman Culinary Training Co., Ltd. Zhujing Branch* (上海新曼烹飪培訓有限公司朱涇分公司)
	49. Shanghai Fengxian District East Delicacy Vocational Training School* (上海奉賢區東方美食職業培訓學校)
	50. Xiamen City Tong'an District New East Culinary Vocational Training School* (廈門市同安區新東方烹飪職業培訓學校)

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<b>Nature/Brand/Segment of our PRC Consolidated Affiliated Entity</b>	<b>Name of our PRC Consolidated Affiliated Entity</b>
	51. Ningxia New East Vocational Training School* (寧夏新東方職業技能培訓學校)
	52. Guiyang City New East Culinary Secondary Vocational School* (貴陽市新東方烹飪中等職業學校)
	53. Shijiazhuang New East Secondary Vocational School* (石家莊新東方中等專業學校)
	54. Fujian Province New East Technical School* (福建省新東方技工學校)
	55. Changchun New East Culinary Technical School Co., Ltd.* (長春新東方烹飪技工學校有限責任公司)
	56. Hohhot City New East Technical School* (呼和浩特市新東方技工學校)
	57. Nanjing Culinary Technical School* (南京烹飪技工學校)
	58. Chongqing City Changzheng Culinary Vocational Training School* (重慶市長征烹飪職業培訓學校)
	59. Chengdu City Longquanyi District New East Culinary Technical School Co., Ltd. (成都市龍泉驛區新東方烹飪技工學校有限公司)
	60. Zhuhai City New East Culinary Training Co., Ltd.* (珠海市新東方烹飪培訓有限公司)
	61. Ningbo New East Culinary Training School Co., Ltd.* (寧波新東方烹飪培訓學校有限公司)
	62. Chengdu Cuisine Lecture Culinary Vocational Skills Training School Co., Ltd.* (成都美味講堂烹飪職業技能培訓學校有限公司)
	63. Guangzhou City Nansha District New East Culinary Vocational Training School* (廣州市南沙區新東方烹飪職業培訓學校)



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<b>Nature/Brand/Segment of our PRC Consolidated Affiliated Entity</b>	<b>Name of our PRC Consolidated Affiliated Entity</b>
(iii) Xinhua Internet Technology Education	64. Anhui Xinhua Computer Institute* (安徽新華電腦專修學院) 65. Anhui Xinhua Computer Institute Co., Ltd.* (安徽新華電腦專修學院有限公司) 66. Shandong Xinhua Computer Institute Co., Ltd.* (山東新華電腦學院有限公司) 67. Henan Xinhua Computer Institute* (河南新華電腦學院) 68. Zhengzhou Xinhua Secondary Vocational School* (鄭州新華中等專業學校) 69. Changsha Xinhua Computer Institute* (長沙新華電腦學院) 70. Shijiazhuang Xinhua Computer School* (石家莊新華電腦學校) 71. Jiangxi Nanchang Xinhua Computer Secondary Vocational School* (江西南昌新華電腦中專學校) 72. Sichuan Xinhua Computer Institute* (四川新華電腦學院) 73. Shaanxi Xinhua Computer Software Training School Co., Ltd.* (陝西新華電腦軟件培訓學校有限公司) 74. Shanxi Xinhua Computer Vocational Training School* (山西新華電腦職業培訓學校)

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Nature/Brand/Segment of our PRC Consolidated Affiliated Entity	Name of our PRC Consolidated Affiliated Entity
	75. Guizhou Xinhua Computer Institute* (貴州新華電腦學院)
	76. Guizhou Xinhua Computer Institute Co., Ltd.* (貴州新華電腦學院有限公司)
	77. Yunnan Xinhua Computer Vocational Training School* (雲南新華電腦職業培訓學校)
	78. Yunnan Xinhua Computer Secondary Vocational School* (雲南新華計算機中等專業學校)
	79. Nanjing Xinhua Computer Institute* (南京新華電腦專修學院)
	80. Wuhan Xinhua Computer Vocational Training School* (武漢新華電腦職業培訓學校)
	81. Chongqing Xinhua Computer Vocational Training School* (重慶新華電腦職業培訓學校)
	82. Anhui Xinhua Technical School Co., Ltd.* (安徽新華技工學校有限公司)
	83. Urumqi Xinhua Zhiyuan Internet Technology Co., Ltd.* (烏魯木齊新華智原互聯網科技有限責任公司)
	84. Guiyang City Xinhua Computer Secondary Vocational School* (貴陽市新華電腦中等職業學校)
	85. Guiyang Xinhua Internet Technical School* (貴陽新華互聯網技工學校)
	86. Guiyang Xinhua Internet Technical School Co., Ltd.* (貴陽新華互聯網技工學校有限公司)
	87. Chongqing City Xinhua Technical School* (重慶市新華技工學校)
	88. Beijing City Daxing District Xinhua Computer Vocational Training School* (北京市大興區新華電腦職業技能培訓學校)
	89. Chengdu City Shuangliu District Xinhua Technical School Co., Ltd.* (成都市雙流區新華技工學校有限公司)
	90. Lanzhou Xinhua Internet Secondary Vocational School Co., Ltd.* (蘭州新華互聯網中等職業學校有限公司)
(iv) Wontone Automotive Education	91. Anhui Wontone Automobile Technical School* (安徽萬通汽車技工學校)
	92. Anhui Wontone Automobile Maintenance Institute* (安徽萬通汽車專修學院)
	93. Anhui Wontone Automobile Maintenance Institute Co., Ltd.* (安徽萬通汽車專修學院有限公司)
	94. Nanjing Wontone Automobile Technical School* (南京萬通汽車技工學校)

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Nature/Brand/Segment of our PRC Consolidated Affiliated Entity	Name of our PRC Consolidated Affiliated Entity
	95. Wuhan Donghu New Technology Development Zone Wontone Automobile Repair Vocational Training School Co., Ltd.* (武漢東湖新技術開發區萬通汽修職業培訓學校有限公司)
	96. Shenyang City Wontone Automobile Vocational Training School Co., Ltd.* (沈陽市萬通汽車職業培訓學校有限公司)
	97. Hohhot City Wontone Automobile Vocational Training School* (呼和浩特市萬通汽車職業培訓學校)
	98. Urumqi Xinhua Wontone Automobile Vocational Skills Training School Co., Ltd.* (烏魯木齊新華萬通汽車職業技能培訓學校有限公司)
	99. Hangzhou Wontone Automobile Vocational Skills Training Co., Ltd.* (杭州萬通汽車職業技能培訓有限公司)
	100. Guizhou Wontone Automobile Education & Training Co., Ltd.* (貴州萬通汽車教育培訓有限公司)
	101. Gansu Wontone Automobile Vocational Training School* (甘肅萬通汽車職業培訓學校)
	102. Jilin Province Wontone Technical School Co., Ltd.* (吉林省萬通技工學校有限責任公司)
	103. Beijing Tongzhou New District Wontone Automobile Repairing Vocational Skills Training School* (北京通州新區萬通汽車修理職業技能培訓學校)
	104. Shijiazhuang Wontone Automobile Vocational Training School Co., Ltd.* (石家莊萬通汽車職業培訓學校有限公司)
	105. Chongqing Xinhua Wontone Automobile Vocational Skills Training Co., Ltd.* (重慶新華萬通汽車職業技能培訓有限公司)
	106. Yunnan Wontone Automobile Repair Vocational Training School* (雲南萬通汽修職業培訓學校)
	107. Chengdu Wontone Automobile Vocational Training School Co., Ltd.* (成都萬通汽車培訓職業技能學校有限公司)
	108. Nanjing Wontone Automobile Vocational Training School* (南京萬通汽車職業培訓學校)
	109. Hunan Wontone Automobile Vocational Training School* (湖南萬通汽車職業培訓學校)

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Nature/Brand/Segment of our PRC Consolidated Affiliated Entity	Name of our PRC Consolidated Affiliated Entity
	110. Hunan Wontone Automobile Technical School Co., Ltd.* (湖南萬通汽車技工學校有限責任公司)
	111. Jiangxi Wontone Automobile Vocational Training Institute* (江西萬通汽車職業培訓學院)
	112. Shandong Wontone Automobile Vocational Training Institute Co., Ltd.* (山東萬通汽車職業培訓學院有限公司)
	113. Guangzhou City Panyu District Wontone Automobile Vocational Training School* (廣州市番禺區萬通汽車職業培訓學校)
	114. Xi'an Wontone Automobile Vocational Skills Training School Co., Ltd.* (西安萬通汽車職業技能培訓學校有限公司)
	115. Zhengzhou Wontone Automobile Vocational Training School Co., Ltd.* (鄭州萬通汽車職業培訓學校有限公司)
	116. Beijing City Daxing District Wontone Automobile Vocational Skills Training School* (北京市大興區萬通汽車修理職業技能培訓學校)
	117. Jiangxi Wontone Automobile Technical School* (江西萬通汽車技工學校)
	118. Taiyuan Yuxing Wontone Automobile Education Consultancy Co., Ltd.* (太原宇星萬通汽車教育諮詢有限公司)
	119. Chengdu Wontone Future Automobile Technical School Co., Ltd.* (成都萬通未來汽車技工學校有限公司)
(v) Omick Education of Western Cuisine and Pastry	120. Hefei City Omick Western Pastry Vocational Training School* (合肥市歐米奇西點職業培訓學校)
	121. Hefei City Omick Western Pastry Vocational Training School Co., Ltd.* (合肥市歐米奇西點職業培訓學校有限公司)
	122. Xiamen Omick Western Pastry & Cuisine Educational Co., Ltd.* (廈門歐米奇西點西餐教育有限公司)
	123. Kunming Omick Western Pastry & Cuisine Training Co., Ltd.* (昆明歐米奇西點西餐培訓有限公司)
	124. Beijing Omick Educational Technology Co., Ltd.* (北京歐米奇教育科技有限公司)
	125. Xi'an Omick Western Pastry & Cuisine Training Co., Ltd.* (西安歐米奇西點西餐培訓有限責任公司)
	126. Wuhan City Omick Western Pastry & Cuisine Vocational Training Co., Ltd.* (武漢市歐米奇西點西餐職業技能培訓有限公司)

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Nature/Brand/Segment of our PRC Consolidated Affiliated Entity	Name of our PRC Consolidated Affiliated Entity
	127. Suzhou City Omick Western Pastry & Cuisine Training Co., Ltd.* (蘇州市歐米奇西點西餐培訓有限公司)
	128. Hainan Omick Western Pastry & Cuisine Training Co., Ltd.* (海南歐米奇西點西餐培訓有限公司)
	129. Chengdu Omick Western Pastry Vocational Training School* (成都歐米奇西點職業技能培訓學校)
	130. Changsha City Omick Western Pastry Vocational Training School* (長沙市歐米奇西點職業培訓學校)
	131. Nanchang Omick Western Pastry Vocational Training School* (南昌歐米奇西點職業培訓學校)
	132. Hangzhou Economic & Technology Development Area Omick Western Pastry School* (杭州經濟技術開發區歐米奇西點學校)
	133. Nanjing Omick Western Pastry School* (南京歐米奇西點學校)
	134. Guiyang Omick International Western Pastry Vocational Training School (貴陽歐米奇國際西點職業培訓學校)
	135. Guiyang Omick International Western Pastry Vocational Training School Co., Ltd.* (貴陽歐米奇國際西點職業培訓學校有限公司)
	136. Zhengzhou City Omick Western Pastry Vocational Training School Co., Ltd.* (鄭州市歐米奇西點職業培訓學校有限公司)
	137. Shandong Omick Western Pastry Vocational Training Institute* (山東歐米奇西點職業培訓學院)
	138. Shenyang City Omick Western Pastry Training School Co., Ltd.* (沈陽市歐米奇西點培訓學校有限公司)
	139. Shijiazhuang City Luancheng District Omick Western Pastry Vocational Training School* (石家莊市欒城區歐米奇西點職業培訓學校)
	140. Hohhot City Omick Western Pastry Vocational Training School* (呼和浩特市歐米奇西點職業培訓學校)
	141. Hohhot City Omick Western Pastry Vocational Training School Co., Ltd.* (呼和浩特市歐米奇西點職業培訓學校有限公司)
	142. Harbin Omick Vocational Training School* (哈爾濱歐米奇職業培訓學校)
	143. Omick Western Pastry Training (Shanghai) Co., Ltd.* (歐米奇西點培訓(上海)有限公司)

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Nature/Brand/Segment of our PRC Consolidated Affiliated Entity	Name of our PRC Consolidated Affiliated Entity
	144. Guangzhou City Omick Western Pastry Vocational Training School* (廣州市歐米奇西點職業培訓學校)
	145. Chongqing City Omick Western Pastry & Cuisine Vocational Training School* (重慶市歐米奇西點西餐職業培訓學校)
	146. Taiyuan City Omick Western Pastry & Catering Vocational Training School* (太原市歐米奇西點西餐職業培訓學校)
	147. Tianjin City Xiqing District Omick Culinary Vocational Training School Co., Ltd.* (天津市西青區歐米奇烹飪職業技能培訓學校有限公司)
	148. Gansu Omick Western Pastry Vocational Training School* (甘肅歐米奇西點職業培訓學校)
(vi) Wiszone Data Technology Education	149. Beijing Wiszone Educational Technology Co., Ltd.* (北京華信智原教育技術有限公司)
	150. Beijing Wiszone Educational Technology Co., Ltd. Henan Branch* (北京華信智原教育技術有限公司河南分公司)
	151. Beijing Wiszone Educational Technology Co., Ltd. Kunming Branch* (北京華信智原教育技術有限公司昆明分公司)
	152. Beijing Wiszone Educational Technology Co., Ltd. Anhui Branch* (北京華信智原教育技術有限公司安徽分公司)
	153. Beijing Wiszone Educational Technology Co., Ltd. Taiyuan Branch* (北京華信智原教育技術有限公司太原分公司)
	154. Beijing Wiszone Educational Technology Co., Ltd. Hebei Branch* (北京華信智原教育技術有限公司河北分公司)
	155. Beijing Wiszone Educational Technology Co., Ltd. Shaanxi Branch* (北京華信智原教育技術有限公司陝西分公司)
	156. Beijing Wiszone Educational Technology Co., Ltd. Yiwu Branch* (北京華信智原教育技術有限公司義烏分公司)
	157. Beijing Wiszone Educational Technology Co., Ltd. Guangzhou Branch* (北京華信智原教育技術有限公司廣州分公司)
	158. Beijing Wiszone Educational Technology Co., Ltd. Fuzhou Branch* (北京華信智原教育技術有限公司福州分公司)
	159. Beijing Wiszone Educational Technology Co., Ltd. Yunnan Branch* (北京華信智原教育技術有限公司雲南分公司)

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<b>Nature/Brand/Segment of our PRC Consolidated Affiliated Entity</b>	<b>Name of our PRC Consolidated Affiliated Entity</b>
	160. Guizhou Wisezone Technology Co., Ltd.* (貴州華信智原科技有限公司)
	161. Wuhan Donghu New Technology Development Zone Wisezone Vocational Training School Co., Ltd.*(武漢東湖新技術開發區華信智原職業培訓學校有限公司)
	162. Chongqing Wisezone Technology Co., Ltd.* (重慶華信智原科技有限公司)
	163. Nanjing Wisezone Educational Technology Co., Ltd.* (南京華信智原教育科技有限公司)
	164. Chengdu Wisezone Technology Co., Ltd.* (成都華信智原科技有限公司)
	165. Jinan Lixia District Wisezone Training School Co., Ltd.* (濟南歷下區華信智原培訓學校有限公司)
	166. Nanchang Wisezone Technology Co., Ltd.* (南昌華信智原科技有限公司)
	167. Hunan Wisezone Information Technology Co., Ltd.* (湖南華信智原信息科技有限公司)
	168. Hangzhou Wisezone Educational Technology Co., Ltd.* (杭州華信智原教育科技有限公司)
	169. Tianjin Wisezone Technology Co., Ltd.* (天津華信智原科技有限公司)
	170. Dalian Wisezone Educational Technology Co., Ltd.* (大連華信智原教育科技有限公司)
	171. Lanzhou Wisezone Information Technology Co., Ltd.* (蘭州華信智原信息科技有限公司)

**(1) Exclusive Management Consultancy and Business Cooperation Agreements under Structured Contracts I and Structured Contracts II**

Pursuant to the exclusive management consultancy and business cooperation agreements entered into by and among (i) Xinhua Chuangzhi, Anhui Xinhua Education and its subsidiary entities as described therein, which are our PRC Consolidated Affiliated Entities (excluding Nanjing School), and the Registered Shareholders and (ii) Xinhua Chuangzhi, Nanjing School and Mr. Xiao Guoqing and Mr. Ge Xiaoliang (葛孝良) (each a “School Sponsor of Nanjing School” and collectively as the “School Sponsors of Nanjing School”), each dated November 30, 2018 (collectively as the “Exclusive Management Consultancy and Business Cooperation Agreements”).

Pursuant to the Exclusive Management Consultancy and Business Cooperation Agreement, Xinhua Chuangzhi has the exclusive right to provide, or designate any third party to provide comprehensive corporate management consultancy and educational management consultancy services, intellectual property licensing services and technical and business support services. Such services to our PRC Consolidated Affiliated Entities include advisory services on asset and business operation, debt disposal, material contracts or mergers and acquisitions; educational software and course materials research and development; employee training; technology development, transfer and consulting services; public relation services; logistics supporting services; market survey, research and consulting services; market development and planning

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services; management and advisory services of daily operation, financial investment, asset, credit and debt; human resources and internal information and other matters; office applications and network development, upgrade, update and ordinary maintenance services; sales of proprietary products; assistance in looking for suitable financing channels; establishment of relationship maintenance plans for supplier, customer, cooperative partners, teachers and students, and assist in such relationship maintenance; and software and trademark and know-how licensing and other additional services as may mutually agree from time to time. As at the Latest Practicable Date, Xinhua Chuangzhi and its subsidiaries had over 200 personnel to provide such services to our PRC Consolidated Affiliated Entities pursuant to the Exclusive Management Consultancy and Business Cooperation Agreements. Without Xinhua Chuangzhi's prior written consent, none of our PRC Consolidated Affiliated Entities may accept services covered by the Exclusive Management Consultancy and Business Cooperation Agreements from any third party. The Exclusive Management Consultancy and Business Cooperation Agreements will not expire unless the parties mutually agree to terminate or the term of operation of each of the parties to the agreement expire or upon a 30-day prior notice by Xinhua Chuangzhi in written.

Pursuant to the Exclusive Management Consultancy and Business Cooperation Agreements, Anhui Xinhua Education and the Registered Shareholders have undertaken to procure any subsidiary entity to be established after the date of such agreement invested and controlled (including via contractual arrangements) by Anhui Xinhua Education to execute an acknowledgement letter or any other document to undertake that it will assume rights and obligations as a subsidiary entity of Anhui Xinhua Education under the Exclusive Management Consultancy and Business Cooperation Agreements.

In consideration of the services provided by Xinhua Chuangzhi or its designated third party, our PRC Consolidated Affiliated Entities agree to pay service fees equal to 100% of their net income after deducting the relevant costs, tax payment and reserved funds as required by applicable PRC laws and regulations to Xinhua Chuangzhi or its designated third party who provided the services. Our PRC Consolidated Affiliated Entities shall agree with Xinhua Chuangzhi or its designated third party who provided the services on the actual amount of the service fees to be paid after good faith negotiations.

In order to prevent the leakage of assets and values of our PRC Consolidated Affiliated Entities to their respective shareholders, under the Exclusive Management Consultancy and Business Cooperation Agreements, without the prior written approval from Xinhua Chuangzhi, our PRC Consolidated Affiliated Entities shall not conduct any activities (save as those transactions entered into in the ordinary course of business) that may affect its assets, obligations, rights or operation, including but not limited to:

- (i) transactions entered into beyond the scope of the ordinary course of business or unusual in terms of past practice;
- (ii) change or remove the members of its board of directors or senior management members;
- (iii) the entering into of any loan or debt obligations owing to any third party;
- (iv) the disposal or acquisition of any assets (including intellectual properties) with a value higher than RMB3 million;
- (v) the entering into of any material contract with a consideration higher than RMB3 million;



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- (vi) the provision of any guarantee to any third party or the creation of any encumbrances in relation to its assets;
- (vii) amend the articles of association or scope of business;
- (viii) altering the ordinary business procedure or amending any material internal policy;
- (ix) making material changes of its business operation model, marketing strategy, business policy or customer relationship;
- (x) distribution of dividend or reasonable return in any form;
- (xi) dissolution or liquidation and distribution of the assets; and
- (xii) transfer to any third party any of the obligations or rights under the Exclusive Management Consultancy and Business Cooperation Agreements.

To ensure the due performance of the Management Consultancy and Business Cooperation Agreements, each of Anhui Xinhua Education and its subsidiary entities, the Registered Shareholders, Nanjing School and the School Sponsors of Nanjing School has undertaken to comply with the obligations as prescribed under the respective Management Consultancy and Business Cooperation Agreement set forth as follows:

- (i) accept the advice from Xinhua Chuangzhi in relation to employee engagement and dismissal, daily operation and management and financial system management;
- (ii) any candidate nominated by the WFOE will be elected as the directors of Anhui Xinhua Education and our other PRC Consolidated Affiliated Entities; Xinhua Chuangzhi is entitled to appoint the chairman of the board of directors, general manager, school principals, financial controllers and other senior managers of our PRC Consolidated Affiliated Entities;
- (iii) Xinhua Chuangzhi is entitled to periodically receive or inspect the accounts of our PRC Consolidated Affiliated Entities; and
- (iv) upon written request from Xinhua Chuangzhi, Anhui Xinhua Education and its subsidiary, the Registered Shareholders, Nanjing School and the School Sponsors of Nanjing School shall provide all account receivables and/or other disposable assets as guarantee to secure the obligation to pay service fees under the Management Consultancy and Business Cooperation Agreements.

To further enhance our Company's control over our Schools, Xinhua Chuangzhi is entitled to request our PRC Consolidated Affiliated Entities to submit their respective certificates and chops, that are important for their daily operation, to the safety custody of Xinhua Chuangzhi, including but not limited to business licenses, registration certificates of private non-enterprise entities, operation certificates, the company seals and financial chops.

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### **(2) *Exclusive Call Option Agreements under Structured Contracts I and Structured Contracts II***

Under the exclusive call option agreements entered into by and among (i) Xinhua Chuangzhi, the Registered Shareholders, Anhui Xinhua Education and its subsidiary entities, and (ii) Xinhua Chuangzhi, Nanjing School and the School Sponsors of Nanjing School, each dated November 30, 2018 (collectively as the “Exclusive Call Option Agreements”).

Pursuant to the Exclusive Call Option Agreements, the Registered Shareholders and the School Sponsors of Nanjing School unconditionally and irrevocably agreed to grant Xinhua Chuangzhi an exclusive, unconditional and irrevocable option for Xinhua Chuangzhi or its designated third party to purchase all or part of (i) the equity interests of the Registered Shareholders in Anhui Xinhua Education, (ii) the equity interests of the school sponsors or shareholders of such subsidiary entities of Anhui Xinhua Education, (iii) the assets of Anhui Xinhua Education or Nanjing School, and/or (iv) the school sponsor’s interest in Nanjing School, at nil consideration or at the lowest price permitted under the PRC laws and regulations, under circumstances in which Xinhua Chuangzhi or its designated third party is permitted under PRC laws and regulations to own all or part of the equity interests of Anhui Xinhua Education. Where the purchase price is required by the relevant PRC laws and regulations to be an amount other than nil consideration, the Registered Shareholders and/or the School Sponsors of Nanjing School shall return the amount of purchase price they have received to Anhui Xinhua Education or Xinhua Chuangzhi or its designated third party. We have the sole discretion to decide when to exercise the option, and whether to exercise the option in part or in full.

In addition, under the Exclusive Call Option Agreements, Anhui Xinhua Education and the School Sponsor of Nanjing School shall not transfer or permit the encumbrance of or allow any guarantee or security to be created on any of the equity interests in our PRC Consolidated Affiliated Entities or school sponsor’s interest in Nanjing School without Xinhua Chuangzhi’s prior written consent, and shall not incur, succeed, guarantee or assume any liability excluding any liabilities incurred during our ordinary course of business or liabilities that have been disclosed and confirmed by Xinhua Chuangzhi. In the event that the Registered Shareholders and/or the School Sponsors of Nanjing School receive any profit distribution or dividend from our PRC Consolidated Affiliated Entities, the Registered Shareholders and/or the School Sponsors of Nanjing School must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to Xinhua Chuangzhi or its designated third party.

### **(3) *Equity Pledge Agreement under Structured Contracts I***

Pursuant to the equity pledge agreement entered into by and among Xinhua Chuangzhi, the Registered Shareholders and Anhui Xinhua Education on November 30, 2018 (the “Equity Pledge Agreement”), the Registered Shareholders unconditionally and irrevocably pledged all of their equity interests in Anhui Xinhua Education to Xinhua Chuangzhi to guarantee performance of the obligations of Anhui Xinhua Education and its subsidiary entities under the Exclusive Management Consultancy and Business Cooperation Agreement and performance of the Registered Shareholders’ obligations under the Exclusive Call Option Agreement and the Powers of Attorney. Pursuant to the Equity Pledge Agreement, the Registered Shareholders have agreed that, without the prior written consent of Xinhua Chuangzhi, they will not transfer or dispose the pledged equity interests or create or allow any encumbrance on the pledged equity interests that would prejudice Xinhua Chuangzhi’s interest. The Registered Shareholders further undertook to waive their respective preemptive rights in the event when Xinhua Chuangzhi exercises its rights to enforce the pledge.

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## STRUCTURED CONTRACTS

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The equity pledge is required to be registered under the relevant laws and regulations. The equity pledge registration of Anhui Xinhua Education with the Hefei City Administration Bureau for Industry and Commerce was completed on December 4, 2018. The equity pledge shall remain valid until all the contractual obligations of Anhui Xinhua Education, its subsidiary entities and the Registered Shareholders are satisfied in full under the Exclusive Management Consultancy and Business Cooperation Agreement, the Exclusive Call Option Agreement and the Powers of Attorney, or the nullification or termination of the Exclusive Management Consultancy and Business Cooperation Agreement, the Exclusive Call Option Agreement and the Powers of Attorney, whichever is later.

#### **(4) Powers of Attorney under Structured Contracts I**

Each of the Registered Shareholders has executed an irrevocable power of attorney dated November 30, 2018 (the “Powers of Attorney”) appointing Xinhua Chuangzhi, or any person designated by Xinhua Chuangzhi, as his attorney-in-fact to appoint directors and vote on his behalf on all matters of Anhui Xinhua Education requiring shareholders’ approval under its articles of associations and under the relevant PRC laws and regulations. These powers of attorney remain effective as long as the Registered Shareholders remain a shareholder of Anhui Xinhua Education, unless Xinhua Chuangzhi requests to replace the appointed designee under the Powers of Attorney.

The Powers of Attorney specifically provide that the attorney-in-fact (i) is entitled to call shareholders’ meetings and sign resolutions minutes and other documents at those meetings; (ii) is entitled to exercise all shareholder’s rights, including but not limited to voting right, information right, nomination right and right to appoint directors; (iii) is entitled to file documents with the relevant companies registries; (iv) sale, transfer, pledge or disposal, in any other way, of equity interests or rights attached thereto; (v) designate or replace of director, instruct and procure the election or replacement of chairman of the board of directors or legal representative, determination of remuneration of directors, chairman of the board of directors or legal representative; (vi) merger, split-off, change of form of company, dissolution and winding-up of company; (vii) voting right, decision-making right and any other rights related to determine future establishment of subsidiary entities; (viii) nominate or recommend or procure the appointment of suitable candidates to the board, council, principal, financial controller/manager or other management members; (ix) is entitled to dividends, and (x) in the event of a winding-up of any of our PRC Consolidated Affiliated Entities, has the right to appoint a liquidator to deal or manage the assets obtained after such winding-up for the benefit of our Company and its shareholders.

Those of our powers to direct the activities of our PRC Consolidated Affiliated Entities that most significantly impact these entities’ economic performance include:

- (i) as the attorney-in-fact of shareholders, we elect all members of the board of directors for each of our PRC Consolidated Affiliated Entities, approve the director compensation, review and approve annual budget and vote on all matters that requiring approval from shareholders;
- (ii) through the control over our PRC Consolidated Affiliated Entities’ boards, we appoint all senior management, approve executive compensation and review and approve operating, investing, and financing plans; and
- (iii) through control over the management team, we effectively control the daily operations of our PRC Consolidated Affiliated Entities.

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## STRUCTURED CONTRACTS

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Therefore, through the irrevocable power of attorney arrangement, we and our wholly-owned PRC subsidiary, Xinhua Chuangzhi, have the ability to exercise effective control over Anhui Xinhua Education through shareholder votes and, through such votes, to also control the composition of the board of directors for Anhui Xinhua Education.

### **(5) Accounts Receivable Pledge Agreement under Structured Contracts II**

Pursuant to the accounts receivable pledge agreement entered into by and among Xinhua Chuangzhi, Nanjing School and the School Sponsors of Nanjing School on November 30, 2018 (the "Accounts Receivable Pledge Agreement"), Nanjing School unconditionally and irrevocably pledged and granted first priority security interests over all of its interest in (i) receivables from the tuition, boarding, examination tutoring fees of Nanjing School, (ii) rent from the School's properties, (iii) receivables from services provided by Nanjing School, to Xinhua Chuangzhi as security for performance of the Structured Contracts and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Xinhua Chuangzhi as a result of any event of default on the part of Nanjing School or the School Sponsors of Nanjing School and all expenses incurred by WFOE as a result of enforcement of the obligations of Nanjing School or the School Sponsors of Nanjing School under the Structured Contracts (the "Secured Indebtedness").

Pursuant to the Accounts Receivable Pledge Agreement, without the prior written consent of Xinhua Chuangzhi, Nanjing School and the School Sponsors of Nanjing School shall not transfer the receivables or create further pledge or encumbrance over the pledged interest in the receivables. The proceeds of any transfer of the interest in the receivables shall be first used in the payment of the Secured Indebtedness or deposited to such third party as agreed to by Xinhua Chuangzhi.

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

- (i) Nanjing School or the School Sponsors of Nanjing School commit any breach of any obligations under the Structured Contracts;
- (ii) any representations or warranties or information provided by Nanjing School or the School Sponsors of Nanjing School under the Structured Contracts is proved incorrect or misleading; or
- (iii) any provision in the Structured Contracts becomes invalid or incapable of performance due to changes in PRC laws and regulations or promulgation of new laws and regulations in the PRC, and the parties have not agreed on any alternative arrangement.

Upon the occurrence of an event of default as described above, Xinhua Chuangzhi shall have the right to enforce the Accounts Receivable Pledge Agreement by written notice to Nanjing School in one or more of the following ways:

- (i) sell the pledged receivables interest by way of auction or at a discount and have priority in the entitlement to the sales proceeds;
- (ii) appoint relevant auction parties for the action; and/or
- (iii) dispose of the pledged receivables interest in other manner subject to applicable laws and regulations.

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## STRUCTURED CONTRACTS

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The pledge under the Accounts Receivable Pledge Agreement has been registered with the Credit Reference Centre of the People's Bank of China (中國人民銀行徵信中心) as required by the *Receivables Pledge Registration Measures* (《應收賬款質押登記辦法》) promulgated by the People's Bank of China and became effective on the same day of registration.

### **(6) School Sponsors' or Capital Contributors' Rights Entrustment Agreement under Structured Contracts II**

Pursuant to the school sponsors' or capital contributors' rights entrustment agreement entered into by and between Xinhua Chuangzhi and the School Sponsors of Nanjing School on November 30, 2018 (the "School Sponsors' or Capital Contributors' Rights Entrustment Agreement"), the School Sponsors of Nanjing School have irrevocably authorised and entrusted Xinhua Chuangzhi to exercise all its rights as school sponsor or capital contributor of Nanjing School to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to appoint and/or elect directors or council members of Nanjing School; (b) the right to appoint and/or elect supervisors of Nanjing School; (c) the right to access the information relating to the operation and financial situation of Nanjing School; (d) the right to review the resolutions and records of the board of directors and financial statements and reports of Nanjing School; (e) the right to obtain reasonable returns or any returns as school sponsor of Nanjing School in accordance with the laws; (f) the right to acquire residue assets upon winding-up, liquidation, dissolution or cessation of operation of Nanjing School in accordance with the laws; (g) the right to transfer school sponsor's interest in accordance with the laws; (h) the right to vote as school sponsor upon winding-up, liquidation, dissolution or cessation of operation of Nanjing School in accordance with the laws; (i) the right to handle the legal procedures of registration, approval and licensing of Nanjing School at the education department, the department of civil affairs or other government departments and (j) other school sponsor's rights pursuant to applicable PRC laws and regulations and the articles of association of Nanjing School as amended from time to time.

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

### **(7) School Sponsor's or Capital Contributor's Powers of Attorney under Structured Contracts II**

Each of the School Sponsors of Nanjing School has executed an irrevocable school sponsor's or capital contributor's power of attorney dated November 30, 2018 (the "School Sponsor's or Capital Contributor's Powers of Attorney") appointing Xinhua Chuangzhi or any person designated by Xinhua Chuangzhi, as its agents to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of Nanjing School.

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## STRUCTURED CONTRACTS

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Xinhua Chuangzhi shall have the right to further delegate the rights so delegated to the directors of Xinhua Chuangzhi or other designated person. The School Sponsors of Nanjing School irrevocably agreed that the authorisation and appointment in the School Sponsor's or Capital Contributor's Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of the increase, decrease or merger of the interest of the School Sponsors of Nanjing School or other similar events. Each of the School Sponsor's or Capital Contributor's Powers of Attorney shall constitute a part and incorporate terms of the School Sponsors' or Capital Contributors' Rights Entrustment Agreement.

### DISPUTE RESOLUTION

Each of the the Exclusive Management Consultancy and Business Cooperation Agreements, the Exclusive Call Option Agreements, the Equity Pledge Agreement, the Accounts Receivable Pledge Agreement and the School Sponsors' or Capital Contributors' Rights Entrustment Agreement provides that:

- (a) any dispute arising out of or in connection with the performance of the relevant agreements shall be resolved through negotiation in good faith;
- (b) if the parties are unable to settle the dispute by negotiation, any party shall have the right to refer the dispute to and have the dispute finally resolved by arbitration administered by the China International Economic and Trade Arbitration Commission in Beijing, the PRC under the prevailing effective arbitration rules thereof. The results of the arbitration shall be final and binding on all relevant parties;
- (c) the arbitration commission shall have the right to award remedies over the equity interest and/or other assets of our PRC Consolidated Affiliated Entities, injunctive relief (for the conduct of business or to compel the transfer of assets), or order the winding up of our PRC Consolidated Affiliated Entities; and
- (d) upon request by any party, the courts of competent jurisdictions shall have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases. The courts of PRC, Hong Kong, the Cayman Islands and the place where the principal assets of our Company and our PRC Consolidated Affiliated Entities are located shall be considered as having jurisdiction for the above purposes.

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

- (a) under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order for the purpose of protecting assets of or equity interest in our PRC Consolidated Affiliated Entities in case of disputes. As such, these remedies may not be available to our Group under PRC laws;
- (b) further, under the PRC laws, courts or judicial authorities in the PRC generally would not award remedies over the shares and/or assets of our PRC Consolidated Affiliated Entities, injunctive relief or winding-up of each of our PRC Consolidated Affiliated Entities as interim remedies, before there is any final outcome of arbitration;

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## STRUCTURED CONTRACTS

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- (c) however, the PRC laws do not disallow the arbitral body to give award of transfer of assets of or an equity interest in each of our PRC Consolidated Affiliated Entities at the request of arbitration applicant. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support such award of the arbitral body when deciding whether to take enforcement measures;
- (d) in addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; therefore, in the event we are unable to enforce the Structured Contracts, we may not be able to exert effective control over each of our PRC Consolidated Affiliated Entities, and our ability to conduct our business may be negatively affected; and
- (e) even if the above-mentioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Structured Contracts.

As a result of the above, in the event that any of our PRC Consolidated Affiliated Entities 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 Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. See “Risk Factors — Risks Relating to our Structured Contracts” in this prospectus for details.

### **PROTECTION IN THE EVENT OF DEATH, BANKRUPTCY OR DIVORCE OF THE REGISTERED SHAREHOLDERS AND SCHOOL SPONSORS OF NANJING SCHOOL**

Pursuant to the spouse undertakings executed by the respective spouse of the Registered Shareholders and School Sponsors of Nanjing School, the respective spouse of each of the Registered Shareholders and School Sponsors of Nanjing School has irrevocably (i) acknowledged the entry into of the Structured Contracts by the respective Registered Shareholder or School Sponsor of Nanjing School; (ii) undertook that she shall not take any actions that are in conflict with purpose and intention of the Structured Contracts, including acknowledging that any equity interests held by the shareholders do not fall within the scope of their community properties; and (iii) confirmed that her consent and approval is not required for the implementation of the Structured Contracts, any amendments thereto or the termination thereof.

In addition, pursuant to the Exclusive Management Consultancy and Business Cooperation Agreements and Exclusive Call Option Agreements, the Registered Shareholders and the School Sponsors of Nanjing School undertake to the WFOE that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of his/her direct or indirect equity interest in Anhui Xinhua Education, his rights and obligations thereunder shall be assumed by his successor(s), and unless with prior consent from Xinhua Chuangzhi, any will, divorce agreement, debt settlement agreement or legal document in any forms shall not prejudice or hinder the enforcement of the Exclusive Management Consultancy and Business Cooperation Agreements and the Exclusive Call Option Agreements.

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## STRUCTURED CONTRACTS

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### PROTECTION IN THE EVENT OF DISSOLUTION OR LIQUIDATION OF OUR PRC CONSOLIDATED AFFILIATED ENTITIES

Pursuant to the Exclusive Management Consultancy and Business Cooperation Agreements, in the event of the dissolution or liquidation of our PRC Consolidated Affiliated Entities, the Registered Shareholders, Anhui Xinhua Education and its subsidiary entities and the School Sponsors of Nanjing School undertake that, (i) in the event of dissolution or liquidation of any of our PRC Consolidated Affiliated Entities, the Registered Shareholders, Anhui Xinhua Education and its subsidiary entities and the School Sponsors of Nanjing School shall form the liquidation committee by members appointed by Xinhua Chuangzhi, to the extent permitted by PRC laws and regulation, to manage the assets of the relevant PRC Consolidated Affiliated Entities; and (ii) whether or not (i) is fulfilled, the remaining assets of a liquidated entity shall be transferred to Xinhua Chuangzhi.

### LOSS SHARING

In the event that our PRC Consolidated Affiliated Entities incur any loss or encounters any operational crisis, Xinhua Chuangzhi may, but is not obliged to, provide financial support to our PRC Consolidated Affiliated Entities.

None of the agreements constituting the Structured Contracts provide that our Company or its wholly-owned PRC subsidiary, Xinhua Chuangzhi, is obligated to share the losses of our PRC Consolidated Affiliated Entities or provide financial support to our PRC Consolidated Affiliated Entities. Further, our PRC Consolidated Affiliated Entities shall be solely liable for its own debts and losses with assets and properties owned by it.

Under PRC laws and regulations, our Company or Xinhua Chuangzhi, is not expressly required to share the losses of our PRC Consolidated Affiliated Entities or provide financial support to our PRC Consolidated Affiliated Entities. Despite the foregoing, given that our PRC Consolidated Affiliated Entities' 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 Consolidated Affiliated Entities suffer losses. However, due to the restrictive provisions contained in the Structured Contracts as disclosed in the respective paragraphs headed “— Summary of the Material Terms of the Structured Contracts — (1) Exclusive Management Consultancy and Business Cooperation Agreements” and “— Summary of the Material Terms of the Structured Contracts — (2) Exclusive Call Option Agreements” above, the potential adverse effect on the WFOE and our Company in the event of any loss suffered from our PRC Consolidated Affiliated Entities can be limited to a certain extent.

### TERMINATION OF THE STRUCTURED CONTRACTS

In the event that PRC laws and regulations allow Xinhua Chuangzhi or us to directly hold all or part of the interest of Anhui Xinhua Education and/or in our PRC Consolidated Affiliated Entities and/or all as part of the equity interest in Anhui Xinhua Education and operate private vocational training business in the PRC, Xinhua Chuangzhi shall exercise the equity call option as soon as practicable and Xinhua Chuangzhi 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 call option and the acquisition of all the equity interest that the Registered Shareholders (directly and indirectly) hold in our PRC Consolidated Affiliated Entities or all the school sponsor's interest that the School Sponsors of Nanjing School hold in Nanjing School by the WFOE or another party designated by our Company pursuant to the terms of the Exclusive Call Option Agreements, each of the Structured Contracts shall be automatically terminated.



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## STRUCTURED CONTRACTS

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### 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 and the School Sponsors of Nanjing School on the one hand, and our Company on the other hand. Pursuant to the Exclusive Management Consultancy and Business Cooperation Agreements, each of the Registered Shareholders and the School Sponsors of Nanjing School undertakes to Xinhua Chuangzhi that, unless with the prior written consent of Xinhua Chuangzhi, the Registered Shareholders and the School Sponsors of Nanjing School shall not directly or indirectly engage, participate in, conduct, acquire or hold any competing business. Our Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with the potential conflicts of interest between the Registered Shareholders and the School Sponsors of Nanjing School 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 Consolidated Affiliated Entities was duly incorporated and is validly existing and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations, each of the Registered Shareholders and Mr. Ge Xiaoliang is a natural person with full civil and legal capacity. Each of our PRC Consolidated Affiliated Entities has also obtained all necessary approvals and authorizations to execute and perform the Structured Contracts;
- (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. Parties to each of the agreements are entitled to perform their respective obligations thereunder, except that the Structured Contracts provide that the arbitral body may award remedies over the shares and/or assets of our PRC Consolidated Affiliated Entities, injunctive relief and/or winding up of our PRC Consolidated Affiliated Entities, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting the assets of or equity interest in our PRC Consolidated Affiliated Entities 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, none of the Structured Contracts would be deemed as “concealing illegal intentions with a lawful form,” and void under the PRC Contract Law;
- (c) each of the Structured Contracts is not in violation of provisions of the articles of association of our PRC Consolidated Affiliated Entities and Xinhua Chuangzhi;

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## STRUCTURED CONTRACTS

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- (d) entering and the performance of each of the Structured Contracts is not required to obtain any approvals or authorizations from the PRC governmental authorities, except that: (i) the pledge of the accounts receivable of Nanjing School in favor of Xinhua Chuangzhi is subject to registration requirements with the Credit Reference Centre of the People's Republic of China; (ii) the transfer of equity interest in Anhui Xinhua Education or the school sponsor's interest in Nanjing School contemplated under the Structured Contracts is subject to applicable approval and/or registration requirements under the then applicable laws, and (iii) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Structured Contracts are subject to applications to competent PRC courts for recognition and enforcement; and
- (e) Article 12 of the MOJ Draft for Comments does not apply to the existing not-for-profit private schools of our Group and will not affect the use of the Structured Contracts by our Group if the MOJ Draft for Comments became effective as currently drafted, given that no existing not-for-profit private school of our Group has elected to register as non-profit private school under the 2016 Decision and relevant local Implementation Opinion, and all the existing not-for-profit private schools of our Group will choose to register as for-profit private schools.

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

### **Directors' Views on the Structured Contracts**

We believe that the Structured Contracts are narrowly tailored because the Structured Contracts are only used to enable our Group to consolidate the financial results of our PRC Consolidated Affiliated Entities which engage or will engage in the operation of vocational education and vocational training, where, as advised by our PRC Legal Advisors, based on the September Interviews, in addition to imposing Qualification Requirements on the foreign owners and withholding government approval in respect of Sino-foreign ownership, the approving regulatory authorities will not approve the establishment of Anhui Xinhua Education as a Sino-Foreign Joint Venture private school even if the relevant entities of our Group fulfilled the Qualification Requirement.

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 Consolidated Affiliated Entities can be consolidated to those of our Group, and based on the advice of our PRC legal advisors, our Directors are of the view that the Structured Contracts are legal, valid and binding on the parties thereto under the PRC laws and regulations, except for relevant arbitration provisions, as disclosed in the paragraph headed "— Dispute Resolution" in this section.

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

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## STRUCTURED CONTRACTS

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### CONSOLIDATED FINANCIAL RESULTS OF OUR PRC CONSOLIDATED AFFILIATED ENTITIES

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 Consolidated Affiliated Entities, the Structured Contracts as mentioned above enable our Company to exercise control over our PRC Consolidated Affiliated Entities. The basis of combining the results of our PRC Consolidated Affiliated Entities is disclosed in note 1 of Appendix I to this prospectus. Our Directors consider that our Company can combine the financial results of our PRC Consolidated Affiliated Entities as if they were our Group's subsidiaries.

### DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

#### The FIL

On March 15, 2019, the National People's Congress approved the FIL which will come into effect on January 1, 2020. The FIL is intended to replace the current foreign investment legal foundation in the PRC 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. For details of the FIL, see "Regulation — Regulation on Companies in the PRC — Regulations on Foreign Investment and FIL"

#### Impact and Potential Consequences of the FIL

Conducting operations through contractual arrangements has been adopted by many PRC-based companies including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. The FIL, unlike the discussion draft of the proposed Foreign Investment Law of the People's Republic of China (《中華人民共和國外國投資法 (草案徵求意見稿) 》) published on January 2015 by the MOFCOM, does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. Our PRC Legal Advisors is of the view that given the FIL has not explicitly prohibited or restricted a foreign restricted business to be controlled by contractual arrangements, when the FIL becomes effective on January 1, 2020 and if there is no other promulgated national laws, administrative regulations or administrative rules prohibiting or restricting the operation of or affecting the legality of contractual arrangements, the validity of our Structured Contracts will not be affected. See "Risk Factors – Risks relating to our Contractual Arrangements – Substantial uncertainties exist with respect to the interpretation and implementation of the FIL and how it may impact the viability of our current corporate structure, corporate governance and business operations" in this prospectus for further details of risks relating to the FIL. In any event, we will take reasonable steps in good faith to seek compliance with the FIL.

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## STRUCTURED CONTRACTS

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### COMPLIANCE WITH THE STRUCTURED CONTRACTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Structured Contracts and our compliance with the Structured Contracts:

- (a) major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (b) our Board will review the overall performance of and compliance with the Structured Contracts at least once a year;
- (c) our Company will disclose the overall performance and compliance with the Structured Contracts in its annual reports and interim reports to update the Shareholders and potential investors;
- (d) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding the qualification requirement and our status of compliance with the draft foreign investment law and its accompanying explanatory notes as stipulated under the section headed “Structured Contracts — Background of the Structured Contracts” and the latest development of the draft foreign investment law and its accompanying explanatory notes as disclosed under the section headed “— Development in the PRC Legislation on Foreign Investment”, including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the qualification requirement; and
- (e) our Company will engage external legal advisors or other professional advisors, if necessary, to assist our Board to review the implementation of the Structured Contracts, review the legal compliance of the WFOE and our PRC Consolidated Affiliated Entities to deal with specific issues or matters arising from the Structured Contracts.

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

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

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## STRUCTURED CONTRACTS

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- (c) we have appointed three independent non-executive Directors, comprising over one-third of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and
- (d) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

## BUSINESS


### OVERVIEW

We are the largest vocational training education provider in China with a market share of approximately 1.7% and 2.5% in terms of average students enrolled and revenue generated for the year ended December 31, 2017, according to the Frost & Sullivan Report. Our business focuses on providing innovative vocational training education to students to increase their employability in the ever-changing employment market, as well as supporting China's evolving workforce requirements driven by its sustained economic growth, urbanization and industrial upgrade.

Our vocational training education mainly covers three industry sectors, namely, culinary arts, information technology and internet technology, as well as auto services, whereby we ranked first in each sector in terms of average students enrolled for the year ended December 31, 2017, according to the Frost & Sullivan Report. We serve these three industry sectors under five renowned school brands, namely New East Culinary Education, Omick Education of Western Cuisine and Pastry, Xinhua Internet Technology Education, Wontone Automotive Education and Wisezone Data Technology Education. Between December 31, 2016 and December 31, 2018, the number of our Schools and our average students enrolled grew at a CAGR of 26.9% and 8.6%, respectively. As of December 31, 2018, we operated 145 Schools with 123,957 average students enrolled for the year ended December 31, 2018. Our comprehensive nationwide school network covers 29 of the 31 provinces in mainland China and Hong Kong. We also provide customized catering experience services in 18 centers under our Cuisine Academy as of December 31, 2018. The following chart sets forth the information of our five school brands and Cuisine Academy as of the Latest Practicable Date:

Segments	Brands	Logo	No. of Schools in operation as of the Latest Practicable Date	Average students enrolled as of the Latest Practicable Date
Culinary Arts . . . . .	New East		52	66,634
	Omick		24	4,140
Information Technology and Internet Technology . . . . .	Xinhua Internet		24	37,681
	Wisezone		22	1,119
Auto Services . . . . .	Wontone		27	20,465
<b>TOTAL . . . . .</b>			<b>149</b>	<b>130,039</b>

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Segment	Brand	Logo	No. of centers in operation as of the Latest Practicable Date	Average number of customers registered as of the Latest Practicable Date
Customized Catering Experience Center . . . .	Cuisine Academy		19	535

We are a pioneer in providing vocational training education in China. Our tailor-made curriculums aim to address unmet demand for vocational training education to bridge the supply and demand gap between employers and students. Our primary goal is to provide students with solid knowledge and practical skills in their chosen professions that are tailored to the employers' needs with a view to increasing graduates' employability and their compensation. Our curriculum includes long-term and short-term programs as illustrated in the table below. Our long-term programs have a duration of one year or longer, primarily targeting middle school and high school graduates aged between 15 and 21 who wish to equip themselves with applicable skills for employment. Our short-term programs have a duration of less than one year, primarily targeting students who wish to enhance specific technical skills at work or supplement their learning through continuing education. We integrate practical training and work project simulation into the daily training of our students throughout the duration of most of our courses. Additionally, we have a well-developed student career development system to help to enhance the employment rates of our graduates.

Programs	Average students enrolled					
	Year ended December 31,					
	2016	%	2017	%	2018	%
Long-term . . . . .	94,337	89.8	105,130	90.2	112,243	90.5
— One to less than two years . . . . .	12,821	12.2	12,443	10.7	11,438	9.2
— Two to less than three years . . . . .	70,042	66.6	76,618	65.7	76,638	61.8
— Three years . . . . .	11,474	10.9	16,069	13.8	24,167	19.5
Short-term . . . . .	10,758	10.2	11,410	9.8	11,714	9.5
<b>TOTAL . . . . .</b>	<b>105,095</b>	<b>100</b>	<b>116,540</b>	<b>100</b>	<b>123,957</b>	<b>100</b>

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Our mission is to provide the best vocational training education in China. This initiative is in line with the PRC government plan to provide the Chinese population with sufficient quality vocational training to fulfill the market demand for developing a significant working population equipped with readily applicable technical skills. To support the plan, the PRC government has promulgated specific policies to drive industry growth, including:

- The *2015 Opinion on Deepening the Promotion of Vocational Education Group Management* issued by the MOE which states the importance of accelerating the development of modern vocational education, increasing the participation rates of vocation training groups and improving the operating environment of vocational education service providers by implementing policies to further encourage vocational training managed by a group;
- The *2016 Notice on the 13th Five Year Plan for Technical Education* issued by the MHRSS which emphasizes the need to improve the technical training environment through policy support, capital support, project support and marketing support; and
- The *2017 Opinion on Further Promoting the Development of Informatization of Vocational Education* issued by the MOE to promote the allocation of resources to accommodate market needs, encourage social capital to participate in building informatized vocational education and to develop protection mechanisms for intellectual property as well as benefits sharing.

We believe that our curriculums and teaching methods enable us to benefit from such policies. Because our educational focus is in line with the policy direction of the government, which is to encourage collaboration between schools and enterprises and to develop the vocational education industry, we are able to enjoy various governmental grants. Also, our participation in governmental poverty alleviation programs brings good publicity and strengthens our reputation. Not only do we offer curriculums that are tailored to the prevailing market demand, but we also strive to keep abreast of latest industry developments and continue to develop innovative and industry-leading vocational courses in emerging sectors, such as big data, e-sports and AI, among others.

As a leading vocational training education provider, we place emphasis on the importance of employment and career development. We have developed strong relationships with employers and have entered into school-enterprise cooperation programs with over 28,000 enterprises. For the years ended 2016, 2017 and 2018, 9,826, 15,345 and 27,931 students enrolled in the employer-tailored training programs, respectively. Students enrolled in employment-oriented school-enterprise cooperation programs have easier access to internships and job opportunities offered by the enterprises in those programs. In addition, we provide career advice and guidance to our students through career advice centers at each of our Schools overseen by our career advice department at our headquarters. As a result, we have achieved an average recommended employment rate of approximately 93.7% for our long-term programs for the year ended December 31, 2018.

Our success is attributable to our centralized and standardized management system across our business operations throughout China, which enables us to effectively expand our school network into new geographic markets while maintaining our quality standards. We centrally manage our operations across functions such as teaching, logistics, procurement, accounting and finance, research and design of our



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curriculums, career advice services, and talent cultivation to ensure the same quality standards are applied in each School. While we use consistent guidelines to streamline various aspects of our operations, we allow flexibility and encourage differentiated management approaches in each School based on their local economic, demographic and cultural environment.

Our highly scalable business model together with our proven track record have enabled us to build strong brand recognition nationwide and to achieve significant growth in our revenue during the Track Record Period. Our revenue from continuing operations increased from RMB2,335.7 million for the year ended December 31, 2016 to RMB2,850.2 million for the year ended December 31, 2017, and further to RMB3,265.0 million for the year ended December 31, 2018, representing a CAGR of approximately 18.2%. Our average students enrolled increased from 105,095 for the year ended December 31, 2016 to 116,540 for the year ended December 31, 2017 and further to 123,957 for the year ended December 31, 2018, representing a CAGR of approximately 8.6%. The average number of customers registered in Cuisine Academy has also reached 577 for the year ended December 31, 2018.

	Year ended December 31,			2016-18 CAGR
	2016	2017	2018	
Revenue (RMB million) . . . . .	2,335.7	2,850.2	3,265.0	18.2%
Average students enrolled at our Schools . . . . .	105,095	116,540	123,957	8.6%
Average number of customers registered in Cuisine Academy <sup>(1)</sup> . . . .	—	63	577	—

*Note:*

- (1) Our average number of customers registered for a year represents the sum of the number of customers registered at Cuisine Academy at the end of each month divided by the number of months during such period, without taking into account any withdrawal.

### OUR COMPETITIVE STRENGTHS

We seek to leverage our competitive strengths to strengthen our market position and expand our business operations. We believe that the following competitive strengths have contributed to our success and will continue to distinguish us from our competitors:

#### **Largest vocational training education provider in China with a portfolio of renowned brands**

We are the largest vocational training education provider in China in terms of average students enrolled for the year ended December 31, 2017, according to the Frost & Sullivan Report. Our business focuses on providing innovative vocational training education to students to increase their employability in the ever-changing employment market, as well as supporting China's workforce requirement amid the rising economy and the continuous trend of urbanization and industrial upgrade.

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Our vocational training education mainly covers three segments, namely, culinary arts, information technology and auto services, whereby we were ranked first in each segment in terms of average students enrolled for the year ended December 31, 2017, according to the Frost and Sullivan Report. The following table sets forth our leadership positions in each segment:

Segments	Description	Average students enrolled for the year ended December 31, 2018
Culinary Arts . . . . .	<ul style="list-style-type: none"> <li>• No. 1 culinary arts vocational training education provider in China<sup>(1)</sup></li> <li>• Brands: New East, Omick</li> <li>• Curriculums: administrative chef, hotel management, western cuisines chef, fashionable western pastry and Chinese herbal cuisine, pastry baking, etc.</li> </ul>	72,247
Information Technology and Internet Technology. . . . .	<ul style="list-style-type: none"> <li>• No. 1 Information Technology vocational training education provider in China<sup>(1)</sup></li> <li>• Brands: Xinhua Internet and Wisezone</li> <li>• Curriculums: 3D and graphic design, internet network, e-commerce, software development, e-sports, virtual reality, AI, internet security, big data, etc.</li> </ul>	32,387
Auto Services. . . . .	<ul style="list-style-type: none"> <li>• No. 1 auto services vocational training education provider in China<sup>(1)</sup></li> <li>• Brands: Wontone</li> <li>• Curriculums: automobile remodeling, new energy automobile, automobile inspection and repair, automobile plating and painting, automobile detailing, and automobile quick repair and maintenance</li> </ul>	19,323
<b>TOTAL . . . . .</b>		<b>123,957</b>

*Note:*

(1) According to the Frost & Sullivan Report, rankings are based on average students enrolled for the year ended December 31, 2017 for each segment.

We have a long and successful track record of providing vocational training education in the three segments we operate. Our ability to identify, address and adapt to the evolving demands of employers and the job market have been key to our success and we have been able to consistently delivering outstanding results for our students. The average recommended employment rate of our long-term program graduates from New East Culinary Education and Xinhua Internet Technology Education reached over 90%, and Wontone Automotive Education reached over 95% for the year ended December 31, 2018. Our vocational training education strategically focuses on the industries that aim to serve the daily necessities of the Chinese population amid the rising China economy. According to the Frost & Sullivan Report, the supply and demand gap for skilled workers increased from 6.1 million in 2013 to 13.9 million in 2017, in the culinary arts, information technology and internet technology, as well as auto services industries, and is expected to reach 28.6 million in 2022. Such significant increase is largely attributed by the continuous urbanization progress in China, the structural industrial upgrade to a more servicing economy and ever-changing employment requirements.

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As a result of our leading market positions and the strong growth in the vocational training education in which we operate, we achieved significant growth in our revenue and average students enrolled during the Track Record Period. Leveraging our market leadership, extensive operational experience and unparalleled nationwide network, we believe that we are well-positioned to capture the significant growth potential in the vocational education industry in China.

### Nationwide self-operated school and center network empowered by our highly replicable business model

We have a nationwide presence in 29 out of the 31 provinces in the PRC and Hong Kong, with a network of 145 self-owned Schools, and over 1.59 million sq.m. of aggregate gross floor area as of December 31, 2018. Our Schools have spacious campuses housing modern classrooms and practical training studios, each equipped with advanced facilities and technologies, which distinguishes us from other vocational training education service providers in China. As of December 31, 2018, we also operated 18 customized catering experience centers under Cuisine Academy. The following table sets forth the number of Schools under each of our five school brands and the number of customized catering experience centers of Cuisine Academy as of December 31, 2018, the number of provinces covered, average gross floor area for each School and center and number of Schools and centers to be established.

Segments	Brands	Number of Schools/centers in operation as of December 31, 2018	Number of provinces covered <sup>(1)</sup>	Average gross floor area for each School/ center  <i>(approximate, sq.m.)</i>	Number of new Schools/ centers commencing operation <sup>(2)</sup>	Number of Schools/ centers under planning <sup>(3)</sup>
Culinary Arts . . . . .	New East	50	29	16,400	2	3
	Omick	23	22	4,700	1	3
Information Technology and Internet Technology . . . . .	Xinhua Internet	24	17	17,300	-	1
	Wisezone	22	21	1,400	-	N/A
Auto Services . . . . .	Wontone	26	21	18,500	1	3
<b>Total Schools . . . . .</b>		<b>145</b>			<b>4</b>	<b>10</b>
Cuisine Academy . . . . .	—	18	14	1,000	1	1

*Notes:*

- (1) The number of schools and centers include provinces in mainland China and Hong Kong.
- (2) The number of new Schools/centers commencing operations are calculated from the end of Track Record Period to the Latest Practicable Date.
- (3) The number of Schools/centers under planning are calculated as of the Latest Practicable Date.

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We have adopted a centralized and standardized management system across our business operations throughout China, which we believe is essential to our success as it enables us to quickly expand our school and center network into new geographic markets and replicate our business in an efficient manner while maintaining our quality standards. We centrally manage our teaching, logistics, procurement, finance, the research and design of our curriculums, and career counseling services, so that all of our Schools are able to maintain the same high standards in terms of their quality of education, business operations and efficiencies of financial management, while utilizing and sharing our resources across China effectively. While we use consistent guidelines to streamline various aspects of our operations, we allow flexibility and encourage differentiated management approaches in each School and center to a certain extent based on their local economic, demographic and cultural environment. Our headquarters in Hefei and the management team of each of our Schools and centers work together to establish specific goals to be accomplished by that School each year, having regard to the specific circumstances of the region and each School. The principals and managers at each School and center as well as the head of each of our brands are required to make monthly reports on the operations of the Schools and centers to our senior management and our management department at our headquarters. We believe that our efficient centralized, standardized and differentiated management with flexibility as well as stringent internal control allow us to expand our school and center network rapidly and to capitalize on the business opportunities in China's private vocational training education industry.

At our headquarters and under each brand, we have a management department which centrally manages all Schools and centers under the relevant brand and coordinates other functional departments to allocate relevant resources under our Schools and centers across China. Before we establish a new school and center, the relevant business segment management department coordinates with our other functional departments to first send a market research team to conduct research on the local market, then assign construction and finance management personnel to monitor the construction of school facilities, and finally send human resources personnel and assemble a teaching team for the new school. As a result of our centralized and standardized management, we are able to utilize our available resources throughout the country and nationally recognized brand names for the establishment of each new School and center and quickly replicate our success in new geographical markets. We commenced operations of 19, 36 and 19 new Schools in 2016, 2017 and 2018, respectively. For the year ended December 31, 2018, we commenced operations of 12 new customized catering experience centers of Cuisine Academy.

Our nationwide presence has allowed us to take advantage of the rapid economic development and urbanization in China. Such economic development and urbanization have caused the influx of migrant workers from rural areas to developed areas, which has led to the urban population in China steadily increasing since the 1990s, according to the Frost & Sullivan Report. China's urban population increased from 731.1 million to 813.5 million from 2013 to 2017, and is expected to further increase to 934.5 million by 2022, according to the Frost & Sullivan Report. The shift in population distribution has led to greater competition for skilled employment and an increase in demand for skilled workers. To address these changes, the State Council promulgated the "National Plan on New Urbanization" (國家新型城鎮化規劃(2014-2020年)) in 2014 to encourage rural workforce to receive appropriate education, acquire technical skills and become employed as skilled workers. In January 2019, the State Council promulgated the "Implementation Plan for the Nationwide Reform of Vocational Education" (國家職業教育改革實施方案), which clearly states that (i) vocational education is to be given a more prominent role in the education reform and social and economic development in China, (ii) the government will promote the transition of vocational education from primarily

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sponsored by the government to the private sector and (iii) the government will support and cooperate with the private sector to improve the quality of vocational education in China. We focus on providing high-quality vocational training education programs, primarily targeting job seekers from rural areas looking for employment in cities, in particular the group aged between 15 and 21 who are entering the job market for the first time and typically want to enroll in long-term vocational training education programs to obtain the necessary skills for employment and improve their employment prospects. Most of our students are enrolled in programs ranging from one to three years in length, which meets the needs of our target student group, allows sufficient time to ensure positive training results, and provides us with a stable source of revenue from tuition fees. We believe that our business is aligned with PRC government policy directions, and that we are well-positioned to capitalize on market opportunities created under PRC government guidance.

Our nationwide school and center network allows us to build a wide student base and a strong reputation across China. In addition, we are able to serve a large network of potential employers and tap the significant potential market demand for well-trained workers with practical skills. We believe that our proven track record of replicating our success across the country and establishing a wide-ranging school and center network also helps us to further grow our business and expand into additional geographic markets.

### **Innovative work simulation teaching methodologies to equip our students with readily applicable job skills**

Our primary goal is to provide students with solid knowledge and practical skills in their chosen professions that are tailored to the needs of employers with a view to increasing graduates' employability and their average compensation levels. As such, we focus on providing our students with real-life simulated workplace training to help them develop practical and readily applicable skills and acquire first-hand experience to address demands that are likely to arise in real-life work situations. Most of our practical training classes are delivered in a small-group of less than 40 students whereby our interactive and project based teaching methodologies help to increase students' participation, enhance their technical skills and improve their learning experience. For example, our Schools under New East Culinary Education have simulated kitchens and restaurants equipped with advanced facilities and high-quality stainless steel stoves and utensils, our Schools under Xinhua Internet Technology Education have various online skill training platforms and practical training studios with well-known information technology and internet technology enterprises which allow our students to practice in a real world setting, and we have cooperated with certain popular car brands to establish training centers for our Schools under Wontone Automotive Education so that our students are well-trained in the maintenance and repair of those brands' vehicles.

We have developed strong relationships with prospective employers and have entered into school-enterprise cooperation programs with over 28,000 enterprises with the purpose to increase our students' chance in searching for employment. For example, we have been cooperating with Baidu Inc. (the "Baidu") since January 2017 to establish the Baidu-Xinhua Internet Marketing Laboratories (百度新華互聯網營銷實驗室) for our students in different programs to gain practical training in internet marketing and data analysis. Furthermore, we also help students who are interested in setting up their own businesses in gaining entrepreneurial experience. For example, we have set up an e-commerce training base in Yiwu, Zhejiang province to give our students enrolled at Schools under Xinhua Internet Technology Education and Wisezone Data Technology Education opportunities to work with business owners, vendors and suppliers in Yiwu before they graduate and gain hands-on knowledge and experience on how to run a business.

We place strong emphasis in investing teaching resources, and our teachers and instructors possess both conceptual and work technical skills as well as intensive industry experience. As of the Latest Practicable Date, we have a team of 4,232 full-time teaching staff and instructors and most of them have over five years of experience working in the relevant industries, including their experience in teaching at our Schools and centers. As of the Latest Practicable Date, we have 335 part-time teachers and 46 part-time instructors. Our high-caliber team of teachers and instructors are well-recognized for their advanced teaching methods, diligent efforts and high quality standards. Our teachers and instructors have received numerous awards and recognitions such as the group gold award and individual awards at the eighth “World Culinary Competition (第八屆中國烹飪世界大賽)” and the “2017 National Skill Competition for Teachers in Automotive Majors at Vocational Schools” (“2017全國職業院校汽車專業教師能力大賽”).

### **Renowned track record in offering well-established curriculums catering the economy needs**

We are a pioneer in providing vocational training education in China. Our tailor-made curriculums are aimed at address the unmet demand in vocational training education to bridge the supply and demand gap between employers and students. Our primary goal is to provide students with solid knowledge and practical skills in their chosen professions that are tailored to the employers’ needs with a view to increasing graduates’ employability and their average compensation levels.

According to the Frost & Sullivan Report, a long-term program generally refers to program that lasts for one year or longer. Our long-term programs have a duration of one year or longer, primarily targeting at middle and high schools graduates aged between 15 and 21 years old who wish to be equipped with applicable skills for employment. Our short-term programs have a duration of less than one year, primarily targeting students who wish to enhance specific technical skills in job or supplement their learning through continuing education. For the years ended December 31, 2016, 2017 and 2018, the range of the class hours for our long-term programs was approximately 876 to 4,268, 880 to 4,268, 640 to 4,268, respectively. For the same periods, the range of the class hours, excluding Cuisine Academy, for our short-term programs was approximately six to 886, six to 980, six to 1,240, respectively. We integrate practical training and work project simulation into the daily training of our students throughout the duration of most of our courses. Long-term education programs generally command higher tuition and we believe that the long-term nature of our programs enables our students to gain solid knowledge and technical and practical skills in their chosen profession and help to increase the average compensation level of our graduates. For the years ended 2016, 2017 and 2018, average students enrolled in our long-term programs accounted for 89.8%, 90.2% and 90.5%, respectively, of our total average students enrolled for the corresponding periods. For the same periods, average students enrolled in our long-term programs which last for two to less than three years account for 66.6%, 65.7% and 61.8%, respectively, of our total average students enrolled for the corresponding periods. We believe our relatively long program length ensures the quality of our education services and differentiates us from other vocational education providers that focus on short-term training or are examination oriented.

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Most of our vocational training education programs are primarily designed with the goal of enhancing the employability of our graduates. As such, we need to continually develop new courses and adjust existing courses to adapt to the evolving needs of employers. To this end, we have established a curriculum research and development center under four of our school brands (except for Omick). Each research center is responsible for researching industry trends and employer needs, reviewing the existing curriculums and development plans of the Schools in each segment, and integrating our available Schools and expert resources to develop new majors and maintain the competitiveness of existing majors. At each research center, we have a dedicated team of experts who have industry expertise and experience in the relevant fields. We also have research centers in our geographical markets, which conduct group research activities regularly and submit their results to each segment's research centers, which has regular meetings on curriculum design, research and management. In addition, we also organize innovation competition and teaching and research competition, the result of which is taken into account for individual promotions.

In designing our curriculums, we focus on the professions and industries with high growth potential and significant market demand for talent driven by an existing gap in supply and demand. According to the Frost and Sullivan Report, the culinary arts, information technology and internet technology, as well as auto services have experienced and continue to experience a gap in the supply and demand of skilled workers. To address this market demand and help our students capture future career opportunities, we have developed comprehensive course offerings catering to the new rapid evolving industries with well-established curriculums. For example, as of December 31, 2018:

- New East Culinary Education offers 12 long-term and 29 short-term majors, including popular majors of administrative chef, hotel management, western cuisine chef, fashionable western pastry, and Chinese herbal cuisine;
- Omick Education of Western Cuisine and Pastry offers eight short-term majors, covering pastry baking, western cuisine, bartending and barista skills;
- Xinhua Internet Technology Education offers 13 long-term and nine short-term majors, including (i) four existing popular majors, namely 3D and graphic design, internet network, e-commerce and software development; and (ii) four newly-developed popular majors, namely e-sports, virtual reality, AI and internet security;
- Wisezone Data Technology Education offers 16 short-term majors, including innovative and popular majors for big data, AI, and internet technologies; and
- Wontone Automotive Education offers seven long-term majors and 36 short-term majors, including popular majors of new energy automobile, automobile remodeling, automobile inspection and repair, automobile plating and painting, automobile detailing, and automobile repair and maintenance.

Through our school-enterprise cooperation programs, we have collaborated with enterprise partners who are also prospective employers to formulate and design applicable curriculums and practical training, and we offer targeted training tailored to the needs of the enterprises to our students who want to work for these enterprises upon graduation. Our capabilities of offering such employer-tailored training programs have successfully attracted enterprises in a wide range of industries to cooperate with us, including well-recognized industry leaders. We believe that by leveraging our innovative and vigorous curriculum development, we are able to keep up with evolving market needs and increase our addressable market, share group-wide resources to realize synergies across our nationwide network effectively and enhance our overall competitiveness.

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### **Strong job placement results supplemented by our professional career counselling services and alumni network**

As a leading vocational training education provider, we believe that high quality graduate employment is of vital importance to our students' career prospects, brand recognition and future success. Our strong career placement support system together with our extensive alumni network help to achieve optimal job placement results for our students. We support our graduates in their search for satisfactory employment through a variety of employment-related resources and services provided by our Schools, including, among others, graduate placement through diversified school-enterprise cooperation programs, career counselling service, recruitment information on our online platform and nationwide alumni network.

#### **(1) Career counselling service complemented by group-wide job matching capabilities**

We offer career counselling service to all of our students. Our highly dedicated and experienced staff at our career advice centers provide customized services and help students define a customized vision for their career and lifelong goals, and connect our students to resources, organizations and opportunities that will enable them to realize that vision. We offer services, resources and learning-based programs that support our students to develop practical job seeking skills and lifelong career management skills. We place particular emphasis on proactively helping our students enhance their confidence, interpersonal skills and overall competitiveness.

In addition to helping our graduates find jobs, our school-level career advice centers conduct regular market research to understand the evolving market trends and needs of employers. Such research includes actively communicating with potential employers in the three segments we operate in to understand their on-going human resources needs, the skill set required, salary expectations, and geographical locations of jobs, among others. In addition, we established a career advice department at our headquarters in 2017 to optimize resource allocation and facilitate information sharing across the Group. As a result of our strong career placement support system, the average recommended employment rate of our graduates of long-term programs from New East Culinary Education, Xinhua Internet Technology Education and Wontone Automotive Education increased during the Track Record Period, according to our internal record.

The following table sets forth the recommended employment rate of our long-term program graduates for our three school brands for the year ended December 31, 2018:

<b>Brands<sup>(1)</sup></b>	<b>Recommended employment rate<sup>(2)</sup></b>
New East . . . . .	93.2%
Xinhua Internet . . . . .	93.1%
Wontone . . . . .	97.3%



Notes:

- (1) Omick and Wisezone were not included because the Schools under these brands had not provided long-term programs of one year or more during the Track Record Period. We also provide graduate placement service to students of our short-term programs. However, students enrolled in our short-term programs generally have different study goals and expectations, such as to enhance a specific skill or with a view to set up their own business, as compared to students of our long-term programs who are generally more focused on seeking long-term employment or to begin a new career. As a result, we do not keep record of the recommended employment rate of graduates from our short-term program.
- (2) We provide graduate placement service to all students of our long-term programs. The recommended employment rate represents the total number of students of long-term programs who are hired through our graduate placement service program in a certain period, excluding students who start their own business ventures or are employed through other channels divided by the total number of graduates of long-term programs during such period.

### **(2) Close school-enterprise relationship**

To better assist our graduate in launching their career, we have cooperated with a wide range of enterprises in the three segments we operate in. Students who have enrolled in employment-oriented school-enterprise cooperation programs will have easier access to internships and job opportunities offered by the cooperative enterprises. For example, Schools of New East Culinary Education have cooperated with local branches of some renowned brands in the culinary arts industry, including, among others, Hilton Garden Hotel, Crowne Plaza Hotel, Grandma's Home. Schools of Xinhua Internet Technology Education have partnered with JD.com and Lenovo to offer employer-tailor training programs. Schools of Wontone Automotive Education have established cooperative relationship with various well-known enterprises in the automotive industry, such as Chery Automobile and Chexiang Home. As of December 31, 2018, we have established cooperation with over 28,000 enterprises and established 388, 219 and 92 employer-tailored training programs under New East Culinary Education, Xinhua Internet Technology Education and Wontone Automotive Education, respectively.

We generally enter into legally-binding agreements with those enterprises we cooperate. We set forth below a summary of typical key terms of such agreements:

- *Employment preference:* The cooperative enterprises generally agree to consider employing our graduates and give them priority for potential employment under the same conditions if they pass the examination jointly designed by the cooperative enterprises and us and subject to the general process of recruitment.
- *Salary of our graduates:* Some agreements we entered into with cooperative enterprises set out the minimum salary of our graduates once they are hired by the cooperative enterprises, which is subject to adjustment by mutual agreement taking into account the evolving market conditions of the relevant year. In addition, some agreements stipulate that the salary and benefits shall be the same as those enjoyed by graduates from Schools under the same brand under the same conditions.

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- *Cooperation mode:* The agreements may include one or more of the following modes of cooperation: (i) target class: cooperative enterprises may choose a certain number of students with the requisite skills to form a target class to participate in the teaching programs jointly designed by the cooperative enterprises and us which generally last for about three months close to graduation; (ii) joint training: cooperative enterprises and we may each be responsible for the training for certain period of time; (iii) internship base: cooperative enterprises agree to provide internship opportunities for our students and give them practical guidance during the cooperation period; (iv) specific order: we recruit students according to the specific needs and requirements of the cooperative enterprises such as the specialties, degrees, number and geographic origin of the students. In this mode, the agreements generally stipulate that the cooperative enterprises will consider providing employment for all the graduates who pass the examination and we will follow up on the performance of those graduates for a year after employment.
- *Duration:* The agreements generally have a term of one to three years.
- *Non-disclosure:* Both parties agree to keep the information and documents obtained under the agreements confidential.
- *Termination:* The agreements may be terminated in the event of major changes in laws or policies or force majeure that render fulfillment of the agreements impossible.
- *Dispute resolution:* If the dispute cannot be resolved by amicable negotiation, it shall be submitted to the local court.

### **(3) Nationwide alumni network**

We have a strong alumni network with over 500,000 alumni spread across the country, with whom we have maintained relationships with our graduates to facilitate information exchange and communication. Through social media and alumni associations, our alumni have introduced job opportunities and business connections which may help our students. We also invite our alumni to give talks on career orientation and to share their working experience in the work force.

Our highly coordinated efforts ensure that our graduates are given the targeted course focus and are able to find employment in their chosen professions within a short period of time after graduation.

We believe our graduates, having been trained, are in high demand in the job market. We, from time to time, communicate with potential employers on expected salary standards for our graduates and we may include such standards as guidance in our school-enterprise cooperation agreements. We help our students find opportunities to showcase their talent and skills not only in the professional employment market but also on the world stage. Our students have received international and domestic awards such as the Second Place in Baja SAE China organized by China Automobile Engineering Association (中國汽車工程學會“巴哈大賽”), the Grand Prize of ACA World Skill Competition, China Division, (ACA世界技能大賽中國區), Team Gold Award given by the World Association of Chinese Cuisine (世界中餐業聯合會) at the Eighth World Culinary Competition in the Netherlands, and third place at the “Star of Tomorrow” National Competition of Culinary Skills (“明日之星”廚師大賽全國總決賽) organized by HOTELEX for 2017 and 2018, the Team Champion and Individual Runner-up at SWLAC Latte Art

Skill (上海世界拉花大賽) organized by Korea Barista Association (韓國咖啡師協會) in 2017. In addition, in recognition of our capabilities and success in vocational training education, we have been recognized as a National Model Base for Cultivating Professionals in Hotel Industry (全國飯店業人才培訓示範基地) by China Hospitality Association (中國飯店協會), a “national virtual reality talent training model base (VR專業人才培養全國示範基地)” by National Information Technology Training and Certification Management Office (國家信息化培訓認證管理辦公室), a national e-sports professional education model base (電子競技專業人才培養全國示範基地) by the China Internet Industrial Association.

### **Visionary, strong and stable management team**

We are a pioneer in the vocational training education industry. We also have a professional and experienced management team with a proven track record of highly successful results. Members of our core management team have deep expertise in vocational training education and management experience. They have an average of over 20 years of experience with our Group and are passionate about our mission. Mr. Wu Wei, chairman of the Board and the executive Director of our Group, has over 30 years of experience in the PRC vocational training education industry and possesses abundant school administrative experience. He obtained the qualification of senior economist granted by the Personnel Bureau of Hefei (合肥市人事局) in 2004 and received an executive master of business administration from Tsinghua University School of Economics and Management (清華大學經濟管理學院) in 2009. In addition, we have a group of school management with extensive experience in education industry. Mr. Xu Shaobing, the executive vice president of the Group, has over 20 years of experience in education. Mr. Xu Shaobing is the vice president of the China Hospitality Association\* (中國飯店協會副會長) and the vice president of International Culinary Education of the World Federation of Chinese Catering Industry (世界中國烹飪聯合會國際烹飪教育分會副主席). Mr. Xu Shaobing obtained various honors and awards, including, among others, the “Global Chinese Education Leader” (“全球華人教育領軍人物”) recognized by Phoenix Education (鳳凰衛視集團•鳳凰教育). Mr. Sha Xu, the vice president of our Group, has more than 19 years of experience in education. Mr. Sha Xu is the deputy director of Professional Evaluation Committee for Evaluating Management Talents in Corporate Finance under the Enterprise Financial Management Association of China (中國企業財務管理協會企業財務管理人才水平評價專業委員會副主任). He has also been recognized by Tencent Holdings Limited as the “10 Years of Tencent Internet — Education Business Leader (騰訊網十年中國教育企業領袖人物)”. Our management team understands operations well, equips us with knowledge and experience, and builds a cohesive company with a sense of mission.

We believe that our strong management capability as evidenced by our successful operation of 145 self-owned Schools and 18 customized catering experience centers as of December 31, 2018, together with our well-established centralized operational management system, enable us to replicate our success to newly established schools quickly and maintain the high quality of education services that we provide in each of our Schools.

### OUR BUSINESS STRATEGIES

Our mission is to provide the best vocational training education in China. We intend to continue to expand our business and school and center network and enhance our market position. To achieve these goals, we plan to pursue the following business strategies:

#### **Continue to strengthen our market leadership and reputation**

##### ***Establishing our Regional Centers***

We plan to establish five self-owned regional centers in China's five major geographical regions (the "Regional Centers"), namely, Beijing, Shanghai, Guangzhou, Chengdu and Xi'an (together the "Major Regions"). The Regional Centers are expected to be equipped with advanced teaching and practical training facilities for all of our five School brands, namely, New East Culinary Education, Omick Education of Western Cuisine and Pastry, Xinhua Internet Technology Education, Wontone Automotive Education and Wisezone Data Technology Education, as well as our customized catering experience center, Cuisine Academy. The Regional Centers will also house our research and development, human resources and marketing centers and serve as the continuing education and training centers for our teaching staff, in each case in their respective designated regions.

There are multiple reasons and benefits for establishing these Regional Centers, including:

- *Solidifying our market leadership and enhancing our brand position.* Strategically, the establishment of large regional centers in the Major Regions that could comprehensively house all of our brands and our customized catering experience center in each Major Region at one location is indicative that our operations have reached significant size and scale. We believe that this will greatly enhance our brand recognition and further solidify our reputation as the leading vocational training and education service provider in China. Leveraging our brand name and utilizing the geographic, economic and transportation advantages of the Major Regions, our Regional Centers will be in a position to reach out to students from a wider geographical area, potentially serving a population base of several hundred million in multiple provinces. For example, our southwestern regional center in Chengdu is expected to accommodate students from Yunnan, Guizhou, Chongqing and Sichuan. We believe that housing all our students across our brands together in one self-owned Regional Center in each Major Region will enhance their integration, improve the overall campus environment, enhance our education service quality, foster a positive brand image and develop a greater sense of pride and loyalty among our students.
- *Establishing our self-owned premises is necessary for stable and sustainable development.* Currently, most of our Schools are located on leased premises. Our leasing costs as a percentage of our total costs of revenue have increased steadily during the Track Record Period from 15.6% for 2016 to 16.9% for 2017 and 17.6% for 2018. This trend is expected to continue and will be more pronounced in the Major Regions which are major commercial centers in China. From time to time our landlords may decide not to renew the leases of our Schools at terms we are satisfied with or at all, in which case we would need to relocate our Schools. Such relocation would incur significant additional costs for purchasing equipment and setting up new premises. Although we have developed our operations in the past primarily using leased premises, as the supply of suitable premises becomes more constrained and leasing costs continue to rise, we need to adopt new strategies to position ourselves to meet these challenges as we further expand. Having our self-owned premises will allow us to grow sustainably.

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- *On self-owned premises, we can build more advanced and higher standard training facilities and dormitories to better serve our students.* We provide vocational education services and, as such, our requirements for school facilities are very different from those of traditional schools and after-school tutoring service providers. Our courses focus on practical training and a key part of our education services is providing workplace simulation training to allow our students to seamlessly transition from school to workplace. We therefore need to build specially tailored practical training studios that cater to the different requirements of the courses we offer. These practical training studios need to be equipped with actual tools, equipment and fixtures of real workplaces in order to provide the best possible simulation experience to our students. For example, in order to cater to the needs of different courses, we have built simulated kitchens of restaurants, simulated coffee shops and bars, simulated VR studios and simulated game broadcasting studios, among other types of specialized practical training studios. Further, with respect to our Schools under Wontone Automotive Education, large open areas are needed to accommodate the vehicles and equipment used to train our students. Therefore, unlike traditional schools that focus on academic skill training and where students attend classes in traditional classrooms, the nature of our teaching and our courses necessarily entails that we have significantly greater need for space and that our classrooms need to be fitted with a range of advanced tools, equipment and fixtures that are costly to purchase and install. We believe that if we continue to rely on leased premises, our ability to grow would be hindered as (i) to meet our needs for space, we need to rent from multiple landlords of multiple addresses which reduce our flexibility to negotiate our rent and synchronize the duration of our leases; and (ii) leased premises are not specifically built to accommodate our needs for installing fixtures, we therefore face significant challenges in finding premises that could meet the conditions and the requisite specifications that our practical training studios require. In addition, the uncertainties as to whether we could successfully renew our leases means that it might not be the best economic decision to incur significant capital expenditure to upgrade our fixtures and teaching equipment because we may be forced to abandon them if we move. By buying our own land and building our own Regional Centers, we will have the flexibility to design our Schools and practical training studios tailored to our courses and our students.

After establishing a permanent campus site on our self-owned land, we intend to build better and more advanced facilities with advanced teaching equipment. We will also have the space to build dormitories and related facilities to better serve the needs of our full time and long-term students. We believe that by improving our teaching equipment and facilities as well as providing dormitories facilities, we will be able to improve our students' living and learning environment and as a result further enhance our students' satisfaction with our services. These efforts will (i) incentivize our students to stay with us; and (ii) attract more students from outside the Major Regions.

Further, our Regional Centers are located in major commercial centers in China where there are ample employment opportunities. We believe that having all our talents located together in one large Regional Center with more advanced teaching facilities and specialized training areas will increase prospective employers' confidence in us, further solidify our reputation, enhance our brand image, and thereby making us a more attractive counterparty to collaborate with in our school-enterprise cooperation efforts.

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This will in turn provide greater employment opportunities for our students, which we believe will be a key driver for demand for our services.

- *Economies of scale and costs synergies.* With a larger Regional Center, we will be able to enjoy the economies of scale resulting from (i) a larger pool of students; (ii) costs synergies to be created across brands; and (iii) the centralized and standardized management within one Regional Center. The economies of scale will make it easier to justify the development of new high-end and niche courses as well as offering more flexible and customized courses with higher tuition and service fee rates. We intend to offer certain customized courses delivered on a one-on-one basis and teachers for each class will be assigned based on their own expertise. We believe that in a single school environment where there is a smaller student pool and less cost sharing opportunities, it will be much more difficult for us to recover the costs of developing such courses. Being able to offer a diverse portfolio of courses on a cost-efficient basis is important in ensuring that we could continue to attract a larger pool of students and allowing us to react quickly to changing consumer preferences. Notwithstanding that each of our brand will have its own space in our Regional Center, we believe that costs synergies will be realized in multiple ways, including, among others (i) shared use of recreational areas, canteens, dormitory related facilities and other non-course related areas; (ii) shared operational and administrative services; and (iii) shared utilities.
- *Attracting and retaining teaching staff.* To sustainably grow our business, we need a stable teaching team. Having a permanent school site would be a key incentive for our teaching staff to stay with us as it eliminates concerns for disruption to their working environment or family life arising from relocation. We also intend to use our Regional Centers to provide continuing education and training to our staff in the designated regions, which is critical in ensuring our teaching quality. Having self-owned premises with advanced teaching equipment and facilities allows us to provide high-quality training to our staff on a continuous and consistent basis. We believe that the enhanced integration among our staff members by being located on one premise and through such training opportunities will further help strengthen our corporate culture, which will in turn enhance our brand image and create a greater sense of belonging among our teaching staff, all of which are important to maintaining a stable teaching team.
- *Extension of our centralized and standardized management from our Regional Centers in the further expansion of our School network.* The Regional Centers will house our research and development, human resources and marketing centers which will support the further expansion of our School network outside the Major Regions. Our current school network mainly covers provincial capital cities in China and we have limited presence in less developed areas with less population (the “Unserved Areas”). As demand for our services grow in the Unserved Areas, we will need to find ways to serve the unmet demand in such areas. Given the extensive administrative and management efforts required to reach students in the Unserved Areas, and as an extension of our centralized and standardized style of management, we believe that coordinating our expansion efforts and using our Regional Centers for our research and development, human resources, and marketing efforts in their designated regions would be more effective. In the future, we plan to establish Schools of relatively small size in the Unserved Areas which are not expected to offer a full range of courses, particular if there is insufficient local demand.

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Nevertheless, interested students from the Unserved Areas can take such courses in a nearby Regional Center, where our course offerings will be much more diverse due to the significantly larger population and geographical area it serves. We believe that this initiative will help us expand our school network and student base, allow us to more effectively use our resources, and give us first-hand information on student expectations and developments in the Unserved Areas. We believe we could further enhance our brand reputation and attract students on a nationwide basis while saving costs we otherwise would incur if we were to expand in smaller cities by renting additional school sites and hiring multiple sets of teaching staff.

### **Location, size and scale of our Regional Centers**

We intend to build our Regional Centers in the suburbs of the Major Regions where land costs are generally lower and large pieces of land sufficient to accommodate our needs are still available. Benefiting from our brand name and the geographic, economic and transportation advantages of the Major Regions, our Regional Centers are expected to attract students and customers from a wider geographical areas. The following table sets out the cities and provinces expected to be covered by each of the Regional Centers, the number of Schools and centers, aggregate gross floor area and school/center capacities of our existing Schools and centers located in the Major Regions and the average students enrolled as of the Latest Practicable Date:

Regional Centers	Provinces/cities to be covered by the Regional Centers <sup>(1)</sup>	Number of existing Schools/centers	Aggregate gross floor area for the existing Schools/centers <i>(approximate, sq.m.)</i>	Average students enrolled in the existing Schools/centers	School/center capacities
Beijing . . . . .	Beijing, Tianjin, Hebei, Inner Mongolia	13	156,898.0	13,097	14,627
Shanghai . . . . .	Shanghai, Jiangsu, Zhejiang	12	206,384.9	10,785	20,882
Guangzhou . . . . .	Guangdong, Jiangxi, Hunan, Hainan, Fujian, Hong Kong	18	221,088.8	23,480	26,452
Chengdu . . . . .	Sichuan, Chongqing, Guizhou, Yunnan	15	332,256.9	29,470	39,405
Xi'an . . . . .	Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang	13	174,073.5	10,009	16,676

*Note:*

- (1) The cities to be covered by each of the Regional Centers only reflect our current plans and we may adjust our plans according to the status of land acquisitions, evolving market conditions and various other factors we believe to be appropriate.

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We plan to gradually relocate our existing students enrolled in long-term courses (one year and longer) located in the Major Regions to our Regional Centers. We expect that our Regional Centers will provide sufficient dormitories for our students. Therefore, the capacity of our Regional Centers will need to be sufficiently large to accommodate our existing long-term students in the Major Regions and also take into account our future growth drivers as mentioned above. The need for capacity at our existing leased premises will correspondingly gradually reduce. However, we do expect that some of the existing premises will be maintained which are expected to be used to offer shorter term courses.

When selecting the location of the Regional Centers, we considered factors including the population covered, local general economic and social conditions, demand for the education services we provide in such area, and the level of local government support in promoting vocational education. The Regional Centers are located in the largest city in each geographical region and the population coverage of each Regional Center is expected to reach over 200 million. The exact gross site area of a Regional Center would depend on the sizes of land parcels available for sale in each Major Region. We target to establish Regional Centers with land areas ranging from approximately 200,000 sq.m. to 330,000 sq.m. which can each accommodate at least 10,000 to 15,000 students. Each center is expected to employ approximately 330 to 495 teachers and instructors to serve an expected student body of 10,000 to 15,000. We expect to start constructing one Regional Center every year after 2019 depending on the availability of the land. Each Regional Center is expected to incur approximately RMB500 million to RMB600 million, including approximately RMB200 million to RMB300 million on purchases of land, construction service fee of approximately RMB200 million and purchases of fixed assets of approximately RMB100 million. We plan to use cash generated from our daily operations and the proceeds from this Global Offering to fund these construction projects and acquire lands for the Regional Centers. During the Track Record Period, our capital expenditures primarily consisted of purchases of property and equipment and leasehold improvements, and amounted to RMB255.7 million, RMB693.5 million and RMB675.6 million, respectively, for the years ended December 31, 2016, 2017 and 2018. Our capital expenditure during the Track Record Period primarily related to renovation and maintenance of school premises and purchase of additional educational equipment. The significant difference between the expected capital expenditures of establishing a Regional Center and a school is largely in relation to (i) the cost of purchasing land; (ii) cost of constructing a full building (as opposed to just cost of renovation and fitting-out of classrooms), including dormitories; and (iii) installation of higher-end equipment and facilities.

### ***Further strengthening our market leadership and reputation***

Under the “National Plan on New Urbanization” (“國家新型城鎮化規劃 (2014-2020年)”) promulgated by the Central Committee of the Communist Party of China and the State Council in 2014, one of the PRC government’s key policy goals is to accelerate the urbanization development in China, ensure a reasonable distribution between urban and rural populations, and facilitate a smooth urbanization process. According to the Frost & Sullivan Report, the PRC government, through its policy guidance, encourages rural workforce to receive appropriate education, acquire technical skills and get employed as skilled workers. As our long-term vocational education programs primarily target to serve job seekers from rural areas looking for employment in cities, in particular the group aged between 15 and 21 who typically want to enroll in long-term vocational education programs to improve their employment prospects, we believe that our business model and future plans are aligned with PRC government policy directions, which should help us to further strengthen our market position.



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We believe that the reputation of a school is one of the most important criteria students consider when selecting a school for vocational training. To increase the student enrollment of our Schools and expand our business, we intend to continue to enhance our reputation. We believe that our high graduate employment rates and comprehensive curriculums with diversified and innovative offerings of practical training courses in a wide variety of industries distinguish us from our competitors and make us attractive to potential students. We plan to design new courses and adjust our existing courses to continue to reflect evolving market trends and meet the demand of potential employers. We intend to continue and expand our market research to better understand employer preferences and student needs. In addition, we plan to gather human resources plans from corporations and career plans from our students, and provide career planning and job placement counselling services to our students in order for them to find the most suitable positions. We plan to further enhance our reputation among well-known companies and other potential employers, establish long-term collaborative relationships with them, and create employment opportunities for our students. Moreover, we plan to enhance our well-developed graduate placement system with additional regional graduate placement centers, as well as develop our alumni network.

### **Expand school and center network domestically and internationally**

Currently, our extensive school network covers most of the provincial capital cities in China. We intend to further expand our school network to cover all of the provincial capital cities in China. We plan to establish our presence in cities which have a population of over five million in densely populated provinces including, among others, Guangdong, Zhejiang, Jiangsu, Hunan, Hebei, Sichuan, Inner Mongolia and Heilongjiang, which we believe have significant unmet demand for skilled workers in culinary arts, information technology and internet technology, as well as auto services.

As of the Latest Practicable Date, provinces which we have in place plans to establish new schools and customized catering experience centers are set out in the table below. Those provinces that overlaps and not overlap with the Regional Centers are differentiated. We believe our expansion plan will complement our Regional Centers in the following ways. Firstly, each of our Regional Centers is expected to cover a very broad geographical area. Below sets out the population size of each of the provinces and the number of cities that has a population size of over 5 million in each of the provinces. The following demonstrates that even with all our Regional Centers fully functioning, we may not be able to fully serve the significant populations in these provinces:

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Province	<u>Total population size</u>	<u>Number of cities with population over 5 million</u>
<b>Overlapping with Regional Centers</b>		
Guangdong .....	104,303,132	8
Zhejiang .....	54,426,891	5
Jiangsu .....	78,659,903	6
Hunan .....	65,683,722	6
Hebei .....	71,854,202	6
Sichuan .....	80,418,200	3
Inner Mongolia .....	24,706,321	0
<b>No overlapping with Regional Centers</b>		
Heilongjiang .....	38,312,224	3

Secondly, we may plan to build new schools in areas not covered by our Regional Centers which include: Henan province and Shandong province (being the second and third most populous provinces in China), Liaoning province, Hubei province, Shanxi province, Anhui province, Guangxi province and Tibet. These other provinces together have a population of over 435 million people.

Thirdly, our Regional Centers will initially be planned for students enrolled in long-term courses (one year and longer) located in the Major Regions primarily with boarding needs. We expect that there will (i) continue to be students who wish to stay at home during school term and attend school in the city areas, and (ii) students who enroll in shorter term courses. We will need to facilitate the needs of these students accordingly.

Lastly, whether or not we will succeed in building our five Regional Centers in the near term will depend on various factors such as (i) the availability of suitable land; (ii) local planning policies; and (iii) local building regulations and policies, among other things. We must therefore plan to have sufficient sources of school area to operate and further expand our businesses in the meantime.

We will accordingly plan the size of our new schools having regard to a variety of factors such as among others: (a) the construction plans and timetable for the Regional Centers and their expected capacities when more precise plans are in place; (b) the potential number of students in the city areas who wish to stay at home during school term versus those with boarding needs; and (c) the demand for shorter-term courses in the regions where we intend to expand into.

We believe our expansion to cities with a population over five million is in line with our goal to provide quality education to teenagers and young adults aged between 15 and 21 years old in rural areas of China. Through the expansion of our school network, our target students would be able to receive education and find employment in more developed cities which are close to their hometowns. We currently expect to expand our school network primarily by building additional self-owned for-profit private schools.

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In particular, within the next three years, we plan to establish approximately 51 new schools and six new customized catering centers spanning across a number of major capital cities in China and the Unserved Areas. It generally takes about six months to 18 months from the start of construction to the commencement of operations for a new school/center. The following table sets forth certain key information regarding our expansion plan to establish new schools or customized catering experience centers:

Segments and Brands	Expected number of new schools/customized catering experience centers to be established in the year ending December 31,			Expected total capital expenditure for new schools/customized catering experience centers to be established	Expected capital expenditure plan for a new school/customized catering experience center to be established
	2019	2020	2021	2019-2021	
				<i>RMB'000</i>	
New East . . . . .	9	4	6	285,000	Approximately RMB10.0 million will be spent for the renovation cost of school facilities and RMB5.0 million for the procurement cost of educational equipment <sup>(1)</sup>
Omick . . . . .	6	5	4	112,500	Approximately RMB5.0 million will be spent for the renovation cost of school facilities and RMB2.5 million for the procurement cost of educational equipment <sup>(2)</sup>
Xinhua Internet . . . . .	2	3	3	120,000	Approximately RMB10.0 million will be spent for the renovation cost of school facilities and RMB5.0 million for the procurement cost of educational equipment <sup>(1)</sup>
Wontone . . . . .	3	3	3	135,000	Approximately RMB10.0 million will be spent for the renovation cost of school facilities and RMB5.0 million for the procurement cost of educational equipment <sup>(1)</sup>
<b>Total . . . . .</b>	<b>20</b>	<b>15</b>	<b>16</b>	<b>652,500</b>	
Cuisine Academy . . . . .	-	2	4	18,000	Approximately RMB2.0 million will be spent for the renovation cost of facilities and RMB1.0 million for the procurement cost of equipment <sup>(3)</sup>

**Notes:**

- (1) The capital expenditure of a new school under New East Culinary Education, Xinhua Internet Technology Education and Wontone Automotive Education is estimated based on the expected average students enrolled of approximately 1,000 to 1,500 per school after taking into account the average students enrolled at a school under such brands during the Track Record Period.
- (2) The capital expenditure of a new school under Omick Education of Western Cuisine and Pastry is estimated based on the expected average students enrolled of approximately 500 per school under development.
- (3) The capital expenditure of a new customized catering experience center under Cuisine Academy is estimated based on the expected average number of customers registered of approximately 200 per center under development.

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We expect to incur a total capital expenditure of approximately RMB670.5 million for the establishment of the proposed 51 new schools and six customized catering experience centers by the end of 2021. All of the 51 new schools and the six customized catering centers will be established on lands leased by us. Our capital expenditure will be primarily used for construction or interior decoration of our new schools or customized catering experience centers. We expect to primarily fund our expansions using the net proceeds of the Global Offering, with the remainder to be financed by cash generated from our operations. The information relating to our expansion plans is prepared based on our management's present expectation, which is subject to various risks, assumptions and uncertainties. There is no assurance that our actual expansion will not deviate from our current expansion plans. In the interests of our Company and our Shareholders as a whole, our management will consider making various adjustments to our plans, including but not limited to, delaying or suspending our expansion and increasing our debt and/or equity financing if our working capital or business performance would be materially and adversely affected.

In addition, with a view to building our presence overseas and enhancing our brand recognition in the international vocational education market, we plan to expand our network abroad by establishing a vocational school in California, the United States. We have filed an application for our Xinhua Training School US to the BPPE to offer degree-granting programs on November 16, 2018. The approval process with the BPPE is expected to complete within approximately 12 months from the date of application. We expect to incur approximately RMB100 million, and we plan to fund our Xinhua Training School US with the proceeds of this Global Offering. We expect to incur approximately RMB50 million on purchases of land and fixed assets. The construction of our Xinhua Training School US is expected to commence in 2019 and complete in two years. We plan to commence recruiting students to Xinhua Training School US in 2021. As of the Latest Practicable Date, approximately US\$44,700 (HK\$350,877) had been incurred for this purpose.

We believe the self-operated model will ensure the quality of our education services provided and maintain our strong centralized and differentiated management approach. In the past, we have generally expanded by establishing new schools rather than acquiring targets. We may consider making potential acquisitions of vocational training schools in the future if such targets meet our criteria, although at present we do not have plans to acquire any specific number of schools. When selecting an acquisition target, we will consider a number of factors that include, among other things, the general economic and social condition in the local area in which a target school is located (including, among other things, adequate economic development in the local area, stable social order and security, and the development of medical institutions), the demand for the education we provide in such area, the level of government support in promoting vocational training education, reputation of the target, resource complementarity and the anticipated cost of any acquisition, as well as any potential tax implications and financial impact such acquisition may have on our Group. We currently have not identified any acquisition targets and therefore, had not yet determined the relevant capital expenditure, financing structure and expected timeframe.

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 in the PRC:

- (i) we may acquire schools that are permitted to be registered, and have not been registered, as for-profit private schools or non-profit private schools. When required to do so, we will register such acquired schools as for-profit private schools;

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- (ii) we may acquire schools that have been registered as for-profit private schools. The consideration payable for such acquisition is expected to take into account the additional costs that may be involved in the for-profit private school registration process; and
- (iii) 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.

Further, for some of our brands, we plan to expand to overseas market and enhance our brand recognition in the international vocational education industry. Specifically, we intend to seek potential opportunities to acquire or enter into partnerships with high-quality overseas private vocational training schools, which we believe will facilitate our entry into overseas markets, such as the United States, Europe and ASEAN countries which have high demand for quality vocational training education.

### **Continue to diversify and innovate our course offerings and curriculums**

In the three industry sectors we currently operate in, namely, culinary arts, information technology and internet technology, as well as auto services, we plan to continue to expand and diversify our course offerings in response to industry trends and market demand. For example, New East Culinary Education is exploring new cuisine programs including Japanese and Korean cuisine, food nutrition and diet, dessert and western food, and hotel management programs. Xinhua Internet Technology Education intends to develop new programs in 3D modelling and printing, intelligent internet of things and new retail digital culture and creativity and Wontone Automotive Education intends to develop new programs in commercial automobile technologies, intelligence network for automobile, manufacture of industrial robots and cars, and welding.

We are also conducting research on potential new industry sectors that we may establish new schools in, with reference to the developments in market demand and anticipated future trends. For example, we are exploring the market for vocational training education in the service industry and new economy, such as beauty, AI, and healthcare. If, based on our research, we expect market demand for talent in certain industry sectors to grow in the foreseeable future, we will establish corresponding programs to capture opportunities presented by the market developments. We intend to leverage our management and teaching resources, scalable school network and strong brand recognition on the operation in new industry sectors and put them on a path of rapid development. We will apply the complete set of marketing and promotion strategies that we have developed to the new industry sectors. We will deploy managing personnel and teachers for general-purpose courses from our existing well-developed industry segment to work in the new industry sectors we may establish. For teachers of a particular major, we will hire professional talents from the market. In addition, we will equip advanced teaching facilities and design curriculums in accordance with the latest trend of the new industry sectors. We believe that our over 30 years experience in vocational training industry will help us form detailed development plans and react promptly to the changes in the market. Also, our highly scalable business model and centralized and standardized management approach will accelerate the process to establish new programs and ensure the quality of the future program offerings.

In addition, we plan to further diversify our course offerings to tailor them for students from different backgrounds and with different learning goals. We plan to offer more short-term programs for adult students who need more flexibility in their study schedule. Also, we intend to expand our collaboration with enterprises and offer more courses tailored to the specific needs of these enterprises. Moreover, we plan to establish certain study abroad programs.

### **Further improve our practical training methods and facilities**

We intend to further develop the research centers under our business departments and Schools, and establish research funds to ensure the continuous improvement of our teaching and research capability including strengthen our teaching and research team, standardize our teaching and research process and increase our investment in market and industry research, as well as establish more collaboration programs with industry-leading companies and further strengthen and expand our relationships with existing partners. We plan to set up more training centers and practical training studios in collaboration with our partners in various industry sectors based on their specific needs and requirements. In these collaborative training centers, we expect that our partners will provide support including operational platforms and software, and we will provide facilities and equipment. The content and process of the training programs will be established based on the relevant collaboration partner's business, standards and requirements.

In addition, we plan to continue to expand and improve our practical training methods and facilities. For example, our current practical training method of New East Culinary Education comprises of five steps in the following order: dish illustration, cooking demonstration, group practice, specific guidance during the group practice, and general review after the group practice. We equip our facilities according to the features of Chinese cuisine, western pastry and western food. For each of our programs, we plan to design and establish practical training studios based on its future workplace setting, and have instructors on hand to provide training and guidance to our students during simulated workplace scenarios. Through our practical training centers, we offer integrated vocational education to our students, where they learn theoretical knowledge and receive practical training at the same time.

We plan to closely monitor trends and new requirements in vocational education and capitalize on opportunities presented by industrial upgrades. As the private vocational education industry in China continues to develop, the PRC government promulgates new laws, rules and regulations from time to time, which may contain new requirements for our business and industry. Also, industrial upgrades occur as a result of technological developments, which may create new lines of businesses as well as demand for personnel with certain professional and technical skills. We intend to continue to adjust our course offerings including developing more concentrations under each program and improve our teaching methods and facilities to adapt to new requirements in our industry. With our experience, expertise, curriculum research and development capabilities, and our strong management and teaching teams, we believe that we are well-positioned to tailor our service offerings to capture growth opportunities in industrial upgrades.

### **Further emphasize our corporate social responsibility**

We always put great emphasis on building our corporate social responsibility and believe that it is one of our competitive edges. We actively participate in well-known PRC government-organized projects to help poverty-stricken areas and support the reconstruction of disaster areas. In these projects, we contribute funding and other resources to support children from economically underdeveloped regions in order for them to receive a proper education. We plan to continue providing more financial aid to students in need, including tuition waivers, scholarships, and student loans. We also plan to continue participating in poverty alleviation programs organized by government agencies through offering free vocational skill training to unemployed workers and low-income residents of underdeveloped areas. We provided career advice services free of charge and recommended certain employment opportunities through our nationwide network of career services. Our efforts in helping economically disadvantaged groups improve their work skills and improve their chances of finding employment have been reported by various media. We intend to continue to participate in these or similar corporate social responsibility initiatives, including working closely with China Welfare

Institute. Through such corporate social responsibility programs, we also enhance our reputation, brand image and influence.

## **OUR EDUCATIONAL PHILOSOPHY**

Our fundamental educational philosophy is to “focus on practical skills training, combining theory with practice” (以技能教育為根本,知行合一). As a leading private vocational training education provider in China, we are committed to providing career-oriented education with a focus on practical skills training, as well as students’ all-round education. Our goal is to equip our students with applicable skills for employment and career development.

## **OUR BUSINESS SEGMENTS**

### **Overview**

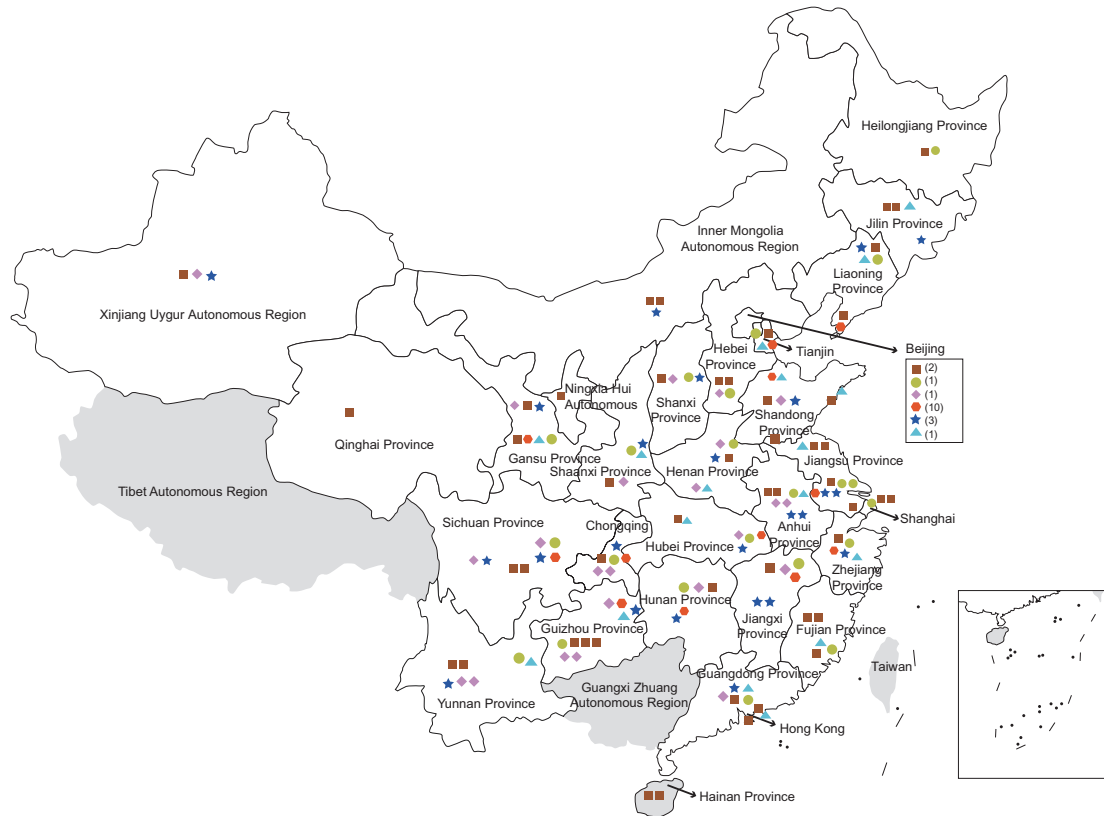
We primarily provide vocational training education in three segments, being culinary arts, information technology and auto services in China under our five renowned School brands, namely, New East Culinary Education, Omick Education of Western Cuisine and Pastry, Xinhua Internet Technology Education, Wisezone Data Technology Education and Wontone Automotive Education. We have a nationwide presence in 29 out of 31 provinces in the PRC and Hong Kong, with a network of 145 self-owned Schools and over 1.59 million sq.m. gross floor area as of December 31, 2018. As of December 31, 2018, we also provide secondary vocational education in 26 Schools we operate under New East Culinary Education, Xinhua Internet Technology Education and Wontone Automotive Education.

We operate most of our Schools and centers on premises leased from third parties, which we believe has reduced our capital commitments over the years and contributed to our ability to expand our school network in a time efficient manner. For the year ended December 31, 2018, our average students enrolled and average customers registered were 124,534. As of December 31, 2018, apart from 47 Schools out of our 144 Schools in the PRC which have been established as for-profit private schools in the first place, school sponsors of 21 Schools out of our 144 Schools in the PRC have elected to register as for-profit private schools. As of the Latest Practicable Date, these 21 Schools have finished the registrations as for-profit private schools. We incline to apply the for-profit business model to all of our Schools in the PRC and our planned Schools in future expansion, but our selection is still subject to the relevant policies and regulations promulgated by the PRC government authorities. Based on the current applicable PRC laws, regulations and the local Implementation Opinions, as well as the written/oral confirmations obtained by us from the relevant local authorities, our PRC Legal Advisors are of the view that after submission of all required application materials, there shall be no legal impediments for our 76 remaining Schools in the PRC to register as for-profit private schools once the relevant local Implementation Opinions are all issued and all the relevant local authorities begin to accept applications for such registration. The remaining 76 Schools in the PRC have been proactively coordinating with the relevant local authorities of MHRSS or education authorities on this matter, and will apply to register as for-profit private schools as soon as the Implementation Opinions are issued and local authorities begin to accept such application. From the end of the Track Record Period and up to the Latest Practicable Date, we have started operations of four new Schools. Among the four new Schools, three Schools have been established as for-profit private schools in the first place; as to the remaining one School established in Inner Mongolia, based on currently applicable PRC laws, regulations and the local Implementation Opinions issued by the government of Inner Mongolia, our PRC Legal Advisors are of the view that after submission of all the required application materials, there shall be no legal impediments for this School to register as a for-profit private school once the relevant local authorities begin to accept applications for such registration.

## BUSINESS

As of December 31, 2018, we also operated 18 customized catering experience centers under Cuisine Academy, providing various culinary programs to customers who seek to develop their interests in cooking or plan to start their own businesses in catering industry.

The map below illustrates the geographic coverage of our Schools and centers in the PRC and Hong Kong as of December 31, 2018:





## BUSINESS

The following table sets forth a breakdown of our revenue by segments and brands for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>CULINARY ARTS</b>						
New East . . . . .	1,432,112	61.3	1,738,743	61.0	1,900,126	58.2
Omick . . . . .	—	—	74,838	2.6	213,256	6.5
<b>INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY</b>						
Xinhua Internet . . . . .	480,533	20.6	542,249	19.0	604,413	18.5
Wiszone . . . . .	53,188	2.3	64,139	2.3	70,076	2.2
<b>AUTO SERVICES</b>						
Wontone . . . . .	354,256	15.2	419,347	14.7	444,305	13.6
<b>CUISINE ACADEMY<sup>(1)</sup></b> . . . . .	—	—	333	—	20,797	0.6
<b>Other Miscellaneous Businesses<sup>(2)</sup></b> . . . . .	15,641	0.6	10,516	0.4	11,991	0.4
<b>Total<sup>(3)</sup></b> . . . . .	<u>2,335,730</u>	<u>100</u>	<u>2,850,165</u>	<u>100</u>	<u>3,264,964</u>	<u>100</u>

*Notes:*

- (1) During the Track Record Period, revenue generated from Cuisine Academy mainly represents service fees we collected from customers who attended our customized catering experience programs.
- (2) Other miscellaneous businesses primarily include revenue from the internet technology solution and staff outsourcing services provided by Langjie Technology to Independent Third Parties.
- (3) The total revenue and percentages do not include inter-segment sales which are eliminated upon consolidation.

## BUSINESS

The following table sets forth a breakdown of our revenue by segments and brands in terms of geographic regions for the years indicated:

	Geographic Region <sup>(1)</sup>	Year ended December 31,					
		2016		2017		2018	
		RMB'000	%	RMB'000	%	RMB'000	%
<b>CULINARY ARTS</b>							
New East. . . . .	Northeastern China	78,022	5.4	111,643	6.5	124,226	6.5
	Northern China	161,629	11.3	212,397	12.2	212,788	11.2
	Eastern China	424,705	29.7	477,783	27.5	565,725	29.8
	Southern China	99,336	6.9	123,715	7.1	132,792	7.0
	Central China	197,294	13.8	258,200	14.8	296,062	15.6
	Northwestern China	123,278	8.6	150,207	8.6	160,024	8.4
	Southwestern China	347,848	24.3	404,798	23.3	408,509	21.5
Omick . . . . .	Northeastern China	–	–	19,191	25.6	27,019	12.7
	Northern China	–	–	2,154	2.9	21,896	10.3
	Eastern China	–	–	50,559	67.6	87,505	41.0
	Southern China	–	–	315	0.4	9,851	4.6
	Central China	–	–	719	1.0	23,942	11.2
	Northwestern China	–	–	766	1.0	11,245	5.3
	Southwestern China	–	–	1,134	1.5	31,798	14.9
<b>INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY</b>							
Xinhua . . . . .	Northeastern China	–	–	–	–	–	–
	Northern China	58,131	12.1	75,449	13.9	92,756	15.3
	Eastern China	193,517	40.3	205,872	38.0	229,230	37.9
	Southern China	–	–	–	–	–	–
	Central China	55,450	11.5	66,598	12.3	80,145	13.3
	Northwestern China	33,254	6.9	32,492	6.0	41,118	6.8
	Southwestern China	140,181	29.2	161,838	29.8	161,164	26.7
Wisezone . . . . .	Northeastern China	–	–	1	*	564	0.9
	Northern China	14,298	26.9	20,930	32.6	18,869	26.9
	Eastern China	10,827	20.4	15,643	24.4	19,675	28.1
	Southern China	–	–	–	–	–	–
	Central China	5,148	9.7	7,703	12.0	10,049	14.3
	Northwestern China	2,772	5.2	4,538	7.0	6,684	9.5
	Southwestern China	20,143	37.8	15,324	23.9	14,235	20.3
<b>AUTO SERVICES</b>							
Wontone . . . . .	Northeastern China	–	–	1,278	0.3	8,242	1.9
	Northern China	19,081	5.4	25,527	6.1	33,084	7.4
	Eastern China	138,323	39.0	167,745	40.0	152,732	34.4
	Southern China	39,550	11.2	45,071	10.7	47,010	10.6
	Central China	67,007	18.9	80,172	19.1	94,907	21.4
	Northwestern China	18,562	5.3	21,163	5.1	29,077	6.5
	Southwestern China	71,733	20.2	78,391	18.7	79,253	17.8

## BUSINESS

Geographic Region <sup>(1)</sup>	Year ended December 31,					
	2016		2017		2018	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>CULINARY ARTS CUISINE ACADEMY</b>						
Northeastern China	–	–	23	6.9	3,281	15.8
Northern China	–	–	45	13.5	1,672	8.0
Eastern China	–	–	–	–	4,871	23.4
Southern China	–	–	265	79.6	2,098	10.1
Central China	–	–	–	–	3,165	15.2
Northwestern China	–	–	–	–	2,238	10.8
Southwestern China	–	–	–	–	3,472	16.7
<b>Others</b>						
Northeastern China	–	–	–	–	–	–
Northern China	688	4.4	430	4.1	1,391	11.6
Eastern China	14,593	95.6	10,086	95.9	10,600	88.4
Southern China	–	–	–	–	–	–
Central China	–	–	–	–	–	–
Northwestern China	–	–	–	–	–	–
Southwestern China	–	–	–	–	–	–
<b>Total . . . . .</b>	<b>2,335,730</b>		<b>2,850,165</b>		<b>3,264,964</b>	

*Notes:*

- (1) For illustration purpose, mainland China and Hong Kong are divided into seven geographic regions:
- |                    |  |
|--------------------|--|
| Northeastern China | Heilongjiang province, Jilin province and Liaoning province.   |
| Eastern China      | Shanghai, Jiangsu province, Zhejiang province, Anhui province, Fujian province, Jiangxi province and Shandong province.  |
| Northern China     | Beijing, Tianjin, Shanxi province, Hebei province and Inner Mongolia Autonomous Region.                                  |
| Central China      | Henan province, Hubei province and Hunan province.   |
| Southern China     | Guangdong province, Guangxi Zhuang Autonomous Region, Hainan province and Hong Kong.                                     |
| Southwestern China | Chongqing, Sichuan province, Guizhou province, Yunnan province and Tibet Autonomous Region.                              |
| Northwestern China | Shaanxi province, Gansu province, Qinghai province, Ningxia Hui Autonomous Region and Xinjiang Uyghur Autonomous Region. |

- (2) “\*” represents a percentage less than 0.1.

## BUSINESS

The following table sets forth the average students enrolled in our long-term programs and short-term programs at our Schools by brand and the average number of customers registered in Cuisine Academy for the years indicated:

<u>Segments and Brands</u>	<u>Average Students Enrolled<sup>(1)</sup></u>	<u>Year ended December 31,</u>		
		<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>CULINARY ARTS</u></b>				
New East . . . . .	Long-term	54,846	64,549	64,376
	— One to less than two years	9,210	9,252	7,596
	— Two to less than three years	43,670	51,609	50,496
	— Three years	1,966	3,688	6,284
	Short-term <sup>(2)</sup>	7,276	6,631	4,765
	<b>Subtotal</b>	<b>62,122</b>	<b>71,180</b>	<b>69,141<sup>(3)</sup></b>
Omick . . . . .	Short-term <sup>(2)</sup>	—	1,114	3,106
	<b>Subtotal</b>	<b>—</b>	<b>1,114</b>	<b>3,106</b>
<b><u>INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY</u></b>				
Xinhua Internet . . . . .	Long-term	22,798	24,234	30,356
	— One to less than two years	809	950	1,189
	— Two to less than three years	15,624	14,840	16,087
	— Three years	6,365	8,444	13,080
	Short-term <sup>(2)</sup>	966	747	667
	<b>Subtotal</b>	<b>23,764</b>	<b>24,981</b>	<b>31,023</b>
Wisezone . . . . .	Short-term <sup>(2)</sup>	1,138	1,165	1,364
	<b>Subtotal</b>	<b>1,138</b>	<b>1,165</b>	<b>1,364</b>
<b><u>AUTO SERVICES</u></b>				
Wontone . . . . .	Long-term	16,693	16,347	17,511
	— One to less than two years	2,802	2,241	2,653
	— Two to less than three years	10,748	10,169	10,055
	— Three years	3,143	3,937	4,803
	Short-term <sup>(2)</sup>	1,378	1,753	1,812
	<b>Subtotal</b>	<b>18,071</b>	<b>18,100</b>	<b>19,323</b>

## BUSINESS

Segments and Brands	Average Students Enrolled <sup>(1)</sup>	Year ended December 31,		
		2016	2017	2018
<b>Total</b> . . . . .	Long-term	94,337	105,130	112,243
	— One to less than two years	12,821	12,443	11,438
	— Two to less than three years	70,042	76,618	76,638
	— Three years	11,474	16,069	24,167
	Short-term <sup>(2)</sup>	10,758	11,410	11,714
	<b>Total</b>	<b>105,095</b>	<b>116,540</b>	<b>123,957</b>
<b>Cuisine Academy</b> . . . . .	<b>Average number of customers registered<sup>(4)</sup></b>	—	<b>63</b>	<b>577</b>

*Notes:*

- (1) As our Schools provide various vocational training education programs during a year and the course length and the program commencement date varies for our different long-term and short-term programs, we believe that the average students enrolled is a measure that is comparable to that of our competitors and therefore can fairly present our ranking and market position in the industry. Our average students enrolled for a year is only an approximation, representing the sum of the number of students enrolled at our operating Schools at the end of each month divided by the number of months during such period without taking into account any transfer or withdrawal. See "Business — Pricing Policy — Student/Customer Withdrawal and Refund Policy" for more information.
- (2) The average students enrolled of short-term programs include students enrolled in programs shorter than one month which are regarded as one-month programs for the calculation. The total of average students enrolled and average number of customers registered in programs for one month or shorter for the year ended December 31, 2018 is 2,797.
- (3) The average students enrolled under New East Culinary Education decreased from 71,180 for the year ended December 31, 2017 to 69,141 for the year ended December 31, 2018 is primarily due to a decrease in average students enrolled of short-term programs. For the decrease in short-term programs, it was because the number of students enrolled of short-term programs longer than three months decreased which resulted a decrease in average students as it was calculated on an annualized basis.
- (4) Our average number of customers registered for a year represents the sum of the number of customers registered at Cuisine Academy at the end of each month divided by the number of months during such period during such period, without taking into account any withdrawal.

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## BUSINESS

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The following table sets forth a breakdown of our average students enrolled and average number of customers registered by segments and brands in terms of geographic regions for the years indicated:

		Year ended December 31,		
		2016	2017	2018
<b>CULINARY ARTS</b>				
New East . . . . .	Northeastern China	3,204	3,840	4,003
	Northern China	6,991	8,749	8,620
	Eastern China	16,988	19,341	19,443
	Southern China	3,660	4,252	4,290
	Central China	8,324	10,328	10,462
	Northwestern China	5,828	6,544	6,184
	Southwestern China	17,127	18,126	16,139 <sup>(1)</sup>
	<b>Subtotal</b>	<b>62,122</b>	<b>71,180</b>	<b>69,141</b>
Omick . . . . .	Northeastern China	—	319	391
	Northern China	—	35	301
	Eastern China	—	616	1,240
	Southern China	—	17	136
	Central China	—	44	363
	Northwestern China	—	48	178
	Southwestern China	—	35	497
	<b>Subtotal</b>	<b>—</b>	<b>1,114</b>	<b>3,106</b>
<b>INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY</b>				
Xinhua Internet . . . . .	Northeastern China	—	—	—
	Northern China	3,011	3,654	5,118
	Eastern China	8,919	9,306	11,103
	Southern China	—	—	—
	Central China	2,761	3,103	4,504
	Northwestern China	1,346	1,175	1,400
	Southwestern China	7,727	7,743	8,898
	<b>Subtotal</b>	<b>23,764</b>	<b>24,981</b>	<b>31,023</b>

## BUSINESS

	Geographic Region	Year ended December 31,		
		2016	2017	2018
Wisezone . . . . .	Northeastern China	—	1	19
	Northern China	191	222	206
	Eastern China	279	355	453
	Southern China	—	—	—
	Central China	146	194	203
	Northwestern China	81	96	173
	Southwestern China	441	297	310
	<b>Subtotal</b>	<b>1,138</b>	<b>1,165</b>	<b>1,364</b>
<b>AUTO SERVICES</b>				
Wontone . . . . .	Northeastern China	—	88	370
	Northern China	1,077	1,037	1,209
	Eastern China	6,762	6,705	6,623
	Southern China	1,782	1,990	1,942
	Central China	3,243	3,600	4,042
	Northwestern China	1,046	1,072	1,385
	Southwestern China	4,161	3,608	3,752
	<b>Subtotal</b>	<b>18,071</b>	<b>18,100</b>	<b>19,323</b>
<b>Total . . . . .</b>		<b>105,095</b>	<b>116,540</b>	<b>123,957</b>
<b>CUISINE ACADEMY</b>				
	Northeastern China	—	6	69
	Northern China	—	4	45
	Eastern China	—	2	184
	Southern China	—	43	36
	Central China	—	—	90
	Northwestern China	—	—	59
	Southwestern China	—	8	94
	<b>Subtotal</b>	<b>—</b>	<b>63</b>	<b>577</b>

*Note:*

- (1) The average students enrolled in Southwestern China of New East Culinary Education decreased from 18,126 for the year ended December 31, 2017 to 16,139 for the year ended December 31, 2018 is primarily due to a decrease in average students enrolled in Schools located in Yunnan, Chengdu and Chongqing.

## BUSINESS

The following table sets forth the new student enrollment in our long-term programs and short-term programs at our Schools by brand and number of new customers registered of Cuisine Academy for the years indicated:

Segments and Brands	New Student Enrollment <sup>(1)</sup>	Year ended December 31,		
		2016	2017	2018
<b><u>CULINARY ARTS</u></b>				
New East . . . . .	Long-term	38,645	40,929	35,939
	— One to less than two years	9,350	8,669	7,274
	— Two to less than three years	27,001	28,725	23,310
	— Three years	2,294	3,535	5,355
	Short-term	26,661	31,013	35,396
	<b>Subtotal</b>	<b>65,306</b>	<b>71,942</b>	<b>71,335</b>
Omick . . . . .	Short-term	—	2,788	9,180
	<b>Subtotal</b>	<b>—</b>	<b>2,788</b>	<b>9,180</b>
<b><u>INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY</u></b>				
Xinhua Internet . . . . .	Long-term	14,409	15,815	21,380
	— One to less than two years	633	1,103	1,203
	— Two to less than three years	8,664	8,203	11,064
	— Three years	5,112	6,509	9,113
	Short-term	2,834	3,554	3,035
	<b>Subtotal</b>	<b>17,243</b>	<b>19,369</b>	<b>24,415</b>
Wisezone . . . . .	Short-term	3,465	3,573	4,558
	<b>Subtotal</b>	<b>3,465</b>	<b>3,573</b>	<b>4,558</b>
<b><u>AUTO SERVICES</u></b>				
Wontone . . . . .	Long-term	9,805	9,685	11,780
	— One to less than two years	2,436	2,340	2,291
	— Two to less than three years	5,179	5,254	5,604
	— Three years	2,190	2,091	3,885
	Short-term	4,644	6,518	8,483
	<b>Subtotal</b>	<b>14,449</b>	<b>16,203</b>	<b>20,263</b>
<b>Total</b> . . . . .	Long-term	62,859	66,429	69,099
	— One to less than two years	12,419	12,112	10,768
	— Two to less than three years	40,844	42,182	39,978
	— Three years	9,596	12,135	18,353
	Short-term	37,604	47,446	60,652
	<b>Total</b>	<b>100,463</b>	<b>113,875</b>	<b>129,751</b>
Cuisine Academy <sup>(2)</sup> . . . . .	<b>Number of new customers registered</b>	<b>—</b>	<b>146</b>	<b>5,778</b>



## BUSINESS

*Notes:*

- (1) New student enrollment represents the total number of students newly enrolled at our operating schools in a certain period. We use new student enrollment to reflect our ability of student recruitment and the popularity of our programs.
- (2) We commenced operations of Cuisine Academy in 2017. Number of new customers represent the total number of new customers attending our customized catering experience programs of Cuisine Academy in a certain period.

The following table sets forth a breakdown of our new student enrollment and new registered customers by segments and brands in terms of geographic regions for the years indicated:

		Year ended December 31,		
		2016	2017	2018
<b>CULINARY ARTS</b>				
New East . . . . .	Northeastern China	4,011	4,687	5,433
	Northern China	7,236	8,614	8,625
	Eastern China	19,750	20,861	20,371
	Southern China	3,668	4,567	4,955
	Central China	8,166	9,132	9,275
	Northwestern China	5,661	5,923	5,516
	Southwestern China	16,814	18,158	17,160
	<b>Subtotal</b>	<b>65,306</b>	<b>71,942</b>	<b>71,335</b>
Omick . . . . .	Northeastern China	—	636	757
	Northern China	—	454	952
	Eastern China	—	1,439	3,846
	Southern China	—	30	432
	Central China	—	69	1,056
	Northwestern China	—	71	549
	Southwestern China	—	89	1,588
	<b>Subtotal</b>	<b>—</b>	<b>2,788</b>	<b>9,180</b>
<b>INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY</b>				
Xinhua Internet . . . . .	Northeastern China	—	—	—
	Northern China	2,429	3,032	3,834
	Eastern China	5,832	6,746	8,470
	Southern China	—	—	—
	Central China	2,181	2,911	4,418
	Northwestern China	984	898	1,381
	Southwestern China	5,817	5,782	6,312
	<b>Subtotal</b>	<b>17,243</b>	<b>19,369</b>	<b>24,415</b>

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		Year ended December 31,		
		2016	2017	2018
	<b>Geographic Region</b>			
Wiszone . . . . .	Northeastern China	—	1	64
	Northern China	517	678	700
	Eastern China	943	1,116	1,515
	Southern China	—	—	—
	Central China	436	592	668
	Northwestern China	206	284	469
	Southwestern China	1,363	902	1,142
	<b>Subtotal</b>	<b>3,465</b>	<b>3,573</b>	<b>4,558</b>
<b>AUTO SERVICES</b>				
Wontone . . . . .	Northeastern China	—	208	753
	Northern China	869	1,151	1,786
	Eastern China	6,123	5,829	6,177
	Southern China	1,680	1,796	1,899
	Central China	2,697	3,498	3,742
	Northwestern China	720	950	1,780
	Southwestern China	2,360	2,771	4,126
	<b>Subtotal</b>	<b>14,449</b>	<b>16,203</b>	<b>20,263</b>
<b>Total . . . . .</b>		<b>100,463</b>	<b>113,875</b>	<b>129,751</b>
<b>CUISINE ACADEMY</b>				
	Northeastern China	—	5	780
	Northern China	—	5	357
	Eastern China	—	2	1,382
	Southern China	—	117	400
	Central China	—	—	806
	Northwestern China	—	—	1,106
	Southwestern China	—	17	947
	<b>Subtotal</b>	<b>—</b>	<b>146</b>	<b>5,778</b>

## BUSINESS

Due to the different income and consumption levels in different areas of China, the indicative tuition and service fee rates we charge, which are approved by our Group, vary across geographical markets. The large fee ranges were due to various reasons, including differences in the local economy across China and differences in our program offerings. Certain of our long-term programs are designed to provide our students with extensive training and have higher tuition rates because of the cost of the teaching and training resources we dedicated to such programs. The following table sets forth ranges of our tuition rates under each school brand and service fee rates of Cuisine Academy for the years indicated:

Segments and Brands	Program	Tuition/Service fee		
		2016 <sup>(1)</sup>	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>
<i>(RMB/per year for long-term programs, RMB/per program for short-term programs)</i>				
<b>CULINARY ARTS</b>				
New East . . . . .	Long-term	10,400-34,500	11,400-36,800	5,600-76,000
	Short-term <sup>(2)</sup>	1,200-18,100	1,200-58,000 <sup>(3)</sup>	800-58,000 <sup>(3)</sup>
Omick . . . . .	Short-term <sup>(2)</sup>	—	9,000-47,000	5,000-50,000
<b>INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY</b>				
Xinhua Internet . . . . .	Long-term	5,980-35,800	6,680-39,800	6,680-37,800 <sup>(4)</sup>
	Short-term <sup>(2)</sup>	1,900-22,590	880-28,800	800-29,300
Wisezone . . . . .	Short-term <sup>(2)</sup>	2,000-14,800	2,000-29,800	999-26,800
<b>AUTO SERVICES</b>				
Wontone . . . . .	Long-term	12,800-36,800	6,680-38,500	4,800-38,500
	Short-term <sup>(2)</sup>	680-32,600	680-37,400	800-37,400
Cuisine Academy <sup>(5)</sup> . . . . .	Customized catering experience program	—	360-16,000	1,980-18,800

*Notes:*

- (1) We charge tuition to students enrolled at our schools. Tuition of our long-term programs are typically charged based on the yearly tuition standards of different programs that students enrolled in such year.
- (2) Tuition of our short-term programs are typically charged by each program that students enrolled in.
- (3) Service fee of our HK New Oriental generally ranged from HKD500 to HKD27,500 in 2017 and from HKD580 to HKD28,500 in 2018.
- (4) The high-end of the tuition we charged for the long-term programs of Xinhua Internet decreased from RMB39,800 to RMB37,800 from 2017 to 2018 mainly because we ceased to offer the course of Visual Communication Design which charged RMB39,800 per year in 2018 as the results of student enrollment in such course did not meet our expectations.
- (5) We typically charge customers service fees by each program they registered in Cuisine Academy.

## BUSINESS

The following table sets forth the average tuition and service fees per student/customer of our Schools/customized catering experience center by brand for the years indicated:

<u>Segments and Brands</u>	<b>Average Tuition/Service Fee Per Student/Customer<sup>(1)</sup></b>		
	<b>Year ended December 31,</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>(RMB'000)</i>		
<b>CULINARY ARTS</b>			
<u>New East . . . . .</u>	<u>23.1</u>	<u>24.4</u>	<u>27.5</u>
<u>Omick . . . . .</u>	<u>—</u>	<u>67.2</u>	<u>68.7</u>
<b>INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY</b>			
<u>Xinhua Internet . . . . .</u>	<u>20.2</u>	<u>21.7</u>	<u>19.5</u>
<u>Wisezone . . . . .</u>	<u>46.7</u>	<u>55.1</u>	<u>51.4</u>
<b>AUTO SERVICES</b>			
<u>Wontone . . . . .</u>	<u>19.6</u>	<u>23.2</u>	<u>23.0</u>
<u>Cuisine Academy . . . . .</u>	<u>—</u>	<u>5.3</u>	<u>36.0<sup>(2)</sup></u>

Note:

- (1) For illustration purposes, the average tuition/service fee revenue per student/customer for the years ended December 31, 2016, 2017 and 2018 is calculated as revenue generated from tuition or service fees for a year divided by the average students enrolled/average number of customers registered in the corresponding year.
- (2) The average service fee per customer of Cuisine Academy increased from RMB5,300 for the year ended December 31, 2017 to RMB36,000 for the year ended December 31, 2018 was primarily because we provided experience courses lasting for one to two days and charged service fees for about RMB300 to RMB500 per customer when we just commenced operations in 2017. The customer registered for the experience courses were calculated into the average number of customers registered of Cuisine Academy in 2017 as the experience courses are regarded as one-month programs for such calculation. With the evolving development of our customer base, we could attract more customers to register for our short-term programs which charged higher service fees in 2018.

We typically charge our students tuition. Our tuition charged generally include fees for our boarding services if such boarding is available at specific Schools. We have on-campus dormitories, canteens and other facilities at most of our Schools offering long-term programs. We believe providing our students, especially students aged between 15 and 21 years old from rural areas, with on-campus boarding services will help them concentrate on their studies and practical training and enhance their peer interactions. For customers registered in customized catering experience program in Cuisine Academy, we charge them service fees. See “— Pricing Policy” in this section for details.

## BUSINESS

The following table sets forth (i) the classroom capacity and classroom utilization rate of our Schools under each school brand; and (ii) the customized catering experience center capacity and utilization rate of Cuisine Academy for the years indicated:

As of/for the year ended December 31, 2018

	Range of Capacity (Estimated)	Number of Schools/ Centers	Utilization Rate <sup>(1)</sup> %	Number of Schools/ Centers	Utilization Rate <sup>(1)</sup> %	Number of Schools/ Centers	Utilization Rate <sup>(1)</sup> %	Number of Schools/ Centers	Utilization Rate <sup>(1)</sup> %	School brand Average Utilization Rate <sup>(2)</sup> %
<b>CULINARY ARTS</b>										
New East . . . . .	500-8,572 <sup>(3)</sup>	6	31.5-49.3 <sup>(4)</sup>	32	50.0-100.0	4	100.0 <sup>(6)</sup>	7	N/A <sup>(7)</sup>	74.5
Omick . . . . .	136-831	1	47.6 <sup>(4)</sup>	1	50.0-100.0	1	100.0 <sup>(6)</sup>	20	N/A <sup>(7)</sup>	63.1
<b>INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY</b>										
Xinhua Internet . . . . .	205-5,000	2	22.9-44.2 <sup>(4)</sup>	11	50.0-100.0	6	100.0 <sup>(6)</sup>	5	N/A <sup>(7)</sup>	95.4
Wisezone . . . . .	134-457	16	31.08-38.4 <sup>(4)</sup>	-	50.0-100.0	-	100.0 <sup>(6)</sup>	6	N/A <sup>(7)</sup>	24.6
<b>AUTO SERVICES</b>										
Wontone . . . . .	782-5,340	2	40.6 <sup>(4)(5)</sup>	12	50.0-100.0	-	100.0 <sup>(6)</sup>	12	N/A <sup>(7)</sup>	60.9
<b>CUISINE ACADEMY . . . . .</b>										
	62-220	-	-	-	-	-	-	18	N/A <sup>(7)</sup>	N/A <sup>(7)</sup>

**Notes:**

(1) Classroom utilization rates presented in the above table are ranges for all Schools under each of our five school brands. The classroom utilization rate of a School for a certain year is calculated by the annualized student enrollment of the School for the year divided by the classroom seats that School has as of the ending date of the same year. According to the Frost & Sullivan Report, such calculation method is in line with industry practices.

The number of classroom seats used in the calculation of utilization rates in the above table has been determined based on the following: (i) an estimate of the number of students in a class of such specification that would generally be using such classroom, workshop or practical training studio based on our past experience; (ii) when estimating the capacity of each School, we take into account all types of classrooms, including workshops and practical training studios; and (iii) most of our students under New East, Omick, Xinhua Internet, Wisezone and Wontone attend our Schools on a full-day basis (namely they are in school for at least six hours per day).

(2) Total utilization rate of a brand/segment for the year is calculated by the average students enrolled of the brand/segment for the year divided by the classroom seats that brand has as of the ending date of the year. Such calculation excludes these Schools of our five school brands started to admit students from January 1, 2017 to December 31, 2018, and centers under our Cuisine Academy commenced operations from September 2017.

(3) HK New Oriental is not included in the statistics because it mainly offers courses that are charged on a per-time basis which is different from other Schools of our Group.

(4) Classroom utilization rates under 50% primarily because these Schools have expanded new campuses in 2018. Other than the aforesaid reason, the classroom utilization rates of many Schools under Wisezone Data Technology Education are under 50%, primarily because Wisezone Data Technology Education started to admit students in 2016 and was still in the ramp-up periods.

## BUSINESS

- (5) These two Schools under Wontone Automotive Education share the same campus in Anhui province.
- (6) Classroom utilization rates for some Schools are above 100% because the average students enrolled in certain Schools exceed the school capacity under normal circumstances as a result of the high popularity of certain school programs.
- (7) These (i) Schools of our five school brands started to admit students from January 1, 2017 to December 31, 2018, and (ii) centers under our Cuisine Academy commenced operations from September 2017, all of which were still in their initial ramp-up periods with limited student enrollments or customer registration. Therefore, presentation of the utilization rates of these Schools or centers are not meaningful.

The following table sets forth (i) the geographic coverage of our Schools or customized catering experience centers; (ii) the number of Schools or centers; and (iii) the number of programs under each of our business segments as of December 31, 2018:

Segments and Brands	Geographic coverage	Number of Schools/ Centers in operation	Number of programs	
			Long-term	Short-term
<b>CULINARY ARTS</b>				
New East . . . . .	Sichuan, Yunnan, Guizhou, Xinjiang, Ningxia, Gansu, Qinghai, Shaanxi, Inner Mongolia, Shanxi, Hunan, Hubei, Jiangxi, Guangdong, Anhui, Henan, Hebei, Shandong, Jiangsu, Zhejiang, Fujian, Liaoning, Jilin, Heilongjiang, Hainan, Beijing, Shanghai, Tianjin, Chongqing, Hong Kong	50	12	149
Omick . . . . .	Beijing, Shanghai, Liaoning, Jiangsu, Sichuan, Yunnan, Zhejiang, Shanxi, Jiangxi, Fujian, Hebei, Shaanxi, Henan, Guangdong, Chongqing, Hubei, Guizhou, Anhui, Heilongjiang, Hunan, Tianjin, Gansu	23	–	8
<b>INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY</b>				
Xinhua Internet	Anhui, Beijing, Shandong, Shaanxi, Shanxi, Hebei, Henan, Jiangsu, Hubei, Jiangxi, Hunan, Yunnan, Guizhou, Chongqing, Sichuan, Xinjiang, Gansu	24	13	9
Wisezone . . . . .	Beijing, Chongqing, Tianjin, Anhui, Sichuan, Guangdong, Guizhou, Zhejiang, Hebei, Henan, Hunan, Shandong, Yunnan, Jiangxi, Jiangsu, Shaanxi, Shanxi, Hubei, Liaoning, Fujian, Gansu	22	–	16

## BUSINESS

Segments and Brands	Geographic coverage	Number of Schools/ Centers in operation	Number of programs	
			Long-term	Short-term
<b>AUTO SERVICES</b>				
Wontone . . . . .	Beijing, Chongqing, Jilin, Liaoning, Xinjiang, Gansu, Inner Mongolia, Henan, Jiangsu, Shanxi, Shaanxi, Shandong, Sichuan, Anhui, Hubei, Hunan, Jiangxi, Zhejiang, Guangdong, Guizhou, Yunnan	26	7	36
<b>CUISINE ACADEMY . . .</b>	Guangdong, Guizhou, Zhejiang, Anhui, Henan, Hubei, Jilin, Shandong, Yunnan, Gansu, Liaoning, Shanxi, Tianjin, Jiangsu	18	-	31

*Notes:*

- (1) Among the 50 Schools under New East Culinary Education, four are secondary vocational Schools and seven are technical Schools.
- (2) Among the 24 Schools under Xinhua Internet Technology Education, five are secondary vocational Schools and four are technical Schools.
- (3) Among the 26 Schools under Wontone Automotive Education, six are technical Schools.

As of December 31, 2018, we operated 18 customized catering experience centers under Cuisine Academy across 14 provinces in China. As of the same date, we had 31 customized program offerings for not more than two months to customers who seek to develop their interests in cooking or plan to start their own businesses in catering industry.

### OUR CULINARY ARTS SCHOOLS

#### New East Culinary Education

Since its inception, New East Culinary Education has been providing comprehensive culinary training programs to students who pursue a career in becoming professional chefs. New East Culinary Education seeks to carry on and promote the richness of Chinese food culture. Adhering to the educational philosophy “training excellent chefs with a compilation of famous cuisines all over the world” (匯集天下名菜, 培養廚師精英), we teach our students cooking traditions and practices of popular Chinese cuisines, including but not limited to the well-known and widely recognized eight regional cuisines, being the cuisines of Sichuan, Hunan, Guangdong, Anhui, Shandong, Jiangsu, Fujian and Zhejiang, supported by an integration of classic Chinese and Western culinary skills. As of the Latest Practicable Date, we operated 52 Schools under our New East Culinary Education in 29 out of 31 provinces in the PRC and Hong Kong. For the year ended December 31, 2018, we had an average students enrolled of 69,141 and a total of 71,335 new student enrollment under the brand of New East Culinary Education.

New East Culinary Education is a reputable brand in China. Together with our Omick Education of Western Cuisine and Pastry, our culinary vocational education services ranked first among vocational education service providers in China in the culinary vocational education sector in terms of revenue and average students enrolled for the year ended December 31, 2017, according to the Frost & Sullivan Report.

### ***Program and Curriculum Offerings***

Each of our Schools under New East Culinary Education offers various culinary training programs with different program lengths, mostly ranging from one to three years, to meet students' various learning focuses and demands. We also have short-term programs with flexible schedules, mostly ranging from one to six months, as well as weekend programs for people seeking to develop specific cooking skills in a short period of time. Our unique major offerings primarily include premium executive chef, golden collar chef, elite chef, culinary elite, western cuisine chef and fashionable Western pastry. We also have international exchange programs, such as a study tour program with a public professional training institution in the Australia, to broaden our students' horizon and increase their chances to find international employment that commands higher pay. We have adopted various teaching methods to keep in line with the evolving trends in the catering industry and the needs of the catering market, and we have developed unique teaching methods, including, among others, five steps training method, modular teaching method and theory and practice integration teaching mode. During the classes, our experienced teachers will provide one-on-one tutoring and hands-on teaching, focusing on developing the students' practical skills, technical knowledge and professionalism. At the same time, through our school-enterprise cooperation programs, New East Culinary Education has established close cooperation with various enterprises, which creates more employment opportunities for students after graduation. Furthermore, we regularly conduct market researches to optimize our program offerings. For example, we are developing a new major, the "head chef program", which is designed to provide comprehensive theoretical courses, practical training and career guidance services to students who seeks to advance his or her career in the food catering industry.

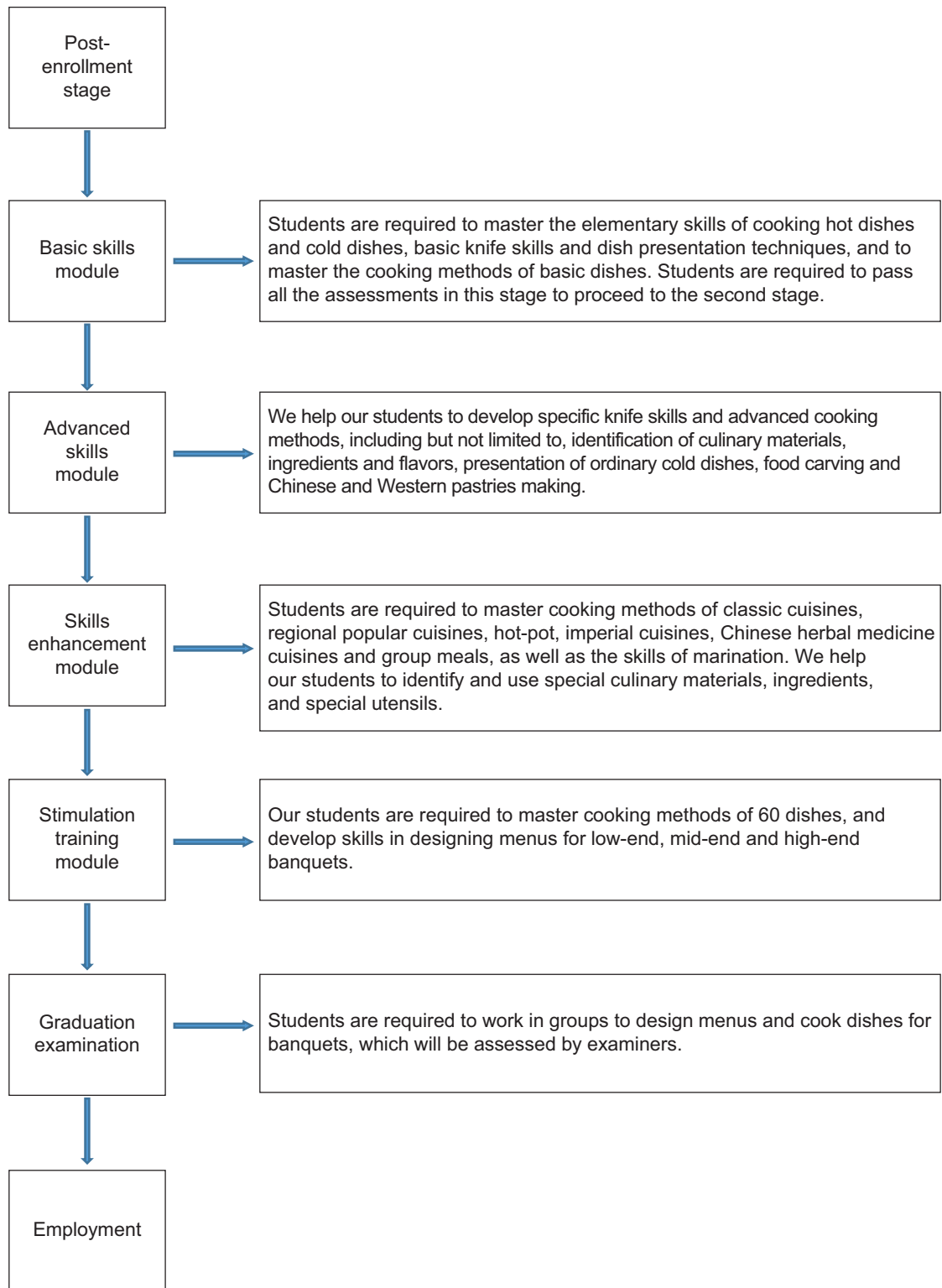


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## BUSINESS

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Most of our culinary vocational education programs include a large segment of simulation training. Taking our golden collar chef program as an example, the following flow chart illustrates the course arrangement of the program:



### *Long-term Programs*

Our long-term programs, including both vocational training education programs and secondary vocational education programs, are designed to provide our students with extensive culinary training and to equip them with essential cooking skills for becoming a professional chef. Our long-term programs under New East Culinary Education typically have a duration of two or three years. We primarily offer three majors for our three-year programs and four majors for our two-year programs, all of which are developed with an aim to training “golden collar chefs” skilled in traditional Chinese cuisines or Western cuisines. For the three-year “golden collar chef” program, we provide well-rounded culinary training, including fundamental cooking skills, kitchen management, nutrition and hygiene management, identification of cooking ingredients, knife skills, dough modeling, sugar pulling, dish presentation techniques and skills in cooking a variety of Chinese cuisines and Western cuisines. For the western patisserie program, we offer a wide range of courses for developing skills in making dessert and pastries, such as cake making and decoration, bread baking and patisserie making techniques. In addition, we have also developed new courses such as the nutritionist course, the administrative cook course and the Chinese herbal medicine cuisine course to meet the increasing demand in the market for healthy cuisine with high quality. Our target students for long term programs are middle school graduates aged between 15 and 21 years old, who decide to enroll in long-term vocational education programs to improve their employment prospects. We encourage our students to obtain industry certificates before the completion of study to increase their competitiveness in the job market.

### *Short-term Programs*

We also offer short-term programs to students who have already had professional cooking skills and seek to enhance their technique or students who wish to study specific types of cuisines or cooking methods and techniques. We currently offer a total of 149 different short-term programs with flexible schedules in our various Schools under our New East Culinary Education. Our short-term programs primarily include, among others, culinary carving, dish presentation, Chinese pastry making, Chinese appetizers, teppanyaki grill techniques as well as culinary training for particular local cuisines, such as Sichuan cuisines, Hunan cuisines and Cantonese cuisines.

### ***Workplace Simulation Training***

We strive to provide our students with a simulated work environment and ensure that our students have sufficient practical training so that they are able to acquire critical knowledge and skills which can be immediately applied to workplaces after graduation and achieve a seamless transition from schools to workplaces. The practical training is implemented throughout the duration of most of our courses. We have built practical training studios, which creates restaurant-like environment on each campus of our Schools under New East Culinary Education, allowing students to take part in hands-on training sessions. Our Schools are equipped with various advanced teaching facilities, including modern designed, advanced simulation kitchens, which are all equipped with stainless stoves, ovens, and utensils. In addition, in order to provide our students with the best practical training platform, we have built, among others, the cutting and pot-turning skills practice hall, the appetizer dish presentation skills hall and the pastry practice hall in our training studios to accommodate different course concentrations. We believe our advanced teaching facilities have increased our students’ competitiveness in the job market by training them in a simulated workplace environment so that they will be likely to have a seamless transition after being employed.

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## BUSINESS

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The following pictures illustrate certain practical training studios under our New East Culinary Education Schools:



*Note:* The upper left picture illustrates the simulation restaurant of our New East Culinary Education School in Shijiazhuang, Hebei province. The upper right picture illustrates the training studio of cake decoration of our New East Culinary Education School in Jinan, Shandong province. The bottom left picture illustrates the culinary training studio of New East Culinary Education School in Zhengzhou, Henan province. The bottom right picture illustrates the main course training studio of our New East Culinary Education School in Yinchuan, Ningxia province.

### **School-enterprise Cooperation**

We believe that helping our students gain employment is a key part of our Schools' operation as high quality graduate employment is of vital importance to our sustainable development and future success. With a view to providing satisfactory jobs to our students, Schools under New East Culinary Education have cooperated with a wide range of hotels and restaurant chains in China, including, among others, Hilton Garden Hotel in Guizhou, Hefei Crowne Plaza Hotel, Grandma's Home, Shanghai Aisi Bixi, Wowprime (China) Catering Co., Ltd., Xiabu Xiabu, Shandong Camry Catering Group, Shenzhen Gantang Mingshan Catering Co., Ltd., Xi'an Yikang Catering Management Group Co., Ltd., Beijing Shotamuni Catering Co., Ltd., Shanghai Akasakatei Catering Investment Co., Ltd., Wangshunge (Beijing) Investment Management Co., Ltd., Shanghai Bifengtang Food Co., Ltd., Yunhaiyao (Beijing) Catering Management Co., Ltd., Jiangsu Chef Queen Catering Management Co., Ltd. and Wangxiangyuan (Shanghai) Catering Management Co., Ltd. and various local enterprise partners, including restaurants, bakeries, and grocery stores. As of December 31, 2018, we have established 388 employer-tailored training programs which provide students with employment opportunities if they successfully pass our assessments.

For the year ended December 31, 2018, the recommended employment rate of our long-term program graduates under New East Culinary Education was 93.2%. We believe we are able to achieve a high employment rate for our students, primarily owing to our carefully designed culinary training programs, our employment-oriented training approach, the recognition of our high-quality education in the industry, and the cooperation that we have established with prospective employers.

### ***Grade and Assessment***

Students are eligible to obtain a certificate of completion awarded by our Schools after they successfully complete the relevant courses and pass various assessments under each program. Typically, students are required to pass assessments for each course section to proceed to the next level and eventually complete the training. Prior to the completion, we require each student to take a final assessment with an emphasis on testing students' ability to apply the training received to workplace practices. We also encourage our students to obtain professional qualifications to further improve their employability. For students enrolled in secondary vocational education courses under New East Culinary Education, our Schools will award them secondary vocational education diplomas recognized by competent government authorities upon their completion of the relevant courses. For the school-enterprise cooperation programs, we allow those enterprises cooperating with us to set up their own standards of assessment in order to fulfil the objectives of such programs.

### **Omick Education of Western Cuisine and Pastry**

We founded Omick Education of Western Cuisine and Pastry in 2016 to offer high-quality western-style catering education, which is committed to providing specialized culinary training to students with a focus on western pastry and western food. Our Omick brand's motto is "striving for excellence is a master's lifetime pursuit" (大師之道,精益求精). We offer a variety of courses, including baking, desserts, western cuisines, bartending, and coffee workshops with program lengths ranging from 80 class hours to 1,200 class hours. As of the Latest Practicable Date, we operated 24 Schools under the brand of Omick Western Catering across 22 provinces in the PRC. For the year ended December 31, 2018, we had an average students enrolled of 3,106 and new student enrollment of 9,180 under the brand of Omick Education of Western Cuisine and Pastry.

### ***Program and Curriculum Offerings***

Omick brand primarily offers high-end programs. Our Schools under the brand of Omick offer four types of programs, namely pastry and dessert program, western cuisine program, coffee workshop and bartending program. Our pastry and dessert program will develop students' skills and techniques in the production of pastries, breads, yeast products, ice creams and frozen desserts, use of fruits, decoration of cakes and sugar work. The length of pastry and dessert programs ranges from 720 class hours to 1,200 class hours. Our specialized western cuisine program is designed to provide multiple skills training for those who wish to pursue a career in the western catering industry. It enables students to gain advanced knowledge and hands-on training in cooking western cuisines, including, among others, appetizers, main courses, sandwiches, hamburgers, pizzas and pastas. The western cuisine program offers three school terms with class hours of 240, 480 and 720, respectively. Our coffee workshop is a 80 class hour-program, equipping students with the basic knowledge of coffee culture, production process of coffee beans and principles of brewing and savoring coffee, as well as traditional barista skills training. Through our coffee workshop, students will also have opportunities to develop their skills in making different kinds of coffee. Our bartending program enables students to acquire the basic knowledge about bartending, as well as understand the cocktail culture and bartending skills. Our bartending program consists of 160 class hours, providing students with opportunities to create various cocktails and drinks with different liquid. We hired international teachers at some of our Omick catering Schools to provide culinary training and share the food culture with our students.

### ***Workplace Simulation Training***

To ensure our students are equipped with practicable knowledge and have the opportunity to experience the workplace environment, each of our Schools under the brand of Omick provides our students with workplace simulation training facilities, which enable our students to gain work experience before they enter into the work force. All of our Omick classrooms are simulated workplaces, including designated bars for bartending training and mounting pattern kitchens and bakeries for pastry and dessert programs.

The following pictures illustrate certain practical training studios under our brand of Omick Education of Western Cuisine and Pastry:



*Note:* The pictures illustrate the coffee workshop of our Omick School in Suzhou, Jiangsu province and the baking workshop, the western cuisine cooking studio and the bartending training studio of our Omick School in Shanghai.

### ***School-enterprise Cooperation***

We have established strategic partnership with domestic and international institutions to gain access to technical courses, business startups, and new product innovation support. Our global partners include some professional culinary education institutes in France, Italy and Switzerland. In addition, with a view to providing our students with satisfactory employment, our Schools under the brand of Omick have also established employment-oriented cooperation with various bakeries, western style restaurants and hotels in China, such as Shanghai Aisi Bixi and Beijing Holiland.

***Grade and Assessment***

To complete a program under our brand of Omick Education of Western Cuisine and Pastry, a student is required to pass multiple assessments designed by our core teaching staff, including weekly assessments, monthly assessments, and the pre-completion examination. Students who successfully complete all assessments will be awarded a certificate of completion.

**OUR INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY SCHOOLS****Xinhua Internet Technology Education**

Xinhua Internet Technology Education has a history dating back to 1990s. As of the Latest Practicable Date, we operated 24 Xinhua Internet Technology Education Schools in the PRC. For the year ended December 31, 2018, we had an average students enrolled of 31,023 and a total of 24,415 new student enrollment under the brand of Xinhua Internet Technology Education. We provide a wide range of information technology and internet technology-related training to students and equipping them with applicable information technology and internet technology skills for employment in the information technology and internet technology industry. We have strengths in providing training in certain information technology and internet technology areas, including 3D and graphic design, internet network development, e-commerce, and software development. We regularly update our curriculums to ensure that our students learn the latest technologies to keep up with industrial developments. For example, we offer various courses relating to emerging technologies, including e-sports, AI, internet security, and virtual reality.

***Program and Curriculum Offerings***

As of December 31, 2018, we provided 125 courses in our short-term and long-term programs with course lengths primarily ranging from three months to three years, including vocational training education programs and secondary vocational training programs. We focus on providing long-term programs to our students under the Xinhua Internet Technology Education.

***Three-Year Programs***

Our Schools under the brand of Xinhua Internet offer a wide range of information technology and internet technology-related courses for middle school graduates. For the three-year program that we provide for middle school graduates, it covers six majors, namely internet designing engineer, UI visual designer, e-commerce engineer, e-sports and management, virtual reality, animation and gaming designer, and virtual reality and environmental art designer. Students will be awarded a certificate of completion after finishing the required curriculums and passing various assessments for each stage of their study. We also encourage our students to obtain industry certificates to increase their competitiveness in the job market.

Our Schools under the brand of Xinhua Internet also offer a three-year program for high school graduates, covering five majors, including internet security engineer, cloud internet services developing architect, virtual reality and environmental art creative designer, UI digital media designer, and advanced virtual reality, animation and gaming designer. Our Schools will award students a certificate of completion upon their completion of all required courses. In addition to the diversified majors and courses we offer, we provide our students with education for students' all-round development.

### *Two-Year Programs*

We also have a two-year program for high school graduates and graduates from secondary vocational Schools. This program offers seven majors, including cloud internet services developing engineer, virtual reality, movies and animation designer, social media UI designer, virtual reality and environmental art performance designer, cloud computing engineer, internet operator and AI. Students will be awarded a certificate of completion by our Schools after finishing required courses and passing various assessments at different stage of their study.

### *Short-term Programs*

We also provide various short-term programs for students who seek to enhance his/her technical skills in certain areas. Most of these short-term programs have a term between three months and one year. We offer diversified majors in these programs, such as office automation, graphic design, operation of Taobao, network security, new media UI, hardware assembly and application software development. Students who complete such courses will be awarded a certificate of completion by our Schools. We highly encourage our students to participate in qualification examinations and obtain industry certificates before completion of their courses.

### ***Workplace Simulation Training***

Each of our Xinhua Internet Schools has established various simulation training facilities (模擬實訓中心), allowing students to practice their skills in a simulated work environment. The purpose of establishing these workplace simulation training facilities is to prepare our students for challenges in real workplace environment. In order to achieve that, we work closely with our enterprise partners, who provide us with their extensive resources, such as work software, online platform and equipment. As a result, our students will be able to practice in a simulated workplace environment of their prospective employers before they graduate from our Schools. For example, since January 2017, through the cooperation with Baidu, one of the largest internet technology companies in the world, we were able to establish a joint internet marketing program in our Schools of Xinhua Internet. The program is available for our students in different majors. We offer students practical training opportunities along with our internet marketing courses. Such program has effectively combined theory with practice and yielded good results, by which our students' hands-on practical ability has been significantly improved.





We have entered into strategic cooperation agreements on occupation-oriented training with various enterprises, such as Lenovo, Baidu and JD.com. Through such cooperation, we have established cooperative relationships with approximately 200 enterprises, benefiting our students enrolled at our Schools under our Xinhua Internet. For example, we offered an employer-tailored training program of “Xinhua — Lenovo Sunshine and Rain”, which was established to specifically train and equip students with information technology and internet technology skills desired for Lenovo. According to our agreements with Lenovo, Lenovo agreed to regularly send experienced professionals to give lectures and provide training to 20 students through such program. In addition, we have established cooperation with Shanxi Quan Qiu Wa E-Commerce Co., Ltd., which has the priority to select 50 of our graduates from the employer-tailored class to work for the company, pursuant to the relevant agreement.

### ***Grade and Assessment***

Our assessment under Xinhua Internet Technology Education mainly consists of three components. Firstly, each class has a final examination at the end of each course. Secondly, before the completion of study, it is mandatory for the students to attend the comprehensive pre-completion workplace simulation training or a presentation and oral defense. Lastly, we also take into account our students’ class attendance and participation, as well as their homework performance as a part of the assessment. To increase our students’ competitiveness in the job market, we also encourage our students to obtain third-party certifications at school. For students enrolled in secondary vocational training courses under Xinhua Internet Technology Education, our Schools will award them secondary vocational education diplomas, which are recognized by competent government authorities. For our school-enterprise cooperation programs, we allow our enterprise partners cooperating with us to set up their own standard of assessment according to the requirements of the specific positions in order to fulfil the objectives of such programs.

### **Wisezone Data Technology Education**

In November 2005, we established Wisezone Data Technology Education. Wisezone Data Technology Education primarily provides short-term programs to junior college and university students who have already had the basic theoretical knowledge and seek to further develop relevant applicable information technology and internet technology skills. As of the Latest Practicable Date, by cooperating with a number of high technology enterprises and higher education institutions, we have set up 22 data training bases in the PRC to train professional data technology engineers with applicable information technology and internet technology skills. For the year ended December 31, 2018, we had an average students enrolled of 1,364 and a total of 4,558 new student enrollment under the brand of Wisezone Data Technology Education. In addition, we utilize live projects to train our students, through the software and application development services as well as internet technology-related services we provide to our enterprise partners.

### ***Program and Curriculum Offerings***

We provide a variety of short-term training programs ranging from one to six months to develop students’ practical information technology engineering skills. As of December 31, 2018, we offered six categories of career-oriented curriculums, including UI design, Java software engineering, big data engineering, AI, cross-border e-commerce, and internet marketing.

### ***Workplace Simulation Training***

Our fundamental goal for establishing Wisezone Data Technology Education is to provide students with practical skills and assist them in launching a successful career. As a result, we have developed training programs to provide our students with first-hand knowledge and allow them to participate in the business before completion of the program. For example, we established an e-commerce college training base in Yiwu, Zhejiang province in 2016. Yiwu is famous for its dynamic small commodities trading, which we believe has given our students an opportunity to participate in the commodity trading business, learn practical business operation skills, and establish their career network at a very early stage. As of December 31, 2018, 1,146 students from Wisezone Data Technology Education had successfully completed the program.

In addition, through our cooperation with our enterprise partners, we are able to work on live projects outsourced to us by our enterprise partners. As a result, our students can learn and practice their skills and gain real on-the-job experience at the same time. This is in line with our education philosophy to provide students who have had basic theoretical knowledge but need a platform to receive hands-on experience.

The following pictures illustrate certain practical training studios under our brand of Wisezone Data Technology Education:



*Note:* The two pictures in the first line illustrate the UI training studio and the cross-border e-commerce training studio of our Wisezone Data Technology Education School in Hangzhou, Zhejiang province. The two pictures in the second line illustrate the e-marketing training studio of our Wisezone Data Technology Education School in Henan and Jiangsu provinces.

***School-enterprise Cooperation***

We value graduate employment highly. Wisezone Data Technology Education was able to establish cooperative relationship with over 3,000 corporate partners across 21 provinces in China. In January 2018, Anhui Wisezone entered into cooperation with Hefei Tianyuan DIC Information Technology Co., Ltd.\* (合肥天源迪科信息技術有限公司) to establish “Wisezone-DIC Big Data Academy” (“華信•迪科大數據學院”), which is the first Big Data Academy in Anhui province to be led by big data enterprises to cultivate talents based on corporate needs. The Big Data Academy aims at cultivating professional big data talents to Anhui and even the nation. In March 2018, Hebei Wisezone and Beijing Tuteng Yinxiang Digital Technology Co., Ltd.\* (北京圖騰印象數字科技有限公司) jointly established a three-dimensional design employer-tailored training program. The enterprise cooperation class provides students with first-hand corporate project cases and provides ready-to-use talents for enterprises.

***Grade and Assessment***

We require our students to pass various assessments to ensure the quality of our education, most of which are operation related tests to evaluate our students’ practical skills. At each stage of their studies, students are required to pass certain stage examinations in order to continue to learn new knowledge and skills. At the end of the course, there will be a final project for students to present the knowledge and skills he has learned. Students’ performance will be individually assessed and awarded course certificate according to their overall performance in the relevant assessments.

**OUR AUTO SERVICES SCHOOLS*****Wontone Automotive Education***

Wontone Automotive Education offers comprehensive automobile mechanics training to our students. We established our first automotive services School under our Wontone brand in December 2005. The philosophy of Wontone Automotive Education is to train our students to be “professionals with solid knowledge and practical skills, as well as professionalism and strong ethics” (明德精技,知行合一). We focus on providing hands-on training of auto repair skills as well as practical training of automobile commerce. As of the Latest Practicable Date, we operated 27 Wontone Automotive Schools in 21 provinces in the PRC. For the year ended December 31, 2018, we had an average students enrolled of 19,323 and a total of 20,263 new student enrollment under the brand of Wontone Automotive Education.

***Program and Curriculum Offerings***

We are committed to helping students launch successful careers in the automotive services industry. Our comprehensive automotive mechanics training and well-developed job placement programs enable our students to apply their skills directly to workplace practices or to start their own business in the automotive after-sales service industry. At Wontone Automotive Education, we design our education programs based on the needs of the automotive services industry with a goal to develop readily applicable skills for specific positions in the job market. Currently, the training areas we focus on primarily include automobile diagnosis, automobile repair, automobile detailing, automobile body painting, automobile remodeling, automobile commerce, and new energy automobile. At Wontone Automotive Education, we have been developing our programs to train our students with the most advanced mechanics. As of December 31, 2018, courses under planning included vehicle intelligent network technology, industrial robots and automotive manufacturing technology, commercial vehicle repair technology and welding technology.

### ***Long-term Programs***

Our long-term programs under Wontone Automotive Education, including our vocational training education programs and secondary vocational education programs, normally have a duration of two or three years, offering our students systematic courses to develop their skills suitable for the positions in automotive after-sales service industry, and to help them become professionals in the auto service market. For our three-year programs, our major curriculum offerings include, among others, automotive technology and senior management engineer, automotive technical service and operation engineer, automotive new energy technology engineer and automotive maintenance engineer. Our automotive diagnosis and repair course focuses on equipping our students with automotive knowledge, including but not limited to, basic mechanics, automobile basics, automotive diagnosis and maintenance, automobile chassis maintenance, automotive electrical diagnostics and maintenance. We also deliver auto service skills to our students by case study on automotive rapid repair and maintenance, and on automotive fault diagnosis. Our well-rounded automobile detailing course is designed to equip our students with knowledge on, among others, automobile basics, automobile detailing and decoration, automobile painting, automotive sheet metal, and automobile modification. In addition, we introduced new courses in our Schools under Wontone Automotive Education regarding automobile commerce, vehicle insurance and claims, used car trading, and repair and maintenance of new energy automobile, in order to meet the increasing market demand of skilled mechanics in the new trends of the automotive after-sales service industry. The target students of our long-term courses are middle school graduates aged between 15 to 21 years old, who decide to enroll in long-term vocational education programs to improve their employment prospects. We encourage our students to obtain professional qualifications before the completion of study to increase their competitiveness in the job market.

### ***Short-term Programs***

We also offer short-term programs to students who already have professional automotive skills and seek to enhance their skills or who wish to study specific maintenance methods and techniques. We currently offer more than 30 short-term programs in various of our Schools under Wontone Automotive Education. Our short-term programs primarily include, among others, 45 automobile maintenance skills, automobile electronic alternation, guidelines of tires, automotive sheet metal, painting, automobile beauty and car foiling, automobile quick repair and maintenance, diagnosis and maintenance of new energy automobiles, study on automobile repair chain management, and management of automobile detailing related startup business. In addition, we have been actively developing courses in relation to commercial vehicle maintenance, welding technology, industrial robots repair and maintenance, to expand our areas of expertise and enable our students to provide better technical services in the auto service market.

### ***Workplace Simulation Training***

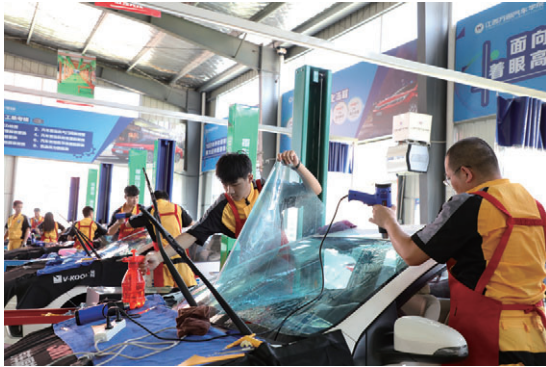
Each of our Schools under Wontone Automotive Education has been equipped with various workplace simulation training facilities to ensure that our students will be able to apply the technical skills and the automotive knowledge to the future workplace practices seamlessly. Some of our enterprise partners provide their equipment, machinery, and other resources to us, and send their professionals to our Schools under Wontone Automotive Education as adjunct instructors from time to time. As a result, our students are able to immerse themselves in the real workplace environment of their prospective employers even before their graduation.

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The following pictures illustrate certain training studios under our brand of Wontone Automotive Education:



*Note:* The upper left picture illustrates the training studio for applying automobile window films of Jiangxi Wontone. The upper right picture illustrates the automobile painting studio of Nanjing Wontone. The bottom left picture illustrates the automobile repair studio of Sichuan Wontone. The bottom right picture illustrates the transmission disassembly studio of Hunan Wontone.

### **School-enterprise Cooperation**

To better assist our students to successfully launch their careers, our Schools under Wontone Automotive Education have established cooperative relationship with various corporations in the automobile industry, such as Chery Automobile and Chexiang Home. We primarily cooperate with our enterprise partners to jointly train our students with employer-tailored courses of research and development and design. Under this program, students can sign up for specific courses designed for a specific prospective employer, in order to acquire knowledge and skills desired by such prospective employer. After students' successful completion of all the required courses and final assessment, the prospective employer may recruit them as employees. In addition, we also have other school-enterprise cooperation programs under which our enterprise partners provide us with various resources, including, among others, helping us design practical programs according to the industry trend. Our enterprise partners include, among others, Eastern Pioneer Driving School Co., Ltd., Jiangxi Aiyixing Auto Service Co., Ltd., Sichuan Jingdian Auto Service Chain Co., Ltd. and Konzen Auto Group. For example, we work with a chain automotive after-sales service provider with over 1,400 automotive service stores in over 270 cities across China. This provider provides certain curriculum of this program, shares industry insights and guarantees employment rate of no less than 80% for our students who successfully complete such program.

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### ***Grade and Assessment***

We have various assessments throughout our courses, including assessment on each training topic, final assessment for each training stage, and pre-employment enhancement training, which are the prerequisites to the completion of the courses. We provide re-training free of charge to students who cannot successfully pass the assessments. For students enrolled in secondary vocational training programs under Wontone Automotive Education, our Schools will award them secondary vocational education diplomas, which are recognized by competent government authorities.

### **SECONDARY VOCATIONAL EDUCATION**

We also provide secondary vocational education under our school brands of New East Culinary Education, Xinhua Internet Technology Education and Wontone Automotive Education. Our secondary vocational education schools comprise technical schools and secondary vocational schools. As of December 31, 2018, we operated 26 Schools, including 17 technical Schools and nine secondary vocational Schools, which provided secondary vocational education.

We set out below the main differences between our Schools that provide secondary vocational education and our other vocational training schools:

<u><i>Differences</i></u>	<u><i>Technical schools/ Secondary vocational schools</i></u>	<u><i>Vocational training schools (non-secondary)</i></u>
<b>Regulating Authorities</b> . . . . .	Local educational authorities for secondary vocational schools, and local authorities of MHRSS for technical schools	Local authorities of MHRSS (for most vocational training schools)
<b>School type and services</b> . . . . .	Formal education	Non-formal education
<b>Certificates issued by Schools</b> . . . . .	Our technical schools issue professional qualification certificates specified with technical level and graduation certificates recognized by the relevant PRC government authorities to qualified graduates. Our secondary vocational schools issue academic certificates recognized by PRC governmental authorities to qualified graduates.	Our vocational training schools issue completion certificates for the training courses.
<b>Program length</b> . . . . .	3 years in general	1-3 years in general

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<u>Differences</u>	<u>Technical schools/ Secondary vocational schools</u>	<u>Vocational training schools (non-secondary)</u>
<b>Course-setting . . . . .</b>	<p>Pursuant to the <i>Regulations on the Implementation of the Law for Promoting Private Education of the PRC</i> (《中華人民共和國民辦教育促進法實施條例》), private secondary vocational and technical schools may set up majors, open courses and adopt teaching materials according to their school missions and goals, subject to filings with relevant regulating authorities.</p> <p>The curriculum provided by secondary vocational schools should generally be designed according to the <i>Secondary Vocational School Majors Directory</i> (《中等職業學校專業目錄》).</p> <p>Technical schools may set up majors, training objectives and program lengths according to the relevant regulations in the PRC, including the <i>National Occupational Skill Standard</i> (國家職業技能標準), the <i>Technical Level Standard of Workers</i> (工人技術等級標準).</p>	<p>Pursuant to the <i>Regulations on the Implementation of the Law for Promoting Private Education of the PRC</i> (《中華人民共和國民辦教育促進法實施條例》), private vocational training schools may provide vocational training courses in accordance with national vocational standards. The course-setting is relatively flexible and market-oriented, taking into account the students' needs and requirements.</p>
<b>Student admission dates . . . . .</b>	<p>National unified admission through the admission platform on the respective official website of relevant authorities of a province or anytime depending on the schools and regions</p>	<p>Anytime</p>

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The following table sets forth the (i) revenue generated from secondary vocational education; (ii) ranges of tuition fees rates of our secondary vocational education; (iii) average students enrolled in secondary vocational education programs; and (iv) new student enrollment of secondary vocational education programs under each brand for the periods indicated (including both our technical Schools and secondary vocational Schools):

Segments and Brands	Year ended December 31,		
	2016	2017	2018
<b><u>CULINARY ARTS</u></b>			
New East			
Revenue (RMB'000) . . . . .	50,165	109,753	228,123
Tuition (RMB/year) . . . . .	10,400-29,900	11,400-36,800	5,600-39,100
Average students enrolled . . . . .	4,169	6,922	9,262
New student enrollment . . . . .	3,766	6,330	6,573
<b><u>INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY</u></b>			
Xinhua Internet			
Revenue (RMB'000) . . . . .	45,562	55,254	83,346
Tuition (RMB/year) . . . . .	5,980-25,800	6,680-28,900	6,680-29,800
Average students enrolled . . . . .	4,030	4,704	5,644
New student enrollment . . . . .	2,634	3,168	5,150
<b><u>AUTO SERVICES</u></b>			
Wontone			
Revenue (RMB'000) . . . . .	38,770	57,032	70,061
Tuition (RMB/year) . . . . .	12,800-36,800	6,600-38,500	8,500-38,500
Average students enrolled . . . . .	2,000	2,864	3,654
New student enrollment . . . . .	1,748	1,734	2,789

### **CUSTOMIZED CATERING EXPERIENCE CENTER**

#### **Cuisine Academy**

We founded Cuisine Academy in 2017 with a view to providing customized catering experience to customers who are interested in cooking or who plan to establish their own businesses in the catering industry. We offer programs in Cuisine Academy that are delivered in small-group settings as well as individual sessions that are delivered on an one-on-one basis. Cuisine Academy adheres to the philosophy of “hand-made delicacy leads to tasty living” (手作美食,生活美味), providing customers with interest-oriented and entrepreneurship-oriented catering experience services in cooking delicacies. As of the Latest Practicable Date, we have operated 19 customized catering experience centers under Cuisine Academy across 14 provinces in the PRC. For the year ended December 31, 2018, we had 5,778 new customers who attended customized catering experience programs offered by Cuisine Academy. Through systematic training, customers will be equipped with essential skills for starting their own business in catering industry and developing their interests in cooking. Duration of our service programs under Cuisine Academy ranges from one day to two months.



### ***Program Offerings***

Currently, we provide 19 entrepreneurship-oriented programs and 12 interest-oriented programs, covering over 1,000 workshops for popular cooking skills or dishes in the market. We offer 31 programs in six specialized areas, including featured local snacks, fashionable western pastry, new-style Chinese dishes, featured Chinese pastry, new-style drinks and western light meals.

We offer customized catering experience programs with flexible schedules to accommodate our customers' individualized needs and availability.

We have a system for supporting entrepreneurship for our customers. Our programs are delivered by instructors, including qualified chefs and catering entrepreneurs. Our services cover various aspects, including technology, recipe development, career planning, market positioning, brand planning, site selection and decoration, operation management, marketing and promotion. Upon completion of our programs, customers could obtain completion certificates and entrepreneurial plaque indicating technical guidance they received from Cuisine Academy. In addition, our instructors also visit customers' restaurants to provide comprehensive guidance services to support the success rate of the business.

We have established featured studios for our interest-oriented and entrepreneurship-oriented programs, such as studios for baking western pastry, studios for cake and dessert decorating, entrepreneurship and employment studios for coffee drinks and delicacy experience centers, which are all equipped with professional facilities and equipment to achieve customers' needs.

The following pictures illustrate certain studios of our customized catering experience centers under our Cuisine Academy:



*Note:* The pictures in the first line illustrate the fashionable western pastry studio and new-style Chinese cuisine studio of our Cuisine Academy in Shenzhen, Guangdong province. The bottom left picture illustrates the new-style drink studio of our Cuisine Academy in Beijing. The bottom right picture illustrates the new-style Chinese Cuisine studio of our Cuisine Academy in Xi'an, Shaanxi province.

### **CORRESPONDENCE EDUCATION SERVICES**

As of December 31, 2018, 28 Schools under New East Culinary Education, Xinhua Computer Education, Omick Education of Western Cuisine and Pastry and Wontone Automotive Education provided correspondence education services to students in cooperation with certain higher education institutions. According to the cooperative agreements with such higher education institutions, they are generally responsible for designing course curriculums, assigning teachers to work at our Schools, granting diplomas and degrees recognized by relevant PRC governmental authorities for students who meet certain requirements. We are responsible for providing venues and facilities that meet the teaching requirements and our teachers work together with the assigned teachers to organize the education work. Such higher education institutions are generally entitled to receive 30% to 60% of the tuition fees we collected. Such cooperative agreements generally have a term ranging from three to six years, which are renewable by mutual consent. According to *Interim Regulations on Correspondence Education Tutoring Centers for Higher Education Institutions* (《普通高等學校函授教育輔導站暫行規程》), higher education institutions providing such correspondence education services are required to register with local education authorities prior to the commencement of the services. However, such higher education institutions failed to comply with such regulations. See “Risk Factors – Risks Relating to Our Business and Our Industry – Several of our Schools providing correspondence education services are not registered with relevant government authorities and such services may be suspended” for details.

### **EFFICIENT ALLOCATION OF RESOURCES FROM OUR HEADQUARTERS IN HEFEI**

#### **Curriculum Development and Teaching Methods**

Our Group’s fundamental educational philosophy is “to focus on practical training, combining theory with practice” (以技能教育為根本,知行合一). We differentiate ourselves from our competitors by primarily providing long-term, technical and practical skills oriented training to our students that prepares them for employment immediately following graduation. Our competitors in the vocational training education sector primarily provide short-term examination results-oriented programs.

As we focus on providing students with applicable skills to increase their employability, our Schools are dedicated to investing in research and development of our curriculum offerings and teaching methods. The aim of such research and development efforts is to ensure that our students have access to the latest technologies and they are equipped with skills that meet the demands of prospective employers and are in line with the latest industry trends.

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We have established a three-tier research and development system. In our headquarters, we have a research academy with a dedicated research team consisting of 39 industry experts who are highly committed to innovation and passionate about converting theoretical study to readily applicable technical skills and teaching materials. The team of industry experts generally consist of experts from relevant industry and professors from prestigious universities. For example, in terms of Wontone Automotive Education, we have one chief expert and three main experts of China Automotive Engineering Society who are mainly engaged in the research and design of curriculums for our Wontone Automotive Education. The research academy at our headquarters oversees all research activities in our Group, sets the goal for each department and assesses the execution, and provides technical support when needed. In addition, most of our business segments have their own research centers, which focus on the industries we operate in and are able to react promptly to the new trend in the industry. Furthermore, each of our Schools has a research center, which is normally led by a vice principal dedicated to research and development activities. For example, our New East Culinary Education research center is in charge of the development of innovative dishes based on their education focuses respectively. Our Automobile Mechanical Education research center is responsible for the development of new majors, teaching materials, and improving our teachers' professional skills. We have a well-established research and development system and our research teams have received recognition in the market. For example, staff of our Xinhua Internet technology research center authored 60 teaching materials that are used by our Schools, seven of them were published and were recommended to other internet technology vocational education service providers by the publishers. As of the Latest Practicable Date, there are 1,794, 138, 609, 170, 606 and 70 industry experts working for New East Culinary Education, Omick Education of Western Cuisine and Pastry, Xinhua Internet Technology Education, Wisezone Data Technology Education, Wontone Automotive Education and Cuisine Academy, respectively. All of these industry experts have obtained the mid-level or above titles or skills certificates recognized by relevant industries.

We believe that in order to provide our students with the applicable vocational training education, it is necessary for us to regularly upgrade our curriculums to follow the trends in the industries. We believe that our focus on the innovation and development of our curriculum, together with our broad enterprise partner network, enable us to react promptly to the changes in market demand. For example, we intend to offer new majors relating to the service industry and new economy, such as beauty industry, healthcare and AI. Additionally, we intend to provide comprehensive education to people who plan to gain theoretical and practical training in food catering industry, such as our "head chef" program which is a new major under development, providing more advanced skill training and kitchen management theories. All of our Schools under the same brand follow unified standards and procedures when developing and implementing curriculums. Our nationwide school network, allows us to share resources to realize synergies effectively and enhance our overall competitiveness.

Our teaching approach combines a scenario-driven education model with an interactive real work environment simulation experience. The scenario-driven model primarily consists of class participation, including frequent interaction with teachers and training on problem solving and innovative thinking abilities, which we believe will help our students address a wide range of demands in the working environment. In addition, our scenario-driven education model is supplemented with lectures to enhance our students' basic knowledge. We emphasize on providing employment-oriented and skill-oriented education services. For this purpose, we work with our enterprise partners closely and send our teachers to go on-site to conduct field research. As a result, our students will be well-equipped with both knowledge and practical skills.

**Scalable Business Model*****Centralized and Standardized Management***

We have adopted a centralized management system through which we manage and oversee various aspects of our nationwide operation, allowing us to apply the best practice within our network in the areas of student recruitment and employment assistance, curriculum design, finance and accounting, human resources, logistics, marketing and other key dimensions of our business, so that our Schools are able to maintain the same high standards in terms of their quality of education, operating results and efficiencies of financial management. The core management team in Hefei, where our headquarters are located, is the ultimate decision maker. Also, at our headquarters, we have a management department for each of our five School brands and customized catering experience centers which centrally manages all Schools under each of our school brands coordinates other functional departments to allocate our teaching, research, management and marketing as well as graduate placement resources to our Schools across China according to their needs.

In order to effectively establish new schools and to replicate the success of our existing school network, we have different departments in our headquarters with various functions to assist with expansion and development of our school network, including the market research department, project and infrastructure construction department, human resource department, and finance and accounting department. In each region we operate, our core management team appoints a project manager who is responsible for the coordination in the designated region in order to help Schools in that region efficiently share and utilize resources, as well as the communication with the management department at our headquarters and communications with the relevant governmental agencies.

While we use consistent guidelines to streamline various aspects of our operations, we also encourage each School to have differentiated management approaches according to their local economic, demographic and cultural environment. Our core management team at our headquarters and the management team of each of our Schools will work together to establish specific goals to be accomplished by that School, having regard to the specific circumstances of each School. Since our establishment, we have only established self-operated Schools to ensure that we can effectively centralize our management approach and standardize our operations and expansion, as well as the quality of our education services.

***Nationwide Network***

As of December 31, 2018, our extensive network consisted of 50 Schools of New East Culinary Education, 24 Schools of Xinhua Internet Technology Education, 26 Schools of Wontone Automotive Education, 23 Schools of Omick Western Catering Education, 22 Schools of Wisezone Data Technology Education and 18 customized catering experience centers of Cuisine Academy, covering 29 provinces across the PRC and Hong Kong.

## BUSINESS

The following table sets forth the number of our Schools and customized catering experience centers and their changes in China in the years indicated. During the Track Record Period, we did not close any of Schools or centers:

	For the year ended December 31,		
	2016	2017	2018
<b>New East</b>			
At the beginning of the period . . . . .	39	41	46
Number of newly opened Schools which have commenced operations . .	2	5	4
At the end of the period . . . . .	41	46	50
<b>Omick</b>			
At the beginning of the period . . . . .	—	—	17
Number of newly opened Schools which have commenced operations . .	—	17	6
At the end of the period . . . . .	—	17	23
<b>Xinhua Internet</b>			
At the beginning of the period . . . . .	19	19	21
Number of newly opened Schools which have commenced operations . .	—	2	3
At the end of the period . . . . .	19	21	24
<b>Wisezone</b>			
At the beginning of the period . . . . .	—	16	20
Number of newly opened Schools which have commenced operations . .	16	4	2
At the end of the period . . . . .	16	20	22
<b>Wontone</b>			
At the beginning of the period . . . . .	13	14	22
Number of newly opened Schools which have commenced operations . .	1	8	4
At the end of the period . . . . .	14	22	26
<b>Total</b> . . . . .	<b>90</b>	<b>126</b>	<b>145</b>
<b>Cuisine Academy</b>			
At the beginning of the period . . . . .	—	—	6
Number of newly opened centers which have commenced operations . . . . .	—	6	12
At the end of the period . . . . .	—	6	18

**Nationwide Career Advice Network**

We believe that high quality graduate employment is of vital importance to our future success. Leveraging our extensive experience in the vocational education industry, we have developed a centralized career advice service network across all Schools we operate in China, including a career advice department in our headquarters, which will oversee five regional resources sharing centers of entrepreneurship and employment (創業就業共享中心) that we plan to establish in Beijing, Shanghai, Guangzhou, Hangzhou and Shenzhen, respectively, and a career advice office at each of our Schools. Schools in our network share employment resources with each other regardless of location. Such coordination provides our students with increased employment mobility and flexibility, which we believe is for the best interest of our students. Due to our extensive cooperation with enterprises across China, we are able to offer all of our students job placement opportunities after graduation. At the same time, we also fully respect students who would like to make their own decisions and would like to try opportunities other than our recommended ones. When students approach our career service advisors for counseling, we aim to provide them with personalized advice based on students' interests, personal circumstances and their career plans. We also provide career guidance sessions and job placement services to students upon graduation. In addition, we offer various training to facilitate our students to start their own businesses, which include business operation survey, basic accounting skills, financial management, and relevant corporate registration and legal information. For example, we have an e-commerce training base located in Yiwu, Zhejiang province, a city that is famous for its dynamic small commodities trading. Through the training, our students who are interested in starting their own e-commerce business will have the opportunity to work with vendors and suppliers in Yiwu to acquire hands-on knowledge of business operation. See “— Our Information Technology and Internet Technology Schools — Wisezone Data Technology Education” in this section for more information of the e-commerce training base. As of December 31, 2018, we had a total of 1,146 students from Wisezone Data Technology Education participating in the Yiwu e-commerce training base program.

We place emphasis not only on promoting graduate employment, but also we endeavor to help our students find satisfactory jobs that fit their own career development plans. In addition to providing our students with one-time job searching advice, we are committed to developing their life-long career management skills. Our career service advisors are generally required to follow up with our graduates in the first three months after graduation to collect students' feedback. If the student would like to try other opportunities, we would dedicate our resources to helping him or her find the satisfactory job. A majority of our students are satisfied with their job placement after graduation.

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We are committed to assisting our students in developing their careers. Our average recommended employment rate of our long-term program graduates from New East Culinary Education and Xinhua Internet Technology Education reached over 90%, and Wontone Automotive Education reached over 95% for the year ended December 31, 2018. The following table sets forth our students' recommended employment rate by segment for the year ended December 31, 2018.

<u>Segments and Brands<sup>(1)</sup></u>	<u>Recommended Employment Rate<sup>(2)</sup></u>
New East . . . . .	93.2%
Xinhua Internet . . . . .	93.1%
Wontone . . . . .	97.3%

*Notes:*

- (1) Omick and Wisezone were not included because the Schools under these brands had not provided long-term programs with not less than one year during the Track Record Period. We also provide graduate placement service to students of our short-term programs. However, students enrolled in our short-term programs generally have different study goals and expectations, such as to enhance a specific skill or with a view to set up their own business, as compared to students of our long-term programs who are generally more focused on seeking long-term employment or to begin a new career. As a result, we do not keep record of the recommended employment rate of graduates from our short-term program.
- (2) We provide graduate placement service to all students of our long-term programs. The recommended employment rate represents the total number of students of long-term programs who are hired through our graduate placement service program in a certain period, excluding students who start their own business ventures or employed through other channels divided by the total number of graduates of long-term programs during such period.

### PRICING POLICY

During the Track Record Period and up to the Latest Practicable Date, we typically charge our students enrolled at our Schools tuition. Fees for our boarding services are normally included in such tuition if student accommodation is available at such Schools. If students do not require boarding services and their application for not boarding on campus is approved by us, we may give such students a discount on the tuition. The tuition we charge at our Schools are generally collected on a lump-sum basis except that students enrolled in programs lasting for more than one year may pay tuition on an annual basis prior to the commencement of each school year. The level of tuition we charge will depend on that particular program, having regard to a number of factors, including the demand for our programs, the cost of our operations, the average income of the particular geographic region the School located, and the tuition rates charged by our competitors in that geographic region. As part of our centralized and differentiated management approach, management department in our headquarters provides guidance on pricing range on an annual basis, while principals of each Schools have their own discretion in terms of setting tuition rates according to the local economy, utilization rate and other factors. We generally require our students to pay in advance the full amount of tuition prior to the commencement of each program. Such policy is applicable to our vocational training schools and our secondary vocational education.

For customers of our Cuisine Academy, we generally charge them service fees. The management department of customized catering experience services typically set the minimum pricing standard for each program. All centers under our Cuisine Academy could adjust service fees based on market research but should not lower than the

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general pricing standard. Our centers should promptly issue adjustment notices of service fees and formula marketing strategies accordingly to promote regional development. We generally require customers for Cuisine Academy to pay the service fees in advance prior to the commencement of each program on a lump-sum basis. For the year ended December 31, 2018, service fees we charged to customers ranged from RMB1,980 to RMB18,800, respectively.

### **Student/Customer Withdrawal and Refund Policy**

In the event a student withdraws from a program, we have fee refund policies in place at each of our Schools and centers, which are set out in the contracts entered into with each student and customer, setting forth the amount and the manner in which tuition and service fees may be refunded.

Each brand may have differences in their refund policies. Set forth below is a summary of the general refund policies under each of our brand:

Pursuant to the contracts entered into between students and our Schools of New East Culinary Education, Xinhua Internet Technology Education and Wontone Automotive Education, students are only able to apply for refund of tuition if they withdraw from a program for the following four reasons: (i) the student suffers from infectious or serious diseases that make the student unable to attend; (ii) the student has decided to serve the army; (iii) unforeseen events to the student's family and financial difficulties; and (iv) the student has been recruited by higher education institutions. Students can withdraw within 30 days after enrollment but are subject to penalty. If a student withdraws and applies for refund within seven days after enrollment, a penalty in the amount equal to 20% of the total tuition shall apply. If a student withdraws and applies for refund within eight to 15 days after enrollment, the penalty will be 30% of the total tuition. If a student withdraws and applies for refund within 16 to 30 days after enrollment, the penalty will be 40% of the total tuition. If a student applies to withdraw after 30 days of enrollment, no tuition will be refunded.

According to the contract entered into between our students and Omick Education of Western Cuisine and Pastry, students are allowed to apply for withdrawal after enrollment only for the following three reasons: (i) the student suffers from infectious or serious diseases; (ii) the student has decided to serve the army; and (iii) the student has been recruited by higher education institutions. Students who withdraw within 15 days after enrollment are subject to a penalty. If a student withdraws and applies for refund within seven days after enrollment, the penalty will be an amount equal to 30% of the total tuition. If a student withdraws and applies for refund within eight to 15 days after enrollment, the penalty will be an amount equal to 50% of the total tuition. If a student applies to withdraw after 15 days of enrollment, the penalty will be an amount equal to 100% of the total tuition and no tuition will be refunded.

Pursuant to the contract entered into between students and our Wisezone Data Technology Education Schools, students who are unable to complete the training are required to submit a written application three days in advance. Tuition will be refunded after deducting penalty and the course fees reflecting course hours that the students have completed. If a student withdraws and applies for refund within seven days after enrollment, the penalty will be 10% of the total tuition. If a student withdraws and applies for refund within eight to 15 days after enrollment, the penalty will be 20% of the total tuition. If a student withdraws and applies for refund within 16 to 30 days after enrollment, the penalty will be 30% of the total tuition. If a student applies to withdraw after 30 days of enrollment, no tuition will be refunded.



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In addition, some local governments of Beijing, Hunan, Hangzhou, Wenzhou, Liaoning, Dalian, Guangdong and Shandong issued local guidelines or notices relating to refund policies of our education services provided under the brands of New East Culinary Education, Xinhua Internet Technology Education, Wontone Automotive Education, Omick Education of Western Cuisine and Pastry, and Wisezone Data Technology Education Schools, as applicable. During the Track Record Period, for Schools under the aforesaid brands located in these places, our refund policies deviated from the local guidelines or notices issued by some local governments.

As of the Latest Practicable Date, we have rectified and revised the deviation of refund policies in compliance with that of the certain local governments; however, from time to time, we may receive complaints or be subject to disputes or legal actions relating to the refund of our tuition. See “Risk Factors — Risks Relating to Our Business and Our Industry — We may face complaints, disputes or legal actions relating to refund of tuition, which may materially and adversely affect our reputation, business, financial condition and results of operations” for details.

We do not refund service fees if a customer withdraws in the middle of our programs under Cuisine Academy, pursuant to the service contract.

The tables below set forth (i) the total number of students dropped out and the percentage of the number of student withdrawal out of the average students enrolled for the years indicated; and (ii) the total tuition fees refunded of our vocational training education and percentage of the tuition fees refunded out of the total revenue for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	<i>Number of student</i>	<i>Percentage (%)</i>	<i>Number of student</i>	<i>Percentage (%)</i>	<i>Number of student</i>	<i>Percentage (%)</i>
<b>Total</b> . . . . .	1,508	1.4	1,959	1.7	2,654	2.1

	Year ended December 31,					
	2016		2017		2018	
	<i>Refund amount (RMB'000)</i>	<i>% of Total revenue</i>	<i>Refund amount (RMB'000)</i>	<i>% of Total revenue</i>	<i>Refund amount (RMB'000)</i>	<i>% of Total revenue</i>
<b>Total</b> . . . . .	13,573.2	0.6	21,800.0	0.8	30,619.7	0.9

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### OUR STUDENTS/CUSTOMERS

We believe that the reputation of our Schools and centers, high employment rate of our graduates, our career-oriented programs and curriculum offerings, and well-developed management contribute to our success in the past and will continue to attract prospective students or customers.

#### Student Admission

We primarily relied on word-of-mouth referrals and brand promotional events for student recruitment for our Schools. Each of our Schools has an official website with a section dedicated to student recruitment. In addition to the official websites for each of our Schools, we also promote our Schools and provide introductions of our Schools, activities and other relevant information through other platforms, including TV commercials and various social media. We generally admit students who have met the basic admission requirements as set out in the training contracts, including, among others, health conditions and education background. We typically recruit middle school or high school graduates who seek to receive vocational education and start working thereafter. During the Track Record Period, we generally did not encounter difficulties in recruiting students. Students are admitted on a rolling basis for all courses that we offer. In most circumstance, we will only launch a course if we are able to reach our planned admission number. Only in very rare circumstance would we still launch a course if the planned admission number has not been reached. See “— Our Business Segments — Overview” in this section for the total number of new student enrollment for the years ended December 31, 2016, 2017 and 2018.

#### Student Achievements

As a result of our workplace simulation training programs, our students have made various achievements in a number of competitions. The table below sets forth the accomplishments of our students as of December 31, 2018:

<u>Brands<sup>(1)</sup></u>	<u>Accomplishment</u>	<u>Year</u>	<u>Sponsoring Organization (主辦機構)</u>
<b>CULINARY ARTS</b>			
<b>New East . . . . .</b>	The Sixth Hotel Professional Skills Competition final round, the gold award (第六屆飯店職業技能大賽總決賽金獎)	2016	China Hospitality Association (中國飯店協會)
	The Eighth China World Cuisine Competition group and individual gold award (第八屆中國烹飪世界大賽總決賽,團體賽個人賽金獎)	2016	World Association of Chinese Cuisine (世界中餐聯合會)
	The Third China Professional Chef Skill Competition, gold award in culinary and pastry arts (第三屆中國廚師職業技能大比武烹調項目和麵點項目金獎)	2017	China Cuisine Association (中國烹飪協會)

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<b>Brands<sup>(1)</sup></b>	<b>Accomplishment</b>	<b>Year</b>	<b>Sponsoring Organization (主辦機構)</b>
	The Seventh National Hotel Industry Vocational Skills Competition, special gold award in the national finals (第七屆全國飯店業職業技能競賽全國總決賽特金獎)	2018	China Hospitality Association (中國飯店協會)
<b>Omick</b> . . . . .	Team Champion and Individual Runner-up at SWLAC (2017上海世界拉花大賽(SWLAC)團體賽冠軍、個人賽亞軍)	2017	Shanghai World Latte Art Committee (上海世界拉花大賽組委會)
	Hotelex “Star of Tomorrow” National Culinary Competition third place (HOTELEX“明日之星”廚師大賽全國總決賽季軍)	2017	HOTELEX “Star of Tomorrow” Committee (“明日之星”廚師大賽組委會)
	Hotelex “Star of Tomorrow” National Culinary Competition third place (HOTELEX“明日之星”廚師大賽全國總決賽季軍)	2018	HOTELEX “Star of Tomorrow” Committee (“明日之星”廚師大賽組委會)
<b>AUTO SERVICES</b>			
<b>Wontone</b> . . . . .	“Beiqi New Energy Cup” National Vocational School New Energy Car Mechanic and Maintenance Competition, the second and third prize (“北汽新能源杯”全國中職院校新能源汽車技術與維修技能競賽二等獎及三等獎)	2018	China Vocational Education Society (中國職業技術教育學會)
	Henan Province Mid-level Vocational Education Skill Competition, the second and third prize (河南省中等職業教育技能大賽二等獎及三等獎)	2017	The Education Department of Henan Province
	Hefei Mid-level Vocational Education Skill Competition, third prize in car painting (合肥市中職學校師生技能大賽“噴塗項目”三等獎)	2017	The Education Bureau of Hefei

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Brands <sup>(1)</sup>	Accomplishment	Year	Sponsoring Organization (主辦機構)
<b>INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY</b>			
Xinhua Internet. . .	ACA World Skill Competition, China Division, special prize, the best creative award and award for excellent instructors (ACA世界技能大賽 中國區特等獎,最佳創意獎,優秀指導教師獎)	2018	Adobe Certified Association
	The 14th Microsoft Office Specialist Competition, first prize in Word group 2016 of China division (第十四屆微軟MOS中國區大賽Word 2016組一等獎)	2018	Microsoft Office Specialist International Recognition Management Center in China
	2018 WVA Global Virtual Reality E-Sport Championship, Champion (2018 WVA全球VR電競聯賽冠軍)	2018	China Information Consumption Promotion Alliance (中國信息消費推進聯盟)

*Note:*

- (1) Cuisine Academy primarily focuses on interest-oriented short-term training programs. As a result, we did not list Cuisine Academy in the above table.

### OUR TEACHERS AND INSTRUCTORS

We believe our quality teachers and instructors are critical to maintaining the quality of our services and to promoting our brand and reputation. We have a team of dedicated and highly qualified teachers with a strong passion for vocational education, which we believe is crucial to our success.

We are committed to maintaining a consistent and high teaching quality. This commitment is reflected in our highly selective teacher and instructor hiring process, our emphasis on continued teacher and instructor training and rigorous evaluation, as well as performance-based compensation and career advancement opportunities. As of December 31, 2016, 2017 and 2018, we had 3,254, 3,711 and 4,293 full-time teachers and instructors, respectively. As of the Latest Practicable Date, we had 4,232 full-time teachers and instructors. We have experienced low turnover rate for our teachers and instructors. The turnover rate of our full-time teachers and instructors is calculated by the number of full-time teachers and instructors resigned for the year (exclude internal transfers within our Group), divided by the total number of full-time teachers and instructors for the same year. For the year ended December 31, 2016, 2017 and 2018, our full-time teachers and instructors' turnover rate was 17.0%, 16.6% and 13.9%, respectively.

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The table below sets forth the number of our full-time teachers for our Schools and full-time instructors for our centers as of the dates indicated:

	As of December 31,		
	2016	2017	2018
<b>Teachers</b>			
<b>CULINARY ARTS</b>			
New East .....	1,723 <sup>(1)</sup>	1,861	1,999
Omick .....	—	210	337
<b>AUTO SERVICES</b>			
Wontone .....	613	676	782
<b>INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY</b>			
Xinhua Internet .....	892	820	886
Wiszone .....	26	127	190
<b>Instructors</b>			
Cuisine Academy .....	—	17 <sup>(2)</sup>	99
<b>TOTAL</b> .....	<b>3,254</b>	<b>3,711</b>	<b>4,293</b>

*Notes:*

- (1) Among the 1,723 teachers under New East Culinary Education, 29 teachers worked for the early development of the then new brand Omick Education of Western Cuisine and Pastry, which commenced operations as an independent brand in 2017.
- (2) In order to leverage on our existing teaching resources, 17 teachers were selected and sent by New East Culinary Education to the centers under Cuisine Academy to work for a prescribed period and their employment relationship were still with New East Culinary Education in 2017.

### Teacher and Instructor Recruitment

Our hiring process is highly selective. Prior to hiring a teacher or an instructor, we usually consider his or her teaching experience, industry experience, educational background and other relevant factors such as qualifications and licenses. As of the Latest Practicable Date, we had 4,232 full-time teachers and instructors, approximately 70.2% of our teachers and instructors had obtained junior college diploma or higher education.

According to the Regulations on Management of Teacher Licenses (《教師資格證書管理規定》), personnel engaged in teaching activities in various types of secondary formal education and schools and other educational institutions must obtain teacher licenses. According to the Notice on Issuing Qualifications of Teachers in Vocational Schools and Employment Training Centers and Other Vocational Training Institutions (《關於做好技工學校和就業訓練中心及其他職業培訓機構教師上崗資格認定工作的通知》), all personnel engaged in the education and teaching activities at technical schools and employment training centers and other vocational training institutions should obtain teacher qualifications. As of the Latest Practicable Date, more than 90% of the teachers of our secondary vocational Schools had obtained teacher licenses; more than 30% of

the teachers of our technical Schools and vocational training Schools had obtained teachers qualifications. In addition, although certain teachers at our technical Schools and vocational training Schools failed to obtain teacher qualifications, most of them have obtained vocational skill qualifications (職業技能資格證書) and some of them have obtained teacher licenses. For risks associated with such matters, see “Risk Factor – Risks Relating to Our Business and Our Industry – We face regulatory risks and uncertainties associated with our teachers’ lack of teacher licenses or teacher qualifications”. As of the Latest Practicable Date, to the extent such examinations are available in the relevant locality, we have required those teachers who do not have the requisite licenses to participate in such examinations. The teacher qualification examination is generally held twice a year, and consists of a written test and an interview. To the extent that it is available or practicable in the locality to obtain such qualifications, we will cease their engagement in teaching activities and transfer to other positions internally if they fail to obtain such licenses by December 31, 2019. See “– Legal Proceedings and Compliance” for details.

### **Teacher and Instructor Training and Performance Review**

We are committed to investing in our people by deploying resources to attract, nurture and motivate talented employees. Through our targeted efforts, we believe we have built a team of teachers and instructors with dual-capabilities who are familiar with the needs of both schools and enterprises and well-qualified to deliver applied skill-focused curriculums. In addition, we have maintained a stringent teaching quality control system and conduct regular tests and evaluations for teachers and instructors’ performance and teaching results. Our teachers and instructors’ retention, compensation and promotion are to a large extent based on the results of such evaluations. The evaluation process is highly rigorous and also based on other factors, such as research activities, student evaluation, and professionalism.

### **SALES AND MARKETING**

We primarily recruit our students through word-of-mouth referrals and other advertisement channels. We also engage in a range of marketing activities to enhance our brand recognition among prospective students and their parents, generate interest in our service offerings and further stimulate referrals. For the years ended December 31, 2016, 2017 and 2018, our selling expenses from continuing operations were RMB363.9 million, RMB456.9 million and RMB648.0 million, respectively, accounting for 15.6%, 16.0% and 19.8% of our total revenue from continuing operations, respectively.

#### **Referrals**

We believe that word-of-mouth referrals by our students and their parents who share their learning experiences with others has significantly contributed to our success in student recruitment. Our recruitment through word-of-mouth referrals has enjoyed a strong network effect, owing to the rapid growth in our student base, our excellent reputation, strong brand recognition and our students’ outstanding performance.

#### **Advertisement**

We advertise through conventional channels such as television as well as new channels such as various social media. Moreover, we engage in a range of marketing activities, such as print media, posters, and outdoor billboard to enhance our brand recognition among prospective students and their parents, stimulate interest in our service offerings and lead to further referrals. We also use various competitions

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organized or sponsored by us that are well-recognized, especially in the catering industry, to continue increasing our brand awareness and give prospective students an opportunity to interact with our students, teachers, instructors and other professionals in the industry. For example, we started to jointly organize our New East Cup National Culinary Skills Competition (新東方杯烹飪技能大賽) with China Cuisine Association since 2011. This competition has attracted numerous professional chefs across China to come together and compete for the gold award each year. Furthermore, we actively participate in relevant industry events to exhibit our strengths, interact with relevant professionals and prospective students, as well as gain good publicity.

### COMPETITION

The vocational education sector in China is rapidly evolving, highly competitive, and we expect competition in this industry to persist and intensify. We primarily face competition in each type of education we offer and each geographic market in which we operate. We also face regional competition from various local players in vocational education market.

We believe the principal competitive factors in our business include the following:

- brand recognition;
- graduate employment rates and education outcome;
- price-to-value factor;
- ability to attract and retain qualified teachers;
- diversity and quality of vocational education offered; and
- ability to effectively tailor service offerings to accommodate specific needs of students.

We believe that we compete favorably with our competitors on the basis of our comprehensive course offerings, well-known brands such as New East Culinary Education, Xinhua Internet Technology Education, and Wontone Automotive Education, ability to deliver high-quality education across our network, experienced and highly qualified teaching staff group and our diversified curriculum and program offerings. However, some of our competitors may have more resources than we do, and may be able to devote greater resources than we can to expand their business and market shares. See “Risk Factors — Risks Relating to Our Business and Our Industry — We face intense competition in the PRC vocational education industry and our business, financial condition and results of operations may be adversely affected if we are unable to compete effectively.”

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### CUSTOMERS AND SUPPLIERS

Our customers primarily consist of students of our Schools and their parents as well as customers of our customized catering experience centers of Cuisine Academy. For the years ended December 31, 2016, 2017 and 2018, we did not have any single customer who accounted for more than 5% of our revenue for each of the period.

Our suppliers primarily consist of providers of advertising services, construction services, teaching equipment, and raw materials. For the years ended December 31, 2016, 2017 and 2018, purchases from our five largest suppliers amounted to RMB121.9 million, RMB162.4 million and RMB207.4 million, respectively, accounting for 11.5%, 12.2% and 13.0% of our total purchases for the relevant periods. For the same periods, purchases from our largest supplier amounted to RMB79.0 million, RMB100.0 million and RMB131.8 million, accounting for 7.5%, 7.5% and 8.3%, respectively, of our total purchases for the relevant periods. None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in any of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date.

The following table provides an overview of the key information about our top five suppliers during the Track Record Period:

For the year ended December 31, 2018						
No.	Supplier	Background	Products supplied to our Group	Purchase amount by our Group <i>(RMB'000)</i>	Percentage of our total purchases %	Years of relationship with us
1.	Supplier A	Principally engaged in design, agency and publishing advertising and marketing	Online advertising agency	131,800	8.3	Seven years
2.	Supplier B	Principally engaged in design, agency and publishing advertising	Online advertising agency	35,480	2.2	Two years
3.	Supplier D	Principally engaged in graphic design, advertising creation, agency and publishing	Online advertising agency	17,280	1.1	Two years
4.	Supplier C	Principally engaged in design, agency and publishing advertising	Online advertising agency	11,810	0.7	One year
5.	Supplier J	Principally engaged in design, agency and publishing advertising	Online advertising agency	11,030	0.7	One year



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### For the year ended December 31, 2017

No.	Supplier	Background	Products supplied to our Group	Purchase by our Group <i>(RMB'000)</i>	Percentage of our total purchase %	Years of relationship with us
1.	Supplier A	Principally engaged in design, agency and publishing advertising and marketing	Online advertising agency	100,000	7.5	Six years
2.	Supplier B	Principally engaged in design, agency and publishing advertising	Online advertising agency	22,000	1.6	One year
3.	Supplier F	Principally engaged in sales of air conditioner and household appliances	Air conditioner agency	14,110	1.1	Five years
4.	Supplier G	Principally engaged in sales of electronic products and office equipment	Computer agency	13,280	1.0	Five years
5.	Supplier E	Principally engaged in design, agency and publishing advertising	Online advertising agency	13,000	1.0	Five years

### For the year ended December 31, 2016

No.	Supplier	Background	Products supplied to our Group	Purchase by our Group <i>(RMB'000)</i>	Percentage of our total purchase %	Years of relationship with us
1.	Supplier A	Principally engaged in design, agency and publishing advertising and marketing	Online advertising agency	79,000	7.5	Five years
2.	Supplier H	Principally engaged in design, agency and publishing advertising	Online advertising agency	15,000	1.4	Five years
3.	Supplier I	Sales of computers and ancillary equipment	Computer agency	11,100	1.0	Six years
4.	Supplier G	Principally engaged in sales of electronic products and office equipment	Computer agency	9,150	0.9	Six years
5.	Supplier K	Principally engaged in manufacturing and sales of clothes	Uniforms	7,650	0.7	Four years

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### Key Terms and Conditions for Transactions with Suppliers

During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term agreement with our suppliers and the key terms and conditions are agreed with our suppliers by each transaction, including the quantity, price, payment terms and delivery schedule.

The principal and general terms of our procurement agreements with our top five suppliers during the Track Record Period are as follows:

- **Credit terms** Our suppliers generally grant us credit terms of up to 30 days upon passing acceptance inspection. Some suppliers require us to provide advance payments before delivery.
- **Payment method** We usually settle our payment according to the credit terms by bank transfer with relevant suppliers.
- **Delivery terms** According to the procurement agreements we entered into with our suppliers, the delivery of products is generally arranged by the suppliers. The procured products are generally transported to places designated by us.
- **Warranty** With respect to procurement of equipment, such as air conditioners, suppliers generally provide a warranty period ranging from 18 months to six years, which starts from the date of acceptance.
- **Quality defects** Suppliers are liable to the losses of, among others, our Schools, employees and students as a result of quality defects of the products.

We outsource the operations of on-campus stores and canteens to relevant service providers, all of which are Independent Third Parties in the PRC. We require our catering service providers and their staff who work at our canteens to obtain relevant licenses and permits as required by applicable PRC laws and regulations. The catering service providers must ensure food quality and safety. We adhere to stringent procedures in selecting our suppliers. The logistical personnel in each of our Schools is responsible for conducting background investigations of relevant service providers and report the candidate to the logistics department of our Group for approval. Our Schools will enter into the outsourcing agreement with the service providers after they have obtained the required licenses and permits. Our Schools conduct on-site inspections from time to time to oversee the operations of the on-campus canteens and stores. See “Risk Factors — Risks Relating to Our Business and Our Industry — We outsource food and meal catering services of our on-campus stores and canteens to third party service providers and as a result, we cannot guarantee the quality and price of the food they serve to our students. We may be exposed to potential liabilities if we cannot maintain food quality standards.” for risks that we may face in this respect.

### INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we owned 28 patents, 118 copyrights, 146 registered trademarks in the PRC, 1 registered trademark in Hong Kong, 1 trademark registration application in Hong Kong and 54 trademark registration applications in the PRC. In addition, we have registered more than 500 domain names in China. See

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“Appendix V — C. Further Information about our Business — 2. Intellectual property rights of our Group” for more information on our material intellectual property rights.

We believe the protection of our trademarks, copyrights, domain names and other proprietary rights is critical to our business. We protect our intellectual property rights by relying on intellectual property laws, as well as confidentiality agreements that we entered into with our employees. We also actively engage in monitoring and enforcement activities with respect to infringing uses of our intellectual property by third parties.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement claims that had any material impact on our Group. See “Risk Factors — Risks Relating to Our Business and Our Industry — We may face disputes from time to time relating to the intellectual property rights of third parties.” for risks that we may face in this respect.

### AWARDS AND RECOGNITIONS

During the Track Record Period and up to the Latest Practicable Date, we have received various awards and recognitions in China. The table below sets out some of the awards and recognitions received by our Schools and centers and our teachers and instructors as of the Latest Practicable Date:

Segments and Brands <sup>(1)</sup>	Year of Award	Award/Accreditation	Awarding Organization
<b>CULINARY ARTS</b>			
New East . . . . .	2018	WACC “Beacon Fire” Cup, Culinary Education Achievement Award (世界中餐業聯合會烽火杯-2018年度烹飪教育成就獎)	World Association of Chinese Cuisine (世界中餐業聯合會)
	2018	Special Award for Cultivating Culinary Professional in 40 Years after the Opening-up (改革開放40年中國餐飲行業培養人才突出貢獻單位)	China Cuisine Association (中國烹飪協會)
	2018	Special gold award, the third International Western Food Competition in China (第三屆中國國際西餐大賽,特金獎)	China Hospitality Association, Western Food Committee (中國飯店協會,西餐委員會)
	2017	Model Unit for School Enterprise Cooperation in the Catering Industry (全國飯店業校企合作標桿單位)	China Hospitality Association (中國飯店協會)
	2017	National Model Base for Cultivating Professionals in Catering Industry (全國飯店業人才培訓示範基地)	China Hospitality Association (中國飯店協會)
	2017	Tencent Resound China, 2017 Influential Education Brand (騰訊回響中國“2017年度影響力教育品牌”)	Tencent.com
	2017	China Educator Annual Meeting — Reliable Education Brand (中國教育家年會“社會信賴職業教育品牌”)	China.com.cn

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Segments and Brands <sup>(1)</sup>	Year of Award	Award/Accreditation	Awarding Organization
	2017	China 30 Years of Culinary History "Tao Li Fen Fang" Award (中國餐飲30年桃李芬芳卓越獎)	China Cuisine Association (中國烹飪協會)
	2017	China Golden Chef Award (中國金廚獎)	China Cuisine Association (中國烹飪協會)
	2016	The Eighth World Culinary Competition, team gold award and two individual silver awards (第八屆中國烹飪世界大賽, 榮獲團體金獎, 個人銀獎兩項)	World Association of Chinese Cuisine (世界中餐業聯合會)
Omick . . . . .	2018	China Hospitality Association Western Food Committee Deputy Chairman (中國飯店協會西餐休閒餐專業委員會常務副主席)	China Hospitality Association (中國飯店協會)
	2017	Champion, 2017 SWLAC Latte Art Skill Competition	Korea Barista Association (韓國咖啡師協會)
	2017	2017 International Elite Young Professional (2017年度國際美食青年技藝精英人才)	China Cuisine Association (中國烹飪協會)
	2016	2016 Italian Desert Master Competition, golden award	The Italian Desert Master Competition Committee (意大利甜點大師賽組委會)
	2017	2017 Global Cuisine Skillful Young Elite (2017年度國際美食青年技藝精英人才)	China Dining Association (中國烹飪協會)

### INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY

Xinhua Internet . . . . .	2018	ACA World Skill Competition, China Division, the grand prize, the best creative award and award for excellent instructors (ACA世界技能大賽中國區特等獎, 最佳創意獎, 優秀指導教師獎)	Adobe Certified Association
	2018	Best Visual Award, 2018 Summer Teacher Training Camp (2018教師暑期培訓, 最佳視覺獎)	China Software Association (中國軟件協會)
	2017	ACAA/Autodesk (ATD) Sincere Cooperation Award (精誠合作獎)	AUTODESK/ACAA Education

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Segments and Brands <sup>(1)</sup>	Year of Award	Award/Accreditation	Awarding Organization
	2017	Top 10 Most Watched Education Institution (受關注十大職業教育機構)	360.cn
	2017	Annual Influential Education Brand (年度影響力教育品牌)	Tencent.com
	2017	ACAA/Autodesk Outstanding Contribution Award (ACAA/Autodesk卓越貢獻獎)	AUTODESK/ACAA Education
	2017	Baidu Talent Cultivation Practice Award (百度人才培養最佳實踐獎)	Baidu
	2016	Top 10 Information Technology Education Service Provider (十大IT教育提供商)	Ministry of Education and Ministry of Information Industry
	2016	2016 Excellent Cooperation Award (2016精誠合作獎)	National Information Technology Training and Certification Management Office (國家信息化培訓認證管理辦公室)
Wiszone . . . . .	2017	2017 Top 10 Annual Industrial Influential Brand in China (2017年度中國十大行業影響力品牌)	China Enterprise News (中國企業報), National Development and Revolution Committee, Macro Economy Management and Editing Department (國家發展和改革委宏觀經濟管理編輯部)
	2017	Zhongguancun High and New Technology Enterprise (中關村高新技術企業)	Zhongguancun Technology Park Management Committee (中關村科技園管理委員會)
	2016	High Technology Enterprise (高新技術企業)	Finance Department of Beijing, Taxation Department of Beijing, Beijing Science and Technology Committee

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<b>Segments and Brands<sup>(1)</sup></b>	<b>Year of Award</b>	<b>Award/Accreditation</b>	<b>Awarding Organization</b>
<b>AUTO SERVICES</b>			
Wontone . . . . .	2018	Baja SAE China Competition, second prize, second prize in national vocational schools (中國汽車工程學會“巴哈大賽”全國職業院校總成績二等獎)	China Automobile Engineering Association
	2018	China Secondary Vocational Education Institution New Energy Automobile Repair and Maintenance Skills Competition, second prize, third prize and the award for excellent instructors (中國中職院校新能源汽車技術與維修技能大賽二等獎,三等獎及優秀指導教師獎)	China Vocational Education Society (中國職業技術教育學會)
	2017	China Distinguish Vocational Education Brand (中國特色職業教育品牌)	Tencent. com
	2017	Baja SAE China Competition, first prize, and first place in national endurance race (中國汽車工程學會“巴哈大賽”職業院校一等獎,全國耐力賽第一名)	China Automobile Engineering Association
	2017	Secondary prize in the automobile painting contest, Chery New Energy Cup, China Automobile Vocational Education Teacher Skill Competition (奇瑞新能源杯全國職業院校汽車專業教師能力大賽,塗裝二等獎)	China Automobile Engineering Society (中國汽車工程學會)
	2017	Secondary prize in the automobile weldment contest, Chery New Energy Cup, China Automobile Vocational Education Teacher Skill Competition (奇瑞新能源杯全國職業院校汽車專業教師能力大賽,鈑金二等獎)	China Automobile Engineering Society (中國汽車工程學會)

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Segments and Brands <sup>(1)</sup>	Year of Award	Award/Accreditation	Awarding Organization
	2016	Baja SAE China Competition, second place among vocational institutes (中國汽車工程學會“巴哈大賽”職業院校二等獎)	China Automobile Engineering Association
	2016	Excellent Private Vocational Training School of Hunan Province in the 2014-2015 School Year (2014-2015學年度湖南省優秀民辦培訓學校)	Private Education Association of Hunan province
	2016	Excellent Instructor for Henan Secondary Vocational Education Skills Competition in 2016 (2016年河南省中等職業教育技能大賽優秀輔導教師)	The Education Department of Henan provincial government (河南省教育廳)
Cuisine Academy . . . . .	2017	Advanced Western Patisserie (高級西點師)	China Cuisine Association (中國烹飪協會)
	2016	Pastry gold award, “Jingba Cup” National Chef Culinary Skills Competition (“勁霸杯”全國廚師華山論劍技能大比武麵點金獎)	China Cuisine Association (中國烹飪協會)

*Note:*

- (1) Our Cuisine Academy has a fairly short history, as a result we had not received as much significant award or recognition as our other segments.

Our high-quality education has been well recognized by central and local governments. Our major governmental recognitions include, among others, national hotel employee education model base (全國飯店人才培訓示範基地) by China Hospitality Association, CEAC national informatization talent training base (CEAC國家信息化人才培訓基地) by National Information Technology Training and Certification Management Office (國家信息化培訓認證管理辦公室), national e-sports professional education model base (電子競技專業人才培養全國示範基地) by China Internet Industrial Association, national virtual reality talent training model base (VR專業人才培養全國示範基地) by National Information Technology Training and Certification Management Office (國家信息化培訓認證管理辦公室) and the information security professional and technical talent training model base (信息安全專業技術人才培養基地) by Education and Training Committee of China Software Industry Association (中國軟件行業協會教育與培訓委員會).

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### EMPLOYEES

As of December 31, 2016, 2017 and 2018, we had a total of 7,447, 9,026 and 10,111 employees, respectively. The following table sets forth the numbers of our employees, categorized by function, as of December 31, 2018:

<u>Function</u>	<u>Number of Full-Time Employees</u>	<u>% of Total</u>
Executive directors and core management . . . .	316	3
Full-time teachers and instructors . . . . .	4,293	42
Student accommodation staff . . . . .	86	1
Logistic personnel . . . . .	599	6
Administrative staff . . . . .	3,532	35
Accounting and finance staff . . . . .	397	4
Others . . . . .	888	9
<b>Total<sup>(1)</sup></b> . . . . .	<b>10,111</b>	<b>100</b>

*Note:*

- (1) Among 10,111 employees, we had nine employees in Hong Kong and 10,102 employees in China.

We remunerate our employees with basic salaries as well as performance-based bonuses. We determine employee compensation based on each employee's performance and qualifications. We plan to hire additional teachers, instructors and other employees as we expand. Our employee recruiting channels include word-of-mouth referrals, on-campus recruiting and online recruiting.

Our full-time employees in China participate in a variety of social security plans that are administered by local governments, including but not limited to, pension benefits, medical care, unemployment insurance, maternity insurance, work injury insurance and housing provident funds. Chinese labor regulations require that our PRC subsidiaries make contributions to the government for these benefits based on a fixed percentage of the employees' average salaries of last year.

We believe we have maintained a good working relationship with our employees, and we have not experienced any strikes or material labor disputes or any difficulty in hiring sufficient staff for our operations during the Track Record Period and up to the Latest Practicable Date.

### INSURANCE

Our insurance coverage is still limited in terms of amount, scope and benefit. We maintain various insurance policies to safeguard against risks and unexpected events, such as student safety insurance, commercial insurance for temporary workers and vehicle insurance. We do not maintain business interruption insurance, product liability insurance, occupier's liability or key-men insurance. Our Directors believe that our insurance coverage is generally consistent with the industry practice in China and provides adequate protection for our assets and operations. Nevertheless, we may be exposed to other claims or liabilities not covered by our insurance. See "Risk Factors — Risks Relating to Our Business and Our Industry — We maintain limited insurance coverage" in this prospectus for details.



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### LICENSES AND PERMITS

As a China-based company that mainly provides private vocational education and vocational training, we are subject to laws, regulations and supervision by different levels of regulatory authorities and are required to maintain various licenses, permits and approvals in order to conduct our business. Except as disclosed in “Risk Factors — Risks Relating to Our Business and Our Industry — We may not be able to obtain all necessary approvals, licenses and permits and to make all necessary registration and filings for our education and other services in the PRC and Hong Kong” and “— Certain of our Schools do not have the necessary private school operating license” and “— Legal Proceedings and Compliance — Immaterial Non-compliance Incidents” of this prospectus, our PRC legal advisors have advised that we have obtained all material requisite licenses, permits and approvals for our operations and such licenses, permits and approvals were valid and remain in effect as of the Latest Practicable Date and, we have complied with all material rules and regulations applicable to our business in all material respects during the Track Record Period and up to the Latest Practicable Date. See “Business — Legal Proceedings and Compliance” in this prospectus for details.

The table below sets forth details of our material licenses and permits under our five business segments:

Segments and Brands <sup>(1)</sup>	License/Permit/ Approval/Certificate	Issuing Authority	Range of Grant Date	Range of Expiration Date
<b>CULINARY ARTS</b>				
New East . . . . .	Private school operating license	Local authorities of MHRSS, local education authorities	January 22, 2016 to May 7, 2019	September 30, 2019 to November 4, 2026
	Registration certificate of private non-enterprise entities	local civil affairs authorities	September 12, 2002 to April 30, 2019	July 24, 2019 to April 30, 2023
	Business license	Local administration of industry and commerce	April 15, 2016 to April 3, 2019	April 30, 2021 to long term
Omick . . . . .	Private school operating license	Local authorities of MHRSS	December 9, 2015 to March 31, 2019	July 2, 2019 to April 8, 2025
	Registration certificate of private non-enterprise entities	Local civil affairs authorities	May 7, 2014 to March 31, 2019	July 2, 2019 to May 6, 2023
	Business license	Local administration of industry and commerce	January 8, 2016 to November 16, 2018	September 20, 2025 to long term

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Segments and Brands <sup>(1)</sup>	License/Permit/Approval/Certificate	Issuing Authority	Range of Grant Date	Range of Expiration Date
<b>INFORMATION TECHNOLOGY</b>				
Xinhua Internet . . . .	Private school operating license	Local authorities of MHRSS or local education authorities	January 2016 to May 21, 2019	July 2019 to November 19, 2025
	Registration certificate of private non-enterprise entities	Local civil affairs authorities	March 13, 2001 to July 10, 2018	February 26, 2020 to June 10, 2022
	Business license	Local administration of industry and commerce	April 10, 2017 to May 9, 2019	July 30, 2038 to long term
Wiszone. . . .	Private school operating license	Local authorities of MHRSS or local education authorities	November 27, 2018 to January 14, 2019	January 2020 to November 27, 2022
	Business license	Local administration of industry and commerce	August 25, 2015 to January 29, 2019	August 26, 2025 to long term
<b>AUTO SERVICES</b>				
Wontone . . . .	Private school operating license	Local authorities of MHRSS	November 7, 2014 to November 29, 2018	June 2019 to October 25, 2026
	Registration certificate of private non-enterprise entities	Local civil affairs authorities	May 10, 2010 to May 7, 2019	July 4, 2019 to April 22, 2023
	Business license	Local administration of industry and commerce	March 27, 2017 to December 26, 2018	August 22, 2027 to long term

*Note:*

- (1) Excluding our Schools that did not obtain or renew the private school operating license. See “— Legal Proceedings and Compliance — Immaterial Non-compliance Incidents” for details.

As of the Latest Practicable Date, we obtained business licenses from local administration of industry and commerce for all the centers under Cuisine Academy.

Following enquiries with the relevant regulatory authorities in Hong Kong, our Directors have no reasons to believe that we have not obtained all material requisite licenses, permits and approvals for our operations in Hong Kong.

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### HEALTH AND SAFETY MATTERS

We are dedicated to protecting the health and safety of our teachers, instructors and students at our Schools. Our Group has regarded safety management as one of the assessment indicators for our Schools. We have established a safety management office at our headquarters and appointed personnel at each of our Schools to oversee the safety of our teachers, instructors and students. In addition, we have implemented a series of internal rules and guidelines regarding the safety management of our Schools. We conduct safety inspection and maintenance for our Schools on a regular basis and conduct safety education to enhance the safety consciousness of our students. 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 or staff. However, we have limited or no control over undesirable incidents that may take place at our Schools. During the Track Record Period, a total of 14 legal proceedings initiated against us that were related to injuries or suicides of our students or employees were entered into judgement. We have put in place enhanced internal control measures with a view to preventing the recurrence of similar incidents on our school premises, including (i) holding educational talks to increase student awareness of health and safety matters; (ii) enhancing safety management responsibilities at all management levels; (iii) conducting periodic overall safety checks of our schools; and (iv) introducing clear disciplines to strictly forbid to play dangerous activities at school or going outside of school for adventure. For more information, see “Risk Factors — Risks Relating to Our Business and Our Industry — Accidents or injuries suffered by our students or our employees on or outside our school campuses or by other personnel on our school campuses may adversely affect our reputation and subject us to liabilities.” We have put in place health and safety measures to ensure appropriate and prompt responses in circumstances of emergency. In particular, we require each School to report the safety incidents or other accidents and emergent matters to the principal of each School and/or the relevant local government authorities immediately when it happens. We will establish an emergency response team to investigate the incidents and take measures to minimize the impact and mitigate the emergency.

As a private vocational education service provider, we do not believe we are subject to any significant environmental laws and regulations in China. Thus, we did not incur any significant environmental compliance costs during the Track Record Period and we expect our future annual costs in relation to environmental compliance to be nil or immaterial.

We had not been subject to any fines or other penalties due to non-compliance with applicable health, safety or environmental laws and regulations during the Track Record Period and up to the Latest Practicable Date.

**POTENTIAL IMPLICATIONS OF THE 2016 DECISION AND THE MOJ DRAFT FOR COMMENTS****The 2016 Decision****Overview**

On November 7, 2016, the 2016 Decision, namely the *Decision on Amending the Law for Promoting Private Education of the PRC* (《關於修改〈中華人民共和國國民辦教育促進法〉的決定》) was approved by the Standing Committee of the National People's Congress, which became effective on September 1, 2017. The 2016 Decision has made certain amendments to the *Law for Promoting Private Education of the PRC* (《中華人民共和國國民辦教育促進法》). According to the 2016 Decision, school sponsors of private schools can choose to establish non-profit or for-profit private schools, with the exception of schools providing compulsory education, which can only be established as non-profit entities. For details of the amendments pursuant to the 2016 Decision, including the major differences between non-profit private schools and for-profit private schools, see "Regulations — Regulations on Private Education in the PRC — The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education" in this prospectus.

**Implications**

The 2016 Decision may have the following implications for our business in the PRC:

*Election of For-profit or Non-profit Private Schools*

Each of our existing not-for-profit private Schools in the PRC is required to elect to be treated as a for-profit school or a non-profit private school within a transitional period determined by the local government authorities. As of December 31, 2018, apart from 47 Schools of our 144 Schools in the PRC have been established as for-profit private schools in the first place, school sponsors of 21 Schools out of our 144 Schools in the PRC have elected to register as for-profit private schools. As of the Latest Practicable Date, these 21 Schools have finished the registrations as for-profit private schools. We incline to apply the for-profit business model to all of our Schools in the PRC and our planned Schools in the PRC in future expansion, but our selection is still subject to the relevant policies and regulations promulgated by the PRC government authorities. The 2016 Decision is silent on specific measures regarding how existing not-for-profit private schools can elect to become for-profit schools or non-profit private schools, which, according to the 2016 Decision, shall be further clarified by relevant regulations to be promulgated by the local government authorities. As of the Latest Practicable Date, 29 provinces have issued the Implementation Opinions. Most of these Implementation Opinions provide a transition period ranging from one to six years. The school sponsors of existing not-for-profit private schools can select to become either for-profit or non-profit private schools during the transition period. As of the Latest Practicable Date, other regions had not yet issued such implementation opinions. Pursuant to the Implementation Opinions, school sponsors of private schools are allowed to register and operate the schools as for-profit private schools or non-profit private schools. After obtaining the permit for operating a private school, non-profit private schools shall apply to local counterparts of the Ministry of Civil Affairs of the PRC for the registration, while for-profit private schools shall apply to local counterparts of SAMR for the registration. Schools shall finish the registration procedure in principle before certain transition period. The relevant departments of the provincial government authorities and the government of all municipalities and counties shall formulate the detailed rules to promote the aforesaid classification registration reform.

### *Structured Contracts*

The 2016 Decision does not prohibit the operation of vocational education and vocational training in the PRC through the Structured Contracts, and does not prohibit payment of service fees by private schools to their service providers, including the payment of fees pursuant to the Structured Contracts. Our PRC Legal Advisors have advised us that, the 2016 Decision has no material impact on the Structured Contracts. However, 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》), the *Foreign Investment Industries Guidance Catalogue (as amended in 2017)* (《外商投資產業指導目錄(2017年修訂)》) and other relevant PRC laws and regulations continue to restrict the foreign operation of vocational education and vocational training to the form of Sino-foreign cooperation. Therefore, the Structured Contracts remain necessary for the operation of our Schools in the PRC.

### *Registration as For-profit Private Schools*

Under the 2016 Decision, an existing not-for-profit private school electing to register as a for-profit private school must carry out financial settlement procedures, clarify property ownership, pay relevant taxes and fees, and re-apply for registration. The specific registration requirements for existing not-for-profit private schools shall be formulated by the provincial governments. Despite the issuance of the Implementation Opinions, the specific requirements, policies and procedures for registration as for-profit or non-profit private schools remain unclear. As such, we are unable to quantify the impact that the 2016 Decision may have on our business operations. For risks associated with the 2016 Decision and relevant new regulations in general, please refer to “Risk Factors — Risks Relating to Our Business and Our Industry — We are subject to uncertainties brought by the 2016 Decision and the MOJ Draft for Comments” in this prospectus. We will closely monitor the progress of the promulgation of the implementation regulations and seek legal advice from our legal advisors from time to time before making any decisions in relation to the 2016 Decision (including any proposed election of status by any of our schools) and will update our Shareholders and investors in this regard by way of disclosure in announcement and/or annual/interim reports, as and when appropriate.

## **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 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. 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 as that enjoyed by a public school and the relevant tax concession, 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) for schools that provide education for academic credentials, the local people’s governments may provide lands by means of bid invitation, auction or listing, assigning contracts, long-term lease 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 instalments.

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The MOJ Draft for Comments stipulates further provisions of the operation and management of private schools, among other things, (i) a for-profit private school shall deposit the income into a specific settlement account of its own; and (ii) a private school shall conduct any connected transactions in a manner that is open, justified and fair and shall establish disclosure mechanisms for such transactions.

The MOJ Draft for Comments makes certain significant changes to certain provisions of the Implementation Rules for Law for Promoting Private Education of the PRC effective in 2004, which may affect the private schools. Details of such changes are as follows:

- Article 12: A social organization, if simultaneously sponsors or actually controls more than one private school or implements group-oriented operations of schools, shall be qualified as a legal person, and the funds, personnel, organizations and other conditions and abilities suitable for carrying out the activities of running schools, and shall be responsible for the management and supervision of its private schools. Group-based education institution (集團化辦學的社會組織) shall not control non-profit private schools through mergers and acquisition, franchise, agreement or any other similar manner; and
- Article 45: Related party transactions entered into by private schools shall be open, fair and just and shall not harm national interests, interest of the school or the rights and interests of the teachers and students.

### ***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. For a detailed discussion, see “Business — Our Business Strategies — Expand school and center network domestically and internationally”.

### ***Implications on the Structured Contracts***

We intend to register all the existing not-for-profit private schools as for-profit private schools in the relevant localities according to the 2016 Decision and local Implementation Opinions. In localities where the local Implementation Opinions were issued and the relevant local authorities started to accept applications, the existing not-for-profit private schools in the Group have applied or are in the process of applying to register as for-profit private schools; in localities where the Implementation Opinions have not been issued or the relevant local authorities have not begun to accept applications, the existing not-for-profit private schools in the Group have indicated to and have been proactively coordinating with the relevant local authorities of MHRSS or education authorities on an intention to apply to register as for-profit private schools, and the Company will apply to register as for-profit private schools as soon as the Implementation Opinions are issued and the relevant local authorities begin to accept applications. As advised by our PRC Legal Advisors, Article 12 of the MOJ Draft for Comments does not apply to the existing not-for-profit private schools of our Group and will not affect the use of the Structured Contracts by our Group if the MOJ Draft for Comments became effective as currently drafted, given that no existing not-for-profit private school of our Group has elected to register as non-profit private school under the 2016 Decision and relevant local Implementation Opinion, and all the existing not-for-profit private schools of our Group will choose to register as for-profit private schools. As of the Latest Practicable Date, we have 18 existing not-for-profit private schools whose school sponsors do not require reasonable returns (“18 Schools”). One of the 18 Schools

has elected to register as a for-profit private school and obtained approvals from the relevant local authorities of MHRSS on March 29, 2019. Pursuant to the confirmations we obtained from the local authorities of MHRSS or education authorities, being the competent authorities relevant to the remaining 17 Schools as advised by our PRC Legal Advisors, the remaining 17 Schools can elect to register as for-profit private schools once the relevant local Implementation Opinions are all issued and all the relevant local authorities begin to accept applications for such registrations. The remaining 17 Schools would not be deemed to be non-profit private schools under Article 12 of the MOJ Draft for Comments before they are successfully registered as for-profit private schools pursuant to the 2016 Decision and the relevant local Implementation Opinions if and when the MOJ Draft for Comments becomes effective as currently drafted. For the years ended December 31, 2016, 2017 and 2018, the revenue generated from the remaining 17 Schools was RMB394.9 million, RMB462.7 million and RMB522.4 million, respectively.

To facilitate and better ensure due completion of registration as for-profit private schools, our legal affairs department has been closely monitoring the legal developments on this at the national level, while responsible personnel of each School of the Group are responsible for monitoring legal developments regularly in their locality. The responsible personnel of each School are required to report on local development updates to the Group's legal affairs department regularly, in particular, regarding when Implementation Opinions may or will be issued and when the local authorities will start to accept applications for registering a school as a for-profit or a non-profit private school.

#### ***Current status of the MOJ Draft for Comments***

The MOJ required comments from the public on the MOJ Draft for Comments, if any, to be submitted prior to September 10, 2018, but has not provided the timeframe for the promulgation of the implementation rules on the *Law for Promoting Private Education of the PRC* (《中華人民共和國國民辦教育促進法》). As of the Latest Practicable Date, 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.

Based on our our PRC Legal Advisors' advice, if the MOJ Draft for Comments is adopted and implemented in its current form, our Directors believe that our Company will be able to and our Directors will undertake to comply with all material requirements of such MOJ Draft for Comments in a timely manner as required by the relevant regulators and the MOJ Draft for Comments in its current form, as well as all related implementation measures that may be issued pursuant to the same.

We will pay close attention to the MOJ Draft for Comments and consult with our PRC Legal Advisors for the developments of the MOJ Draft for Comments and other related publications and promulgations.

**DISCONTINUED OPERATION**

During the Track Record Period, we operated six entities that provided training courses for driving examinations, namely Hefei Yuxing, Hefei Xin'an, Nanjing Yuxing, Xi'an Yuxing, Chongqing Yuxing, and Changsha Yuxing, and Miwei Technology. We disposed of these entities (except for Nanjing Yuxing) in or before December 2018 to companies controlled by Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing (together the "Excluded Businesses"). We disposed Nanjing Yuxing to two Independent Third Parties on October 31, 2018. We decided to divest these non-vocational training related businesses and focus our resources on vocational training education. These schools have been accounted for as discontinued operation in the Accountants' Report of the Group in Appendix I to this prospectus for the Track Record Period. See "History and Corporate Structure — Corporate Reorganization — 3. Disposal of equity interests or school sponsor's interest in subsidiaries engaged in non-core businesses" for further information. These Excluded Businesses are not included in the contractual arrangements under the Structured Contracts. After our disposal of these entities, their results of operations will not be consolidated with our Group's results of operations in any future period.

During the Track Record Period, the Excluded Businesses were not subject to any material non-compliance of laws and regulations or were subject to any material legal, arbitral or administrative proceedings, investigations or claims. Our PRC Legal Advisors are of the view that, during the Track Record Period and prior to the disposal, the Excluded Businesses were all duly established and validly existed under the relevant PRC laws. With the exception of Miwei Technology, the Excluded Business have all obtained the material licenses for the businesses they operated during the Track Record Period and prior to the disposal. Also, the Company confirmed that no Excluded Businesses receive any penalty in relation to their operating business, or were involved in any material legal, arbitral or administrative proceedings that might result in any adverse impact on their operating business. With respect to Miwei Technology, it was established on August 14, 2017 and it began business operations on November 7, 2018 and it was disposed of by the end of November 2018. At the time of its business operations, it had obtained the business license, radio and TV program production and business operation license and food administration permits to operate its business but at the time it was still lacking the value-added telecommunication operation license, the license for publication of audio-visual programs through information network, or online publishing services license (the "Relevant Licenses"). Miwei Technology had conducted very limited mobile application operations prior to its disposal which required the Relevant Licenses but it had not generated revenue from such operations. Based on the facts that (i) the disposal of Miwei Technology has been completed by the end of November 2018, and (ii) the sale and purchase agreement of Miwei Technology do not stipulate that the transferor should bear any liabilities arising from the lack of Relevant Licenses before the transfer, the PRC legal advisors are of the view that no member of the Group would be penalized by any relevant government authority or be liable as a result of Miwei Technology's lack of the Relevant Licenses.



## BUSINESS

### PROPERTIES

As of the Latest Practicable Date, we owned eight parcels of land in the PRC with an aggregate gross site area of approximately 467,568.89 sq.m., and owned/occupied 52 buildings with a total gross floor area of approximately 256,718.54 sq.m. in the PRC. All of the above properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. The total market value of our property interests as of March 31, 2019 was RMB17,300,000, according to the property valuation report prepared by Cushman & Wakefield Limited. As of the Latest Practicable Date, we also leased lands and buildings for our 177 campuses from Independent Third Parties with an aggregate gross site area of 1,528,499.64 sq.m. and an aggregate gross floor area of 1,618,505.39 sq.m. in the PRC and two units for our two campuses from Independent Third Parties with an aggregate gross floor area of 3,888 sq.m. in Hong Kong, which were mainly used as campuses, dormitories and offices.

### Land

As of the Latest Practicable Date, we owned eight parcels of land with an aggregate gross site area of approximately 467,568.89 sq.m., including:

Land owned/ occupied by	No. of parcels of land	Location	Gross site area (sq.m.)	Type of land use right	Existing use	Expiry date
Anhui New East Culinary Institute . . . . .	2	Hefei, Anhui Province	220,540.39	Allocated <sup>(1)</sup>	Education	N/A
Anhui Xinhua Computer Institute . . . . .	2	Hefei, Anhui Province	119,101.61	Allocated <sup>(1)</sup>	Education	N/A
Anhui Wontone Automobile Maintenance Institute . . .	2	Hefei, Anhui Province	90,600.36	Allocated <sup>(1)</sup>	Education	N/A
Chengdu Tianji . . . . .	2	Chengdu, Sichuan Province	11,044.25/ 26,282.28	Transferred/ allocated <sup>(1)</sup>	Science and education/ education	September 29, 2053/ N/A
<b>Total . . . . .</b>	<b>8</b>		<b>467,568.89</b>			

Note:

- (1) For the land obtained by allocation, see “Risk Factors — Risks Relating to Our Business and Our Industry — Our allocated land use rights may be recovered by the government without compensation or required to be used for a fee” in this prospectus.

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## BUSINESS

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### Buildings

As of the Latest Practicable Date, we owned/occupied 52 buildings in the PRC with an aggregate gross floor area of approximately 256,718.54 sq.m.. The following table sets forth a summary of the buildings we owned/occupied as of the Latest Practicable Date:

<u>Building owned/occupied by</u>	<u>No. of buildings/ units</u>	<u>Location</u>	<u>Gross floor area (sq.m.)</u>	<u>Existing use</u>
Anhui New East Culinary Institute . . . . .	12	Hefei, Anhui Province	71,569.62	Classroom buildings, dormitories, and practical training studios and ancillary classroom buildings
Anhui Xinhua Computer Institute . . . . .	14	Hefei, Anhui Province	85,490.82	Classroom buildings and office buildings
Anhui Wontone Automobile Maintenance Institute . . . . .	8	Hefei, Anhui Province	49,308.31	Classroom buildings, dormitories, and practical training studios and ancillary classroom buildings
Chengdu Tianji . . . . .	18	Chengdu, Sichuan Province	50,349.79	Classroom buildings, dormitories, practical training studios, office buildings, and canteens
<b>Total . . . . .</b>	<b><u>52</u></b>		<b><u>256,718.54</u></b>	

As of the Latest Practicable Date, certain properties owned or occupied by us were not in full compliance with the laws and regulations of the PRC. For details on the defects and legal consequences associated with the properties we owned and occupied for our operations, see “– Legal Proceedings and Compliance – Immaterial Non-compliance Incidents” below in this section.

## BUSINESS

### *Leased property*

As of the Latest Practicable Date, we set forth a summary of our lease arrangements in the PRC under which we lease as the lessee:

	<u>Sub-lessor</u>	<u>No. of campuses</u>	<u>Leased lands</u>	<u>Leased buildings</u>	<u>Remaining term</u> <i>(years)</i>
			<u>Gross site area</u> <i>(sq.m.)</i>	<u>Gross floor area</u> <i>(sq.m.)</i>	
<b>Culinary arts</b>					
New East . . . . .	Independent Third Parties	60	695,381.23	808,262.28	0.2 — 39.6
Omick. . . . .	Independent Third Parties	28	23,902.47	93,475.44	0.7 — 15.5
<b>Information Technology and Internet Technology</b>					
Xinhua Internet . . .	Independent Third Parties	17	365,333.61	303,150.76	0.2 — 37.8
Wisezone . . . . .	Independent Third Parties	25	—	32,004.00	0.03 — 5.6
<b>Auto Services</b>					
Wontone . . . . .	Independent Third Parties	25	295,105.52	380,172.91	0.1 — 9.6
<b>Cuisine Academy</b>	Independent Third Parties	20	—	18,152.41	3.0 — 9.7
<b>Others . . . . .</b>	Independent Third Parties	1	—	115.62	1
<b>Total . . . . .</b>	—	<u>176</u>	<u>1,379,722.83</u>	<u>1,635,333.42</u>	

As of the Latest Practicable Date, we set forth a summary of our lease arrangements in Hong Kong under which we lease as lessee:

	<u>Sub-lessor</u>	<u>No. of campus</u>	<u>Leased buildings</u>	<u>Remaining term</u> <i>(years)</i>
			<u>Gross floor area</u> <i>(sq.m.)</i>	
<b>Culinary arts</b>				
New East . . . . .	Independent Third Parties	1	300.72	1.5

As of the Latest Practicable Date, certain leased properties leased by us from Independent Third Parties were not in full compliance with the laws and regulations of the PRC. See “– Legal Proceedings and Compliance – Immaterial Non-compliance Incidents” in this section for more information regarding the non-compliance of our leased properties.

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## BUSINESS

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### LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we are subject to legal proceedings, investigations and claims incidental to the conduct of our business. We set forth below two outstanding litigation whose claim amounts exceeds RMB1,000,000.

1. In August 2018, an entity who used to rent a parcel of land to Fujian New East Cuisine Vocational Training School (“Fujian New East”), one of our operating Schools, sued Fujian New East for breach of contract, arguing that Fujian New East did not timely pay rental fee under a set of agreements and seek for Fujian New East’s repayment of unpaid rental fee, fine for late payment and penalties amounting to approximately RMB1,819,000. The People’s Court of Minhou District, Fujian province (the “Court”) scheduled the court on November 28, 2018 and rendered a judgment in favor of us on November 29, 2018. The Court held that Fujian New East has fully fulfilled its obligations under the agreement and was not obligated to pay the claimed rental fee. Therefore, the Court found that such claim had no merit. The suing entity appealed the case to the Fuzhou City Intermediate People’s Court (the “Fuzhou Court”). The Fuzhou Court issued a civil ruling on March 19, 2019 which revoked the above judgment and remanded the case to the Court for retrial on the grounds that the facts of the case found by the Court were unclear and may affect the fair judgment of the case. Our Directors are of the view that this particular lawsuit is not expected to have a material adverse effect on our operation of our Schools; and
2. In October 2016, a former employee fainted on our Fujian New East campus while collecting personal items after his resignation. Our staff promptly sent him to a hospital but he failed to respond to any medical treatment and died. The injury was identified by the relevant government authority as a work related injury because it occurred on our premises. Certain family members of the deceased (the “Family Members”) initiated actions against us to seek legal compensation. On October 24, 2018, the Court supported the finding that there had been an existing employee relationship between Fujian New East and the deceased at the time of the incident, and ruled that Fujian New East was liable to pay the (i) Family Members collectively RMB623,900 as an one-off death subsidy and RMB31,239 for funeral allowance; and (ii) spouse of the deceased RMB1,249.6 each month from November 2016 as relatives pension until her death in accordance with the relevant regulations. On November 15, 2018, the Family Members appealed to the Fuzhou Court against the decision of the Court arguing that the standards used in calculating the entitlements were wrong and claimed for a lump-sum of approximately RMB1,139,643 in total. The Fuzhou Court had heard the appeal on March 11, 2019 and as of the Latest Practicable Date, we are waiting for the Fuzhou Court to hand down judgment on the same. Our Directors are of the view that this particular lawsuit is not expected to have a material adverse effect on our operation of our Schools.

During the Track Record Period and up to the Latest Practicable Date, except as described above, there were not any material legal, arbitral or administrative proceedings against us and we were not aware of any material pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors which, in the opinion of our Directors, could have a material adverse effect on our business operations or financial condition as a whole.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or systemic non-compliance of the laws or regulations which taken as a whole, in the opinion of our Directors, is likely to have a material adverse effect on our business operations or financial condition as a whole, or reflects negatively on the ability or tendency of us, our Directors or our senior management, to operate in a compliant manner in all material aspects. See “Immaterial Non-compliance Incidents” in this section for details.



No.	Particulars of immaterial non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
			<p>For Schools that we did not obtain the private school operating licenses, we have conducted interviews with the relevant government authorities or obtained confirmation letters from the competent authorities:</p> <ul style="list-style-type: none"> <li>For 19 of 30 Schools, the competent authorities confirmed that (i) we can continue to operate these Schools; (ii) we will not be punished for failing to obtain a private school operating license; and (iii) there will be no legal impediment for us to apply for a private school operating license after the local policies or relevant implementation measures are issued;</li> <li>For 8 of 30 Schools, the competent authorities confirmed that (i) we did not obtain the private school operating licenses primarily because the local policy and relevant implementation measures were not clear; and (ii) there will be no legal impediments for us to apply for a private school operating license after the local policies or relevant implementation measures are issued;</li> <li>For the rest three out of 30 schools, the relevant competent authorities confirmed that (i) Nanjing Wisezone Educational Technology Co., Ltd.* (南京華信智原教育科技有限公司) and Suzhou Omick Western Pastry &amp; Cuisine Training Co., Ltd.* (蘇州市歐米奇西點西餐培訓有限公司) do not need to obtain the private school operating licenses according to their interpretation of the local special policies; (ii) Beijing Wisezone Educational Technology Co., Ltd. Hebei Branch* (北京華信智原教育科技有限公司河北分公司) did not apply for a private school operating license with them, but we did not have any administrative disputes or litigation relating to our vocational training education with the competent government authorities.</li> </ul>	<p>Our legal affairs department is responsible for monitoring the development of laws and regulations at national level, and each of these Schools had designated personnel to be directly responsible for and following up with the legal developments in their locality and the application process. Our Group has also designated Mr. Sha Xu, the vice president of our Group, to oversee the application process as well as the future compliance.</p>

No.	Particulars of immaterial non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
	<p>The private school operating licenses of Beijing City Daxing District Xinhua Computer Vocational Training School* (北京市大興區新華電腦職業技能培訓學校) and Beijing City Daxing District Wontone Vocational Skills Training School* (北京市大興區萬通汽車修理職業技能培訓學校), due to the local policies of the relevant authorities of MHRSS, we and Hubei New East Culinary Vocational Training School (湖北新東方烹飪職業培訓學校) and Wuhan Xinhua Computer Vocational Training School (武漢新華電腦職業培訓學校) (the "Hubei Schools") have expired.</p>	<p>For Beijing Daxing Schools, we did not promptly update and renew the private school operating license due to the Hubei relocation. For the local policies of the relevant authorities of MHRSS, we would not be able to update and renew the private school operating licenses until June 2019.</p>	<p>For Beijing City Daxing District Xinhua Computer Vocational Training School* (北京市大興區新華電腦職業技能培訓學校), we are in the process of transferring its business to Beijing City Changping District Xinhua Computer Vocational Skills Training School* (北京市昌平區新華電腦職業技能培訓學校), which obtained the private school operating license on January 29, 2019 and is in the process of applying for registration certificate. We will dissolve Beijing City Daxing District Xinhua Computer Vocational Training School after the transfer is completed;</p> <p>For Beijing City Daxing District Wontone Automobile Vocational Skills Training School* (北京市大興區萬通汽車修理職業技能培訓學校), we are in the process of transferring its business to Beijing Tongzhou New District Wontone Automobile Repairing Vocational Skills Training School* (北京市通州新區萬通汽車修理職業技能培訓學校), which has already obtained the private school operating license and relevant registration certificates. We will dissolve Beijing City Daxing District Wontone Automobile Vocational Skills Training School after the transfer is completed.</p>	
			<p>For the Hubei Schools, in April 2019, we obtained confirmations from the competent authorities of MHRSS, confirming that the annual inspection of private vocational training schools is conducted during March to June each year and the Hubei Schools would not be able to update and renew the private school operating licenses before the end of such annual inspection period. Such competent authorities of MHRSS also confirmed that the Hubei Schools are allowed to conduct ordinary business prior to obtaining the updated and renewed private school operating licenses without any penalty or being requested to suspend school operation, and there is no impediment for us to update and renew the private school operating licenses of the Hubei Schools.</p>	

No.	Particulars of immaterial non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
	<p>As of the Latest Practicable Date, two Schools under the brand of New East Culinary Education, namely, Jiangxi Nanchang New East Culinary Vocational School* (江西新東方烹飪中專學校) ("Nanchang School") and Shanghai Xinman Cuisine Training Co., Ltd.* (上海新曼烹飪培訓有限公司) ("Shanghai Xinman") have branch campuses that differ from the addresses set out on their respective private school operating licences, but have not obtained the permits from or filed registration with the local education authorities or the local authorities of MHRSS.</p>	<p>For failing to file registration of the branch campuses, the non-compliance incidents occurred mainly because the handling personnel of our Schools, being unfamiliar with relevant regulatory requirements, did not apply for permits from or file registration with relevant local authorities on time.</p>	<p>As advised by our PRC Legal Advisors, establishing a branch campus of a private school should file registration with the relevant education authorities or the local authorities of MHRSS, according to the PRC laws and regulations.</p> <p>Nanchang School has obtained confirmation letter from Nanchang Education Bureau confirming that there were no violations to relevant regulations and Nanchang School had not been subject to any penalty or punishment for opening branch campus with address not set out on the school operating license.</p> <p>Shanghai Xinman has obtained the for-profit private school operating licence on January 7, 2019 and has completed the registration of its branch campus on February 26, 2019.</p> <p>For the years ended December 31, 2016, 2017 and 2018, revenue generated by Nanchang School and Shanghai Xinman, which commenced operations without obtaining private school operating licenses was approximately RMB50.8 million, RMB73.6 million and RMB147.6 million, respectively, accounting for approximately 2.2%, 2.6% and 4.5%, respectively, of the total revenue of our Group for the same periods. For the years ended December 31, 2016, 2017 and 2018, losses that those Schools incurred was approximately RMB17.0 million, RMB78.6 million and RMB101.1 million, respectively.</p> <p>As demonstrated above, this incident No. 1 is not expected to have any material impact on our Group's business operations and financial conditions. Further, other than Beijing Daxing Schools, Nanchang School and Shanghai Xinman, the reason for such immaterial non-compliance is because the relevant competent authorities were not in a position to issue private school operating licenses to us due to the delay in the promulgation of the relevant implementation measures at the provincial level. As confirmed by our Company, our Group has made or indicated to the relevant competent authorities its intention to make applications for operating licenses. As such, such non-compliance does not reflect negatively on our Company's or our Directors' and senior management's ability or tendency to operate in a compliant manner but as a result of the regulatory environment existing in such provinces. Further, with regard to the Beijing Daxing Schools, Nanchang School and Shanghai Xinman, our Directors do not regard the inadvertent failure to promptly update and renew the private school operation license due to relocation or failure to file registration on the change to branch campus address due to delay of handling personnel to have any material impact on our Group given it has been confirmed by the relevant governmental authorities that we are able to continue to provide education services and we will not be ordered to suspend operations or be subject to any penalties. In view of the above, none of the events in incident No. 1 would call into question the integrity or honesty of our Directors or would otherwise lead to any of them being not suitable to be Directors.</p>	



No.	Particulars of immaterial non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
2.	<p>During the Track Record Period and as of the Latest Practicable Date, (i) certain of our entities without hiring employees failed to open social insurance and housing provident fund accounts; and (ii) social insurance and/or housing provident fund that we paid for our employees in certain of our entities were not based on their actual salary levels.</p>	<p>(i) Certain of our operating entities did not hire any employee so that they did not open social insurance and/or housing provident fund accounts.</p> <p>(ii) The above-mentioned non-compliance incidents occurred mainly due to administrative oversight by the handling personnel of the human resources departments of our entities being unfamiliar with relevant regulatory requirements.</p>	<p>With respect to the failure to open social insurance and housing provident fund accounts, as advised by our PRC Legal Advisors, pursuant to the relevant PRC laws and regulations, our entities may be ordered to rectify the non-compliance within a prescribed time limit. We may be ordered to pay a penalty between RMB10,000 and RMB50,000 if they fail to open housing provident fund accounts within a prescribed time limit. If our entities fail to open the social insurance accounts within a prescribed time limit, they may be subject to a penalty of no less than one time but not more than three times the amount of social insurance and the personnel in charge may be fined between RMB500 and RMB3,000.</p> <p>If the competent PRC government authority is of the view that the social insurance payments we made for our employees breached the requirements under the relevant PRC laws and regulations, it can order us to pay the outstanding balance to the relevant PRC local authorities within a prescribed time period and a late fee of 0.05% of the total outstanding balance per day from the date of such failure of payment. If we fail to do so within the prescribed period, we may be subject to an additional fine ranging from one to three times of the total outstanding balance.</p> <p>If the competent PRC government authority is of the view that the contributions for the housing provident fund do not satisfy the requirements under the relevant PRC laws and regulations, it can order us to pay the outstanding balance to the relevant PRC local authorities within a prescribed period. If we fail to do so within the time limit, it can apply to the People's Court for compulsory execution.</p>	<p>As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant PRC government authorities with respect to this non-compliance incident, nor has any order been received by our Company to settle the outstanding amount of social insurance payments and housing provident fund contributions.</p>
	<p>In particular, as of the Latest Practicable Date, there are 195 PRC entities in total in our Group, among which 174 entities hired employees while the remaining 21 entities did not hire any employees. Among the above-mentioned 21 entities, 19 entities did not open social insurance accounts while 21 entities did not open housing provident fund accounts. The above-mentioned 174 entities have been making statutory contributions to the social insurance and housing provident fund for their employees based on standards lower than their employees' actual salary levels.</p>		<p>If the competent PRC government authority is of the view that the contributions for the housing provident fund do not satisfy the requirements under the relevant PRC laws and regulations, it can order us to pay the outstanding balance to the relevant PRC local authorities within a prescribed period. If we fail to do so within the time limit, it can apply to the People's Court for compulsory execution.</p>	<p>We are committed to be fully compliant with the applicable laws and regulations by making statutory contributions to the social insurance and housing provident fund based on the actual salary level of our employees going forward. As an upward adjustment of our payment base will also correspondingly increase the contribution amount by our employees, we are also in the process of communicating with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base. Considering that our compliance with the relevant laws and regulations is also in part subject to cooperation from our employees, we expect to gradually rectify our payment base for all of our employees going forward. We will use our best endeavours to comply with the requirements in full as soon as practicable and in any event by December 31, 2022. We will seek assistance from our legal advisors and confirm with the relevant authorities on our assessment of the adjusted payment base.</p>
			<p>As of the Latest Practicable Date, 19 of our subsidiaries did not open social insurance accounts and 21 subsidiaries did not open housing provident fund accounts as all of these subsidiaries did not hire any employee. Our PRC Legal Advisors are of the view that we may be subject to penalties according to the relevant PRC laws and regulations described above. However, as we will timely rectify such non-compliance once we receive any request from the relevant government authorities to open social insurance accounts and/or housing provident fund accounts, our entities will not be subject to any penalties.</p>	<p>We have designated Mr. Sha Xu, the vice president of our Group, to be directly responsible for overseeing the implementation of the rectification measures. In addition, we have adopted certain measures to strengthen our internal control in this regard, including notify all our entities to pay social insurance and housing provident fund in accordance with the regulatory requirement set by the relevant local government authorities, and assign our human resources department to be responsible for the calculation of the amount to be paid and a designated team to review the accuracy of the calculation.</p>
			<p>If we were to pay the outstanding balance of social insurance based on the actual salary level of our employees during the Track Record Period, the estimated amount are RMB14.4 million, RMB31.4 million and RMB24.2 million, respectively for the years ended December 31, 2016, 2017 and 2018. However, among our 161 PRC subsidiaries who hired employees, as of December 31, 2018, 144 entities have obtained verbal or written confirmations from the relevant government authorities, which confirmed that (1) such entities may continue to pay social insurance on the basis of the current payment base; and/or (2) the relevant competent social security authorities will not take the initiative to check, demand for recovery or impose penalties on us for the outstanding amounts of social insurance. Based on the above confirmation, our PRC Legal Advisors are of the view</p>	

No.	Particulars of immaterial non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
			<p>that the possibilities of these 144 PRC subsidiaries being subject to any order to pay the outstanding amounts of social insurance or subject to any fines initiated and proactively imposed by the competent government authorities are remote. For the remaining 17 PRC subsidiaries, based on the policies and regulations relevant to social insurance issued by the relevant government authorities as of the Latest Practicable Date, our PRC Legal Advisors are of the view that as relevant competent authorities have no further instructions at the national or provincial levels, the possibilities that the relevant local government authorities will collectively initiate or proactively recover the historically unpaid social insurance from these entities are remote.</p> <p>If we were to pay the outstanding balance of the housing provident fund based on the actual salary level of our employees during the Track Record Period, the estimated amount are RMB8.6 million, RMB10.4 million and RMB15.2 million, respectively, for the years ended December 31, 2016, 2017 and 2018. However, among our 161 PRC subsidiaries who hired employees as of December 31, 2018, 123 entities have obtained verbal or written confirmation from the relevant government authorities, which confirmed that (1) these entities may continue to pay the housing provident fund on the basis of the current payment base; and/or (2) the relevant competent housing provident fund authorities will not take the initiative to check, demand for recovery or impose penalties on us for the outstanding amounts of housing provident fund. Based on the above confirmation, our PRC Legal Advisors are of the view that the possibilities that the competent housing provident fund authorities proactively recover the outstanding amounts from these 123 entities are remote. For the remaining 38 PRC subsidiaries, the outstanding amounts of housing provident fund contributions within a prescribed period, which we estimate to be RMB1.8 million, RMB1.7 million and RMB3.2 million for the same periods, respectively.</p> <p>As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant PRC government authorities on us, 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 remote. Accordingly, we have not made provision for the balance of social insurance payments and housing provident fund contributions.</p> <p><b>Our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses incurred by us arising from such non-compliance incidents.</b></p> <p>As above-mentioned, the possibilities that the relevant local government authorities will collectively initiate or proactively recover the historically unpaid social insurance from these entities are remote and the outstanding amounts of housing provident fund contribution is low. Accordingly, this incident No. 2 is not expected to have any material impact on our Group's business operations and financial conditions.</p>	

No.	Particulars of immaterial non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
3.	<p>As of the Latest Practicable Date, 16 buildings owned by Chengdu Tianji with an aggregate gross floor area of 44,252.29 sq.m. had not obtained planning permits, construction permits, approvals for passing environmental impact assessments and fire control design assessments and approvals for passing construction completion inspections and fire control acceptance inspection (the "construction documents").</p>	<p>We acquired Chengdu Tianji from an independent Third Party in 2010. We could not obtain the relevant construction documents as they were missing at the time of the acquisition. We made proactively with the relevant government authorities and did not receive a clear explanation as to whether these 16 buildings would be demolished or guidance on how to apply for those missing certificates. After we fully weighed the risks and the potential benefits associated therewith and considering that Chengdu Tianji also owns, with valid land use right certificates, two parcels of land with the gross site area of 37,326.53 sq.m., we decided to execute such acquisition.</p>	<p>Further, our Company is also of the view that this incident No. 2 does not reflect negatively on our Company's or our Directors' and senior management's ability or tendency to operate in a compliant manner given that (i) the reason for not opening social insurance or housing provident funds accounts was largely because the relevant entities had no employees hired; and (ii) social insurance and/or housing provident fund had been paid based on a salary payment level that the relevant government authorities have largely considered to be appropriate and agreed that our Group could continue paying in the same manner.</p> <p>In view of the above, none of the events in incident No. 2 would call into question the integrity or honesty of our Directors or would otherwise lead to any of them being not suitable to be Directors.</p>	<p>We have engaged a qualified independent fire prevention inspection company in November, 2018 to conduct appraisals regarding the fireproofing facilities of the 16 buildings occupied by Chengdu Tianji. According to the inspection reports issued by the independent fire prevention inspection company in November 2018, these buildings can be put into use safely in respect of fire prevention. In addition, we have selected several campuses of our Schools as transitioning campuses if we are forced to relocate. We believe the establishment of our regional center in Chengdu will mitigate any potential risk as well.</p> <p>We have designated Mr. Sha Xu, the vice president of our Group, to be directly responsible for overseeing the implementation of the rectification measures.</p>
	<p>Our PRC Legal Advisors have advised that, for (i) construction of buildings without completing the environmental protection acceptance procedures, (ii) construction project and a rectification order; (iii) construction of buildings without construction planning permit, we may be subject to an order to demolish the buildings and/or a fine of up to 10% of the construction cost; (iv) construction of buildings without construction commencement permit, we may be subject to a fine up to 2% of the contract price of constructing the buildings and/or a rectification order; (v) using the buildings without completing fire control assessment procedures, we may be subject to a fine up to RMB300,000 and/or suspension from using such buildings; (vi) using the building without completing the construction quality and completion acceptance procedures, we may be subject to a fine up to 4% of the contract price of constructing the buildings and/or a rectification order; and (vii) using the building without filing the construction quality and completion acceptance order. We estimate that the maximum penalty we may be subject to is approximately RMB13.0 million. Our Directors are of the view that these buildings are not crucial to our operation because Chengdu Tianji only contribute a insignificant portion of our profit.</p>	<p>As of the Latest Practicable Date, our Group had neither received any demand for demolition of the 16 buildings occupied by Chengdu Tianji nor been fined in relation to such buildings. We endeavor to obtain the construction documents requisite to obtaining the building ownership certificates of the buildings where practicable. Our Directors consider that, in the event that the local government authorities require us to demolish such buildings, the impact thereof on our Group's operation should not be material, because (i) the revenue of Sichuan Wontone, which was operated in these buildings, were approximately RMB48.9 million, RMB46.8 million and RMB37.0 million, representing 2.1%, 1.6%, and 1.1% of the total revenue of our Group for the years ended December 31, 2016, 2017 and 2018, respectively, (ii) the book value of the 16 buildings occupied by Chengdu Tianji as of December 31, 2018 was nil as they have no commercial value based on the property valuation report set out in Appendix</p>		

Particulars of immaterial No. non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
		<p>Ill to this prospectus, (iii) the market value of 16 buildings occupied by Chengdu Tianji as of December 31, 2018, which was set out in Appendix III to this prospectus for illustrative purpose, was RMB74.33 million representing approximately 2.6% of our total assets as of December 31, 2018; and (iv) if we are forced to relocate, we estimate that the relocation process will take three to six months and will spend approximately RMB7 million for the decoration and refurbishment of new campus and such amount will be capitalized according to relevant accounting standards. Assuming in the extreme scenario that such relocation will be completed in six months and all business operation has to be suspended during such period of relocation, we estimate to lose approximately 25% to 50% of the revenue of those relevant Schools should they operate as normal. However, in practice, we will set out a detailed relocation plan to conduct the relocation in holidays and winter and/or summer vacation, and by stages, to avoid any interference on the operation of Schools or any loss in revenue. We plan to fund the expenses in relation to such rectification measures with cash generated from our operations.</p> <p>As above-mentioned, there has not been any demand to demolish the 16 buildings owned by Chengdu Tianji and that our Directors consider that, even in the event that the local government authorities require us to demolish such buildings, the impact thereof on our Group's operation should be immaterial. Accordingly, incident No. 3 is not expected to have any material impact on our Group's business operations and financial conditions.</p> <p>Further, our Company is also of the view that incident No. 3 does not reflect negatively on our Company's, its Directors' and senior management's ability or tendency to operate in a compliant manner given that the failure to obtain the relevant the planning permits, construction permits, approvals for passing environmental impact assessments and fire control design assessments and approvals for passing construction completion inspections and fire control acceptance inspection was not the default of our Group but the former owner of Chengdu Tianji, an Independent Third Party. In fact, to ensure that the buildings are fit for occupation and complies with the relevant health and safety and fire regulations, our Group had engaged qualified independent fire prevention inspection company to conduct appraisals regarding the fireproofing facilities of the 16 buildings occupied and the results were positive.</p> <p>In view of the above, incident No. 3 would not call into question the integrity or honesty of our Directors and would not otherwise lead to any of them being not suitable to be Directors.</p>	

No.	Particulars of immaterial non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
4.	As of the Latest Practicable Date, 19 buildings occupied by Anhui New East Culinary Professional Institute, Anhui Xinhua Computer Institute and Wontone Automobile Maintenance Institute in Hefei, Anhui province (the "Hefei Buildings"), with an aggregate gross floor area of 92,607.78 sq.m, have been put into use without completing required acceptance procedures and/or filings.	The non-compliances occurred primarily due to an adjustment of administrative divisions at the region where Hefei Buildings are located, resulting in disturbance of coherence in procedural applying for relevant permits or acceptance procedures.	<p>Our PRC Legal Advisors have advised that, for (i) construction of buildings without completing the environmental protection acceptance procedures, we may be subject to a fine ranging from 1% to 5% of the total amount of investment in the construction project and a rectification order; (ii) using the buildings without completing fire control assessment procedure, we may be subject to a fine ranging from RMB30,000 to RMB300,000 and/or suspension from using such buildings; (iii) using the buildings without completing the construction quality and completion acceptance procedures, we may be subject to a fine ranging from 2% to 4% of the contract price of constructing the buildings and/or a rectification order; and (iv) using the buildings without completion of filing of the result the construction quality and completion acceptance, we may be subject to a fine ranging from RMB200,000 to RMB500,000 and/or a rectification order. With respect to the Hefei Buildings, we estimate that the maximum penalties we may be subject to will be approximately RMB19.1 million and none of the Hefei Buildings is subject any order for demolition or relocation under applicable laws and regulations.</p> <p>As of the Latest Practicable Date, our Group had not been fined in relation to Hefei Buildings. Our Directors consider that, the Hefei Buildings are not crucial to our Group's operation nor do such defects have any material impact on our Group's financial position, as (i) the book value of Hefei Buildings as of December 31, 2018 was approximately RMB54.5 million, (ii) based on the verbal confirmations from the relevant competent authorities as disclosed below, our PRC Legal Advisors are of the view that the possibilities of us being penalized for using or ordered to cease the use of the Hefei Buildings are relatively low, and (iii) if we are forced to relocate due to suspension of use of relevant buildings without completing fire control assessment procedure, we estimate that the relocation process will take three to six months and will spend approximately RMB4 million for the decoration and refurbishment of new campus and such amount will be capitalized according to relevant accounting standards. Assuming that such relocation will be completed in six months and all business operation has to be suspended during such period of relocation, we estimate to lose approximately 25%-50% of the revenue of those relevant Schools should they operate as normal. However, in practice, we will set out a detailed relocation plan to conduct the relocation in holidays and winter and/or summer vacation, and by stages, to avoid any interference on the operation of Schools or any loss in revenue.</p> <p>Our Directors are of the view that the lack of approvals and filings or the building ownership certificates for the Hefei Buildings, either individually or collectively, does not have a material adverse effect on our business operations or financial conditions as a whole, because (i) there are no legal impediments to complete the relevant procedures requisite to obtain the building ownership certificates; (ii) we had not been subject to penalties due to the lack of approvals and filings or the building ownership certificates as of the Latest Practicable Date; and (iii) the buildings are safe for use in respect of fire prevention.</p>	<p>As of the Latest Practicable Date, we have implemented the following rectification measures:</p> <ul style="list-style-type: none"> <li>we have applied to competent authorities for completing the relevant procedures in order to obtain the building ownership certificates for the Hefei Buildings;</li> <li>our PRC Legal Advisors have consulted the officials of the Environment Protection Bureau of High-tech Industrial Development Zone of Xinzhan District, Hefei* (合肥新站高新技术产业开发区開發區環境保護局), the Public Security Fire Brigade of Hefei* (合肥市公安消防支隊) and the Construction Quality Supervision Station of Xinzhan District, Hefei* (合肥市建築工程質量監督站新站試驗區分站), being the competent authorities for providing relevant confirmations, respectively, regarding our use of Hefei Buildings. The officials orally confirmed that (i) there are no legal impediments to complete the relevant procedures requisite to obtain the building ownership certificates for the Hefei Buildings afterwards; (ii) all of the Hefei Buildings conform to the fire control and quality requirements and can be put into use safely; and (iii) our Schools can continue to use the Hefei Buildings without being subject to any fines or penalties and without being ordered to stop using or demolish these buildings; and</li> <li>we have engaged qualified independent fire protection inspection companies in November 2018 to conduct appraisals regarding the fireproofing facilities of the Hefei Buildings. According to the inspection reports issued by the independent fire protection inspection companies in November 2018, these buildings are safe for use in respect of fire prevention.</li> </ul>
				<p>Our Group will undertake stringent supervisory measures to ensure future compliance with internal PRC legal and regulatory requirements in the event that there is any new construction project, building maintenance or real property acquisition. Going forward, we will conduct an assessment of the property pursuant to our internal checklist of regulatory compliance after completion of construction or prior to property acquisition. Also, our Controlling Shareholders have agreed to indemnify all losses and liabilities</p>

No. non-compliance incidents	Particulars of immaterial non-compliance	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
5.	<p>As of the Latest Practicable Date, certain properties we leased from independent Third Parties were not in full compliance with the laws and regulations of the PRC in the following manners:</p> <p>(i) we had not been provided with the land use rights certificates and/or building ownership certificates by the landlords, or by the sub-lessors with the proofs of having the right to sublease the properties to us for 77 campuses;</p> <p>(ii) we had not been provided by landlords/sub-lessors with the fire control acceptance records for 46 campuses;</p> <p>(iii) with respect to 51 leased properties with permitted use for "industrial" purposes, or other purposes, our use is inconsistent with their permitted use for educational purposes;</p> <p>(iv) we leased properties located on collective lands which may not be used for construction or nonagricultural purpose for 21 campuses;</p> <p>(v) one leased property is military property, the lease of which is forbidden by the PRC Laws;</p> <p>(vi) certain properties leased by our Group, with an aggregate floor area of approximately 1.3 million sq.m, have not been filed with the relevant authorities as required by applicable PRC laws and regulations.</p>	<p>The non-compliances primarily occurred because the landlords and/or sub-lessors of such properties failed to comply with the relevant PRC laws and regulations.</p>	<p>With respect to the leased properties with defects, our PRC Legal Advisors are of the view that:</p> <p>(i) <i>for the leased properties that we had not been provided with land use right certificates and/or building ownership certificates, or the proofs of having the right to sublease the properties to us, if the landlords are not the legal owners of the title of the properties, or the sub-lessors do not have the right to sublease the properties to us, our right of use may be challenged by the actual title/right holders;</i></p> <p>(ii) <i>for the leased properties that we had not been provided with fire control acceptance records, if the landlords/sub-lessors of the properties receive any rectification or relocation order from competent authorities, we may not be able to continue to use the properties. We cannot assure that the leases conform to the regulatory requirements of fire protection;</i></p> <p>(iii) <i>for the leased properties used for purposes, in contravention of permitted use for "industrial" or other purposes, if the landlords/sub-lessors of the properties receive any rectification or relocation order from competent authorities, we may not be able to continue to use the properties;</i></p> <p>(iv) <i>for the leased properties located on collective land, if the landlords/sub-lessors of the properties receive any rectification or relocation order from competent authorities, we may not be able to continue to use the properties;</i></p> <p>(v) <i>for the properties used by us owned by the PRC military, we may not continue to use the property if the PRC military terminates the lease agreements pursuant to the relevant military regulations;</i></p> <p>(vi) <i>for the properties used by us without filing with the relevant authorities, the validity of the lease agreements is not affected by the failure to file the lease agreements with the relevant authorities. We may be required by the relevant authorities to file the relevant lease agreements within a prescribed period, failing which may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-filed lease.</i></p> <p>Our PRC Legal Advisors are of the view that the likelihood of our Company being required by the relevant authorities to relocate or demolish a significant number of leased properties with title defects at the same time is relatively low, considering that (i) our Company confirms that, as of the Latest Practicable Date, authorities had never initiated any request to</p>	<p>that our Group may suffer due to the failure to obtain the relevant certificates, permits and approvals, pursuant to the Deed of Indemnity, including, where required, to procure appropriate alternative suitable premises for our use.</p> <p>As of the Latest Practicable Date, we have implemented the following rectification measures:</p> <p>(i) <i>for the leased properties that we had not been provided with land use right certificates and/or building ownership certificates, or the proofs of having the right to sublease the properties to us, for 69 out of the 77 campuses, we have entered into with the landlords/sub-lessors lease agreements with a term that, or obtained confirmation letters from the landlords/sub-lessors, confirming by the landlords/sub-lessors that (a) the landlords/sub-lessors are legally competent and have the rights to lease these properties to us; and (b) the landlords/sub-lessors will compensate us for the losses and damages we suffer. For the remaining eight campuses, we have not had agreements with such a term with or obtained confirmation letters from the landlords/sub-lessors;</i></p> <p>(ii) <i>for the leased properties that we had not been provided with fire control acceptance records, we have engaged qualified independent fire protection inspection companies for 44 campuses to conduct appraisals of the fireproofing facilities of these buildings. According to the inspection reports issued by the independent fire protection inspection companies in October, November and December 2018 and January 2019, these buildings can be put into use safely in respect of fire prevention;</i></p> <p>(iii) <i>for the leased properties used for purposes, in contravention of permitted use for "industrial" or other purposes, for 34 out of the 51 campuses, we have entered into with the landlords/sub-lessors lease agreements with a term that, or obtained confirmation</i></p>

No.	Particulars of immaterial non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
		<p>relocate or demolish any leased property of our Group due to the defects of the leased properties, (ii) these properties are geographically dispersed and within the authorities of different local governments, and are leased from different counterparties, and (iii) as of the Latest Practicable Date, there is no national laws or regulations that require local authorities to deal with the leased properties with such defects simultaneously.</p>	<p>Our Directors are of the view that for the leased properties not in compliance with PRC laws and regulations, the likelihood that our business results of operations would be materially and adversely affected by the said property defects is remote, considering that (i) during the Track Record Period and up to the Latest Practicable Date, our Group had not been fined by the relevant authorities with respect to these non-filed leases; (ii) it is unlikely that we would be required by authorities to relocate or demolish with respect to a significant number of these leased properties at the same time, considering that these properties are geographically dispersed and within the authorities of different governmental branches, and are leased from different counterparties; (iii) we believe we would be able to find comparable properties as alternatives should we be required to relocate, and the additional costs incurred by the relocation (being the capital expenditures incurred by renovation) are manageable according to our previous experience (for example, the capital expenditures incurred by renovation in 2017 in relation to relocations of our Beijing City Chaoyang District New East Cuisine Vocational Training School* (北京市朝陽區新東方烹飪職業技能培訓學校), Wuhan Xinhua Computer Vocational Training School* (武漢新華電腦培訓學校) and Yunnan Wontone Automobile Vocational Training School* (雲南萬通汽車修職業培訓學校) due to expiry of lease agreements were RMB2.4 million, RMB2.8 million and RMB7.2 million, respectively); (iv) the majority of the landlords/sub-lessors of the properties with the said effect have entered into leasing agreements with or issued confirmation letters to us, with a term of agreeing to compensate us for the losses or damages we suffer; and (v) our Controlling Shareholders have agreed to indemnify all losses and liabilities that our Group may suffer due to using the properties with the said defects.</p>	<p>letters from the landlords/sublessors, confirming that (i) the leased properties can be used by us for our intended purposes and (ii) the landlords/sub-lessors will compensate us for the losses and damages we suffer. For the remaining 17 campuses, we have not had agreements with such a term with or obtained confirmation letters from the landlords/sub-lessors;</p>
				<p>(iv) for the leased properties located on collective land, for 19 out of the 21 campuses, we have entered into with the landlords/sublessors lease agreements with a term that, or obtained confirmation letters from the landlords/sub-lessors, confirming by the landlords/sub-lessors that (i) the landlords/sublessors have the rights to lease these properties to us; and (ii) the landlords/sub-lessors will compensate us for the losses and damages we suffer. For the remaining two campuses, we have not had agreements with such a term with or obtained confirmation letters from the landlords/sub-lessors;</p>
				<p>(v) for the properties used by us owned by the PRC military, pursuant to a duly approved relocation plan, we are negotiating a new lease agreement with an Independent Third Party sub-lessor to lease a new property in compliance with the laws and regulations of the PRC; and</p>
				<p>(vi) for the properties used by us without filing with the relevant authorities, we have begun to make filings with the relevant authorities.</p>
				<p>Furthermore, our Group will undertake stringent supervisory measures to ensure future compliance with relevant PRC legal and regulatory requirements in the event that there is new lease. Going forward, we will conduct an assessment of the property pursuant to our internal checklist of regulatory compliance prior to leasing any properties. Also, the Controlling</p>

No.	Particulars of immaterial non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
6.	<p>As of the Latest Practicable Date, nine of our secondary vocational Schools, namely Zhenzhou Xinhua Secondary Vocational School* (鄭州新華中等專業學校), Yunnan Xinhua Computer Secondary Vocational School* (雲南新華計算機中等專業學校), Guiyang City Xinhua Computer Secondary Vocational School* (貴陽市新華電腦中等職業學校), Jiangxi Nanchang Xinhua Computer Secondary Vocational School* (江西南昌新華電腦中等學校), Jiangxi Nanchang New East Culinary Secondary Vocational School* (江西新東方烹飪中等學校), Yunnan New East Culinary School* (雲南新東方烹飪學校), Lanzhou Xinhua Internet Secondary Vocational School Co., Ltd.* (蘭州新華互聯網中等職業學校有限公司), Guiyang City New East Culinary Secondary Vocational School* (貴陽市新東方烹飪中等職業學校) and Shijiazhuang New East Secondary Vocational School* (石家莊新東方中等專業學校) did not have licensed on-site medical infirmaries to offer medical diagnosis and the prescription of medication and treatments, as well as basic healthcare services to our students.</p>	<p>We believe that the accessibility of professional medical service providers near those school campuses can provide more relevant education services further advised by our PRC Legal Advisors, as of the Latest Practicable Date, relevant legal consequences have not been specified in the PRC laws and regulations.</p>	<p>As advised by our PRC Legal Advisors, pursuant to the relevant PRC laws and regulations, boarding secondary vocational schools shall have licensed on-site infirmaries and professional medical personnel. Such professional medical personnel should receive appropriate professional training and be equipped with first aid skills. Failing to meet the standards set forth above, more relevant education authorities may order us to rectify within a time limit. As of the Latest Practicable Date, relevant legal consequences have not been specified in the PRC laws and regulations.</p>	<p>Shareholders have agreed to indemnify all losses and liabilities that our Group may suffer due to using of the defective leased properties, pursuant to the Deed of Indemnity, including, where required, to procure appropriate alternative suitable premises for our use.</p> <p>Our Schools are able to send our students to nearby hospitals for medical treatment in a timely manner if any emergency arises.</p>



No.	Particulars of immaterial non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
7.	<p>During the Track Record Period, (i) five Schools, namely Chengdu New East Culinary Vocational Training School Co., Ltd. Jinmiu Branch* (成都新東方烹飪職業技能培訓學校有限公司金牛校區), Fujian Province New East Culinary Vocational Training School* (福建省新東方烹飪職業培訓學校), Harbin New East Culinary Vocational Training School Co., Ltd.* (哈爾濱新東方烹飪職業培訓學校有限公司), Beijing City Daxing District New East Culinary Vocational Skills Training School (北京市大興區新華電腦職業技能培訓學校) and Shanxi Xinhua Computer Vocational Training School* (山西新華電腦職業培訓學校) operated on-campus canteens to offer catering services to our students, but failed to obtain food administration permits as required under the relevant PRC laws and regulations; and (ii) the food administration permits of Chongqing City New East Culinary Vocational Training Institute* (重慶市新東方烹飪職業培訓學院) had expired and we failed to renew such permits.</p>	<p>The non-compliance incident occurred primarily because the third party operators of canteens or Schools do not meet relevant conditions/did not apply for the permits in time.</p>	<p>As advised by our PRC Legal Advisors, companies engaging in food sales and catering services in the PRC are required to obtain food administration permits under the relevant PRC laws and regulations. Failing to obtain or renew the requisite permits may subject us to (i) a fine ranging from RMB50,000 to RMB100,000 if the value of illegally produced food is less than RMB10,000 or between two times and 20 times of the value if the value of illegally produced food is more than RMB10,000; and (ii) confiscation of illegal income derived from operating on-campus canteens without obtaining the requisite permits. Such catering services were outsourced by us to the canteen operators that are independent Third Parties. We did not derive income from such catering services. However we charged outsource fees from the canteen operators and the amounts in the years ended December 31, 2016, 2017 and 2018 were RMB647,000, RMB790,700 and RMB698,000, respectively.</p>	<p>As of the Latest Practicable Date, two of those six Schools, namely Harbin New East Culinary Vocational Training School Co. Ltd. and Chongqing City New East Culinary Vocational Training Institute successfully obtained/received the food administration permits on December 19, 2018 and December 11, 2018, respectively, without being subject to any penalty, and will be re-opened in due course. Our PRC Legal Advisors are of the view that the risk of the above two Schools being penalized in the future is remote. For the other four Schools, we have closed such on-campus canteens for the time being, and students of the relevant Schools will dine out of such Schools. The closure of school canteens has not and is not expected to affect our ability to operate our Schools.</p>
8.	<p>As of the Latest Practicable Date, (i) among our nine secondary vocational Schools, less than 10% of our teachers had not obtained teacher licenses (教師資格證); and (ii) less than 70% of our teachers of our technical Schools and vocational training Schools had not obtained teacher qualifications (教師上崗證).</p>	<p>The non-compliance incident that the teachers of our Schools and secondary technical training Schools had not obtained teacher qualifications primarily because examinations for teacher qualification are no longer organized, or the teacher qualifications are no longer required in practice in relevant regions.</p>	<p>Our Directors consider such non-compliance incident does not have material impact on our business operations or financial positions, nor reflect negatively on our or our Directors' or senior management's ability or tendency to operate in a compliant manner as (i) as of the Latest Practicable Date, we had not been fined by relevant authorities; and (ii) the rectification measures do not impact on the relevant Schools' ordinary course of operations and would not result in any significant penalties or which would otherwise have a material and adverse impact on the continued operation of the relevant Schools.</p>	<p>As of the Latest Practicable Date, we have obtained written confirmations from the competent authorities of our 99 Schools among the 137 Schools that are subject to teacher qualifications requirements, confirming that, the examinations for teacher qualification are no longer organized in such region, or the teacher qualifications are no longer required in practice, or the relevant schools have met the regulatory requirements for teacher qualifications. Our Group has adopted rules and procedures for management of professional qualifications and licenses required by our teachers to ensure future compliance with applicable PRC rules and regulations in this regard from time to time. Furthermore, the human resources department in each of our Schools will be responsible to keep records of all professional qualifications and licenses obtained by our teachers and the corporate affairs department of our Company will be responsible to review such records regularly. For any teacher who fails to obtain required professional qualification and/or license, we will relocate such employee from teaching position to non-teaching position.</p>

No.	Particulars of immaterial non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
9.	<p>During the Track Record Period, our refund policies set out in the training contracts in our schools deviated from the local guidelines or notices in relation to the refund of tuition for private schools or private non-formal education schools issued by some local governments, including Beijing, Hangzhou, Wenzhou, Liaoning, Dalian, Guangdong and Shandong.</p>	<p>The incident occurred primarily because we implemented the same refund policies at our Schools across China under the same brand to maintain consistency, and our refund policies were determined by reference to a number of other competitors.</p>	<p>confirmations from the competent authorities, which confirm that, the examinations for teacher qualification are no longer organized in such region, or the teacher qualifications are no longer required in practice, or the relevant schools have met the regulatory requirements for teacher qualifications.</p> <p>Based on the above, our Directors consider such non-compliance incident does not have material impact on our business operations or financial positions, nor reflect negatively on our or our Directors' or senior management's ability or tendency to operate in a compliant manner.</p> <p>The policy in Guangdong province provides that, if the school fails to refund the tuition fees as required in the prescribed amount within the prescribed period of time, the competent authorities may order such school to make the refund within a specified timeframe, and failure to comply with the order from the competent authorities can result in suspension of the operation or failure of annual inspections of such school; the policies in Hunan province and Dalian city provide that private schools which fail to comply with the refund policies prescribed in the relevant guidelines or notices may be subject to penalties imposed by local pricing authorities according to relevant pricing laws and regulations, but the relevant pricing laws and regulations have not specified the amount of fines or penalties that would be applied in case of such deviation. Except as mentioned above, there is no specific legal consequence stipulated by other guidelines or notices.</p> <p>As advised by our PRC Legal Advisors, deviation of our refund policies from that of certain local governments would not result in any significant penalties or have any material adverse effect on our Group, based on the following: (i) we have rectified and revised the deviation of refund policies in compliance with that of the certain local governments; (ii) as of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant governmental authorities, with respect to such deviation of refund policies from that of the certain local governments; and (iii) as of the Latest Practicable Date, for most of the regions (except for Dalian, Guangdong and Hunan) where our refund policies deviate from that of the relevant local governments, no legal consequences have been specified by the local government in such policies, and pursuant to the Law of the People's Republic of China on Administrative Penalty (《中華人民共和國行政處罰法》), if any administrative penalty is imposed without legal basis, such penalty shall be invalid.</p> <p>As of the Latest Practicable Date, all of our Schools across the nation, including Guangdong, Hunan and Dalian have passed their respective annual inspections during the Track Record Period and none of them had been investigated or were subject to any legal or administrative proceedings or penalized by the Guangdong, Hunan and Dalian competent authorities for such deviation. During the Track Record Period and as of December 31, 2018, the discrepancy in the amount of refunds that may be further sought by students was RMB1.3 million.</p> <p>Based on the above, our Directors consider such non-compliance incident does not have material impact on our business operations or financial positions, nor reflect negatively on our or our Directors' or senior management's ability or tendency to operate in a compliant manner.</p>	<p>As of the Latest Practicable Date, we have amended the refund policies in our standard training contracts to be entered into with our students in accordance with the relevant local guidelines or notices and will refund the tuition accordingly in future.</p> <p>Our legal affairs department is responsible for monitoring the development of laws and regulations at national level, if any, and each of our Schools had designated personnel to be directly responsible for and following up with the legal developments of the relevant guidelines or notices in their locality.</p>

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### Enhanced Internal Control Measures to Prevent Recurrence of Non-Compliance

In order to further improve our corporate governance and to mitigate the risk of non-compliances in the future, we have adopted and will continue to adopt the following measures:

- we shall provide our Directors and senior management and human resources personnel with training regarding the legal and regulatory requirements applicable to the business operation of our Group from time to time;
- we shall appoint external Hong Kong and PRC legal counsel to advise us on compliance with the Listing Rules and the applicable laws and regulations in Hong Kong and the PRC, respectively, and our general counsel shall be the primary point of contact to liaise with our external legal counsel;
- we shall establish an audit committee to oversee our corporate governance and compliance prior to the Listing; and
- the manager of the human resources department of our Group shall review the reporting and contributions of social insurance and housing provident fund for the employees of our Group and report to the chief financial officer of our Group on a regular basis.

### Views of Our Directors

Our Directors are of the view that the above immaterial non-compliance incidents and immaterial minor legal defects of our Group during the Track Record Period, individually or in the aggregate, did not and are not expected to have any material adverse financial or operational impact on us, or reflects negatively on the ability or tendency of us, our Directors or our senior management, to operate in a compliant manner in all material aspects, after considering (i) our rectifications, (ii) improvement actions, (iii) business nature and operation scale, (iv) the facts and circumstances leading to the non-compliance incidents disclosed herein, (v) the advice provided by our PRC Legal Advisors, (vi) the enhanced internal control and on-going compliance measures mentioned above, and (vii) as confirmed by our Directors, none of these incidents would give rise to any criminal or material liabilities of the Group nor did any incident call into question in the integrity, character or competence of our Directors or senior management.

## INTERNAL CONTROL AND RISK MANAGEMENT

### Internal Control

We have engaged an independent business consulting and internal audit firm (the "Internal Control Consultant") to conduct an evaluation of our internal control system in connection with the Listing. As part of the engagement, we have consulted with our Internal Control Consultant to identify the factors relevant to enhancing our internal control system and the steps to be taken and the Internal Control Consultant made a number of recommendations. The Internal Control Consultant conducted its work in August and September 2018 and provided a number of findings and recommendations in its report. We have subsequently taken remedial actions in response to such findings and recommendations. The Internal Control Consultant performed follow-up procedures on our Company's system of internal control with regard to those actions taken by our Company and reported further commentary in October and November 2018. In its

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follow-up reviews, except some revised internal control policies had not been implemented due to short time of rectification, the Internal Control Consultant noted that we had followed all of its major recommendations and accordingly taken corrective actions to address its internal control deficiencies and weaknesses.

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

In addition, we have adopted a set of internal rules and policies governing the conduct of our employees, including teachers, instructors and personnel performing other functions. We have set up a monitoring system to implement anti-bribery and anti-corruption measures so as to ensure that our employees comply with our internal rules and policies as well as the applicable laws and regulations. For example, our management is responsible for conducting a fraud and bribery risk assessment on an annual basis and our Audit Committee reviews and approves our annual risk assessment results and policies. We have also identified certain forbidden conduct in our internal anti-bribery and anti-corruption policies, including, among others, the prohibition to (i) obtain bribery or kickbacks, (ii) transfer opportunities which could benefit the Group to others; (iii) illegally use, embezzle and steal assets of the Group; and (iv) disclose trade or technical secrets of the Group without authorization. We offer 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.

We have established a compliance committee comprising Mr. Sha Xu, the vice president of our Group, Mr. Au Yeung Siu Kei, the chief financial officer of our Group and Mr. Mao Chaosheng, the joint company secretary of our Group, to oversee our Group's compliance with business, finance and legal related matters, respectively. In May 2019, after seeking advices from our PRC Legal Advisors and our Internal Control Consultant on the improvement of our internal control measures, we have adopted the relevant policies and measures to ensure compliance with all applicable laws and regulations in respect of the operating of a new school or Regional Center, subject to the waivers or consents which relevant local authorities may grant. In particular, we designed the following school opening checklist to ensure such compliance before operating a school or a Regional Center. Our compliance committee will only approve the operating of a new school or a Regional Center if all items on this school opening checklist have been properly addressed to their satisfaction.

- (i) ensure that all private school operating license and business license have been obtained;
- (ii) ensure that all food administration permit have been obtained if food sales and catering services will be provided at the school;

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- (iii) in relation to self-owned properties which we obtain in the future and will put into use for education/training purposes once the school begins its operation, ensure that all land use rights, planning permits, construction permits, approvals for passing environmental impact assessments and fire control design assessments, as well as approvals for verification of construction completion inspections and fire control acceptance inspections have been obtained prior to putting into use. For the lands and buildings we may purchase from relevant owners, we will only make the purchases if all the aforesaid permits and procedures have been duly obtained or completed;
- (iv) in relation to leased properties, (a) ensure that the relevant land use rights certificates and/or building ownership certificates and/or the sublease consents and/or other supporting documents have been provided by the landlords or by the sub-lessors, which can verify that they have the right to lease or sublease the properties; and (b) ensure that proper fire control inspections have been conducted to verify that the relevant buildings can be put into use safely for education/training purposes;
- (v) ensure that teaching staff have obtained teaching licenses (教師資格證) as required by the relevant local education authorities if they are engaged in teaching activities of secondary formal education in schools or other educational institutions;
- (vi) ensure that teaching staff have obtained teaching qualifications (教師上崗證) as required by the relevant local MHRSS authorities if they are engaged in the education and teaching activities at technical schools, employment training centers and other vocational training institutions;
- (vii) ensure that social insurance and housing provident fund accounts are opened for our employees in the PRC, as well as statutory contributions having been made to the social insurance and housing provident fund according to the applicable laws, regulations and policies to which local authorities having not raised any objections;
- (viii) ensure that the refund policies set out in the training contracts are in compliance with the local government guidelines or notices and make filings in respect of fees charges if required; and
- (ix) for boarding secondary vocational schools, provide licensed on-site medical clinics and professional medical personnel.

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In order to prevent the recurrence of the non-compliance incidents associated with the self-owned and leased properties, we have also implemented the following measures:

- (i) in relation to the self-owned properties, (1) for the self-built buildings, (i) we have established a project construction department consisting of seven employees with experience in property construction, planning and regulatory compliance in the field. Approximately 70% of these employees have obtained second level or above constructor certificates. This department is responsible for overall supervision and management of our self-owned construction projects; (ii) we will hire qualified third-party agents to conduct the designs and assessments including construction, planning and environmental protection of our construction projects; and (iii) we will hire qualified construction companies through public bidding and other methods in compliance with the law and regulations to ensure construction quality and safety; and (2) for the lands and buildings we may purchase from relevant owners, our Directors will undertake stringent supervisory measures to ensure the compliance with relevant legal and regulatory requirements. Our Directors and compliance committee will work closely with our legal affairs department and project construction department to evaluate and assess the compliance records of the lands and buildings pursuant to our above checklist prior to the acquisitions. In addition, before making any acquisitions of lands and buildings, we will engage legal advisors to issue legal opinions on the regulatory compliance of the lands and buildings to be purchased. We will only make the purchases if the legal advisors confirm that the lands and buildings to be purchased are in compliance with the relevant rules and regulations; and
- (ii) in relation to the leased properties, in addition to check and confirm the regulatory compliance of relevant landowners or lessors of the leased properties, we also have set up an engineering construction department consisting of 28 employees with extensive experience in the fields of renovation and decoration. They are responsible for the unified planning and organizing of the renovation and decoration projects which might be conducted by us in the leased properties and ensuring that all these projects comply with the relevant laws and regulations.

### **Risk Management**

We are exposed to various risks in the operation of our business and we believe that risk management is important to our success. Key operational risks faced by us include, among others, changes in general market conditions and perceptions of private education, changes in the regulatory environment in the PRC private vocational education industry, our ability to offer quality education to our students, our ability to increase student enrollment and/or raising tuition rates, our potential expansion into other regions in China or overseas, availability of financing to fund our expansion and business operations and competition from other school operators that offer similar or higher quality of education and have similar scale. See “Risk Factors” in this prospectus for disclosures on various risks we face. In addition, we also face numerous market risks, such as interest rate, credit and liquidity risks that arise in the normal course of our business. For a discussion on these market risks, see “Financial Information — Quantitative and Qualitative Disclosures about Market Risk” in this prospectus.

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To properly manage these risks, we have established the following risk management structures and measures:

- Our Board of Directors is responsible and has the general power to manage the operations of our Schools, and is in charge of managing the overall risks of our Company. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures, such as our decision to expand our school network into new geographic regions, to raise our tuition and service fees, and to enter into cooperative business relationships with third parties to establish new schools and/or new programs;
- We maintain insurance coverage, which we believe is in line with customary practice in the PRC education industry, including student safety insurance and accident insurance; and
- We have made arrangements with banks so that we are able to obtain credits to support our business operation and expansion.

We have also implemented a set of internal control and risk management measures to manage our risks related to investments in wealth management products. The wealth management products include, but are not limited to, structured deposits, regular wealth management, and other types of wealth management products that comply with the PRC laws and regulations. These measures were formulated by our president and finance director. Historically, we believed we could make better use of our tuition and service fees by making appropriate investments in low-risk and short-term wealth management products, which generated income without interfering with our business operation or capital expenditures. The approval process is that before making a proposal to invest in wealth management products, regardless of the investment size, a proposal to invest in investment products must first be submitted by our financial department to the president for review. For material investment projects, we may retain third party experts or institutions to conduct feasibility analysis. After the president reviewed the proposal, the proposal then had to be approved by the chairman of the Board. Our financial department, president and chairman of the Board are responsible to manage the investments in wealth management products and structured deposits.

Accordingly, we generally adopt several measures to govern our investments in wealth management products. These measures include, among other things, the following:

- the term of the wealth management products must not exceed 12 months;
- the proposed investment must not interfere with our business operation or capital expenditures;
- we analyze the wealth management products we bought annually and create summary report to keep track of their performance and redemption status which should be reviewed by the head of our financial department;
- the wealth management products should be issued by a reputable bank with which we have a long-term relationship; and
- the investment portfolio of the wealth management products should generally bear relatively low risk.

We believe that our internal policies regarding investment in wealth management products and the related risk management mechanism are adequate.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### CONTROLLING SHAREHOLDERS

Our Controlling Shareholders upon Listing are Mr. Wu Junbao and Wu Junbao Education, which is wholly-owned by Mr. Wu Junbao. Immediately after completion of the Capitalization Issue and the Global Offering, our Controlling Shareholders will together control the exercise of voting rights of more than 30% of the Shares eligible to vote in the general meeting of our Company (assuming no exercise of the Over-allotment Option or any options that may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme).

### Information on Other Companies Owned by Our Controlling Shareholders

We are currently primarily engaged in the provision of vocational training education services primarily in the fields of culinary arts, information technology and auto services in China. We also provide secondary vocational education through some of our Schools.

Other than the interest in our Group, Mr. Wu Junbao, a Controlling Shareholder, and his spouse also hold direct or indirect interests in companies outside of our Group, which are engaged in non-education and education businesses. In relation to education businesses other than those conducted by our Group, Mr. Wu Junbao also held interests in the following:

**1. A private middle school (民辦中學) and 21 tutorial institutions operated by Xinhua Investment, which is outside China Xinhua Education Group Limited (“China Xinhua Education”)**

- Hefei Xinhua Experimental Middle School is a private middle school located in Hefei, Anhui province, which provides private formal middle school education (民辦中學學歷教育). It is wholly-owned by Xinhua Investment, where Mr. Wu Junbao indirectly held 99% equity interest as of the Latest Practicable Date.
- Xinhua Investment, through 21 tutorial institutions located in Anhui province as at the Latest Practicable Date, also provides tutoring services to primary and secondary school students in local schools.
- Our Directors are of the view that the business activities of the private formal middle school education provided by Hefei Xinhua Experimental Middle School and the tutoring services provided by the 19 tutorial institutions are clearly delineated from the vocational training education provided by our Group and there is no competition between them.

**2. Schools operated by China Xinhua Education**

China Xinhua Education, a company whose shares are listed on the Stock Exchange with the stock code of 2779, provides formal higher education and secondary vocational education through Anhui Xinhua University and Anhui Xinhua School respectively, as mentioned below. Based on the public available information of China Xinhua Education and information confirmed by Mr. Wu Junbao, a controlling shareholder and director of China Xinhua Education, the particulars of the businesses of the schools operated by China Xinhua Education and the relevant analysis are set out below:

*Private formal higher education (民辦高等學歷教育)*

- Anhui Xinhua University\* (安徽新華學院) is a formal university-level education institution located in Hefei, Anhui province, which provides formal undergraduate education, junior college education (大專教育) and continuing education focused on applied sciences.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- According to the 2018 annual report of China Xinhua Education published on April 29, 2019, as at December 31, 2018, there were 22,881 full-time students enrolled in the undergraduate programs and junior college programs, and 6,030 students enrolled in the continuing education programs, at Anhui Xinhua University.
- Our Directors are of the view, and the board of directors (including the independent non-executive directors) of China Xinhua Education also confirm they concur with such view that the business activities of the private formal higher education provided by Anhui Xinhua University is adequately delineated from the vocational training education provided by our Group.

### *Private secondary vocational education (民辦職業中專學歷教育)*

- Anhui Xinhua School\* (安徽新華學校) is a secondary vocational education institution located in Hefei, Anhui province, which provides three types of full-time programs:
  - (1) degree granting undergraduate oriented secondary vocational education with a focus on subsequent undergraduate admission (以升讀可獲學歷證書的本科為導向的中專教育);
  - (2) higher diploma granting junior college oriented secondary vocational education with a focus on subsequent junior college admission (以升讀可獲高等文憑的大專為導向的中專教育); and
  - (3) formal general secondary vocational education (普通中專學歷教育).
- Anhui Xinhua School's general secondary vocational education programs mainly comprise 10 majors, including computer graphic design, e-commerce and computer applications (the "Relevant Majors"), which overlap with some of the courses offered by our Schools which also provide secondary vocational education.
- According to the 2018 annual report of China Xinhua Education published on April 29, 2019, and as confirmed by Mr. Wu Junbao as at December 31, 2018, there were 5,270 full-time students enrolled at Anhui Xinhua School, which included 1,272 full-time students enrolled in programs under the Relevant Majors, representing approximately 4.4% of the total full-time students enrolled at China Xinhua Education.
- Our Directors are of the view, and the board of directors (including the independent non-executive directors) of China Xinhua Education also confirm they concur with such view that the undergraduate oriented secondary vocational education and junior college oriented secondary vocational education provided by Anhui Xinhua School are adequately delineated from the vocational training education provided by our Group.
- Having regard to the facts and circumstances elaborated below, our Directors are further of the view, and the board of directors (including the independent non-executive directors) of China Xinhua Education confirm they concur with such view, that notwithstanding certain overlapping courses in the Relevant Majors provided by certain of our Schools and by Anhui Xinhua School, the general secondary vocational education provided by Anhui Xinhua School is adequately delineated from the vocational training education by our Group.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In particular, our Directors and the board of directors (including the independent non-executive directors) of China Xinhua Education have taken the following information into consideration when reaching the above view:

- While we are primarily engaged in the provision of vocational training education which is non-formal, as at December 31, 2018, 26 out of the 145 Schools we operate provide secondary vocational education in the fields of culinary arts, auto services, and information technology in the PRC. Of these 26 Schools, 17 are technical schools (技工學校) and nine are Schools providing specialized secondary vocational education (中專教育).
- The curriculum provided by our 17 technical schools (技工學校) consist of skill oriented vocational training courses which are designed according to the relevant regulations in the PRC, including the National Occupational Skill Standard (國家職業技能標準), the Technical Level Standard of Workers (工人技術等級標準) and the *National Directory of Professional Technical Colleges* (《全國技工院校專業目錄》), with the goal to provide our students trainings on practical and technical skills. The curriculum provided by Anhui Xinhua School provides more compulsory general education courses whose curriculum is designed according to the *Regular Secondary Specialized Professional Directory* (《普通中等專業學校專業目錄》). In addition, the operation of our 17 technical schools are subject to the approval from the relevant local authorities of MHRSS, while the operation of Anhui Xinhua School is subject to the approval from the relevant education department.
- Of the nine Schools we operate which provide specialized secondary vocational education services, only five Schools provide curriculum in the Relevant Majors (the “Five Relevant Schools”). The remaining four Schools offer only culinary arts courses which do not overlap with any curriculum offered by Anhui Xinhua School.

With respect to the Five Relevant Schools, our Directors and the directors (including the independent non-executive directors) of China Xinhua Education also considered there is adequate delineation after taken into consideration of the following:

	<u>The Five Relevant Schools</u>	<u>Relevant Majors in Anhui Xinhua School</u>
<b>Geographic locations</b> . . . . .	The Five Relevant Schools are located in Jiangxi province, Yunnan province, Henan province, Guizhou province and Gansu province, respectively	Anhui Xinhua School is located in Hefei, Anhui province
<b>Tuition fee charged</b> . . . . .	Three out of the Five Relevant Schools charge tuition fees that range from RMB11,800 — RMB23,190; one School charges tuition fees of RMB6,680; another School started operation in 2018 and charges tuition fees for 2018-2019 school year, that range from RMB12,600-RMB19,800	RMB5,200 — RMB7,600 for 2017-2018 school year; RMB4,000-RMB7,800 for 2018-2019 school year

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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	<u>The Five Relevant Schools</u>	<u>Relevant Majors in Anhui Xinhua School</u>
<b>Aims of students . . . . .</b>	Improve practical and technical skills in order to capture industry opportunities	Obtain official diplomas in order to enter into further study after graduation or as proof of academic background
<b>Course structure. . . . .</b>	More credits are allocated to courses related to skills and practice in addition to the compulsory general education courses under relevant regulations	Compulsory general education courses under relevant regulations and a few skill-based courses

The total revenue generated by the secondary vocational education provided by the Five Relevant Schools represented approximately 1.3%, 1.3% and 1.6% of our total revenue, for the three years ended December 31, 2016, 2017 and 2018. Based on the prospectus dated March 14, 2018 and the 2018 annual report published on April 29, 2019 of China Xinhua Education and as confirmed by Mr. Wu Junbao, it is estimated that the revenue generated by the Relevant Majors provided by the general secondary vocational education programs of Anhui Xinhua School represent less than 5% of the total revenue of China Xinhua Education for the three years ended December 31, 2016, 2017 and 2018.

The average students enrolled in the secondary vocational education provided by the Five Relevant Schools represent 2.3%, 2.3% and 3.1% of our average students enrolled, for the three years ended December 31, 2016, 2017 and 2018. Based on the prospectus dated March 14, 2018 and the 2018 annual report published on April 29, 2019 of China Xinhua Education and as confirmed by Mr. Wu Junbao, the student enrollment in the Relevant Majors provided by general secondary vocational education programs of Anhui Xinhua School represent approximately 6.4%, 5.1% and 4.4% of the total full time student enrollment of China Xinhua Education for the three school years of 2016-2017, 2017-2018 and 2018-2019.

Further to the abovementioned aspects where our businesses are delineated from formal higher education, middle school education and secondary vocational education, the management team of our Group is different from that of the formal higher education, secondary vocational education and formal middle school in which Mr. Wu Junbao is indirectly interested. To manage any potential conflicts of interests, our Group has in place the following arrangements: (i) Mr. Wu Junbao, together with others, has provided certain non-competition undertakings in favour of our Company, details of which are set out in the paragraph headed “Non-competition Undertaking of the Controlling Shareholders” in this section and in the paragraph headed “Structured Contracts — Arrangement to Address Potential Conflict of Interest”; and (ii) we have adopted adequate corporate governance measures, details of which are set out in the paragraph headed “Corporate Governance Measures” in this section.

Our Directors are further of the view, and the board of directors (including the independent non-executive directors) of China Xinhua Education confirm they concur with such view, that our Group is independent in all materials respects (including in areas of financial independence, operational independence and management independence) from China Xinhua Education and vice versa. Please refer to the paragraph headed “Independence from the Controlling Shareholders” in this section.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### NON-COMPETITION UNDERTAKING OF THE CONTROLLING SHAREHOLDERS

Our Controlling Shareholders, Mr. Wu Wei, Wu Wei Education, Mr. Xiao Guoqing and Xiao Guoqing Education (collectively as the “Undertaking Parties” and each as a “Undertaking Party”), have entered into the Deed of Non-competition on May 21, 2019 in favour of our Company, pursuant to which the Undertaking Parties have jointly and severally and irrevocably undertaken with our Company (for itself and for the benefit of its subsidiaries) that it or he would not, and would procure that its or his controlled entities (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on its or his own account or in conjunction with or on behalf of any person, company (enterprise or corporate entity), partnership or associate (whether of an economic nature), among other things, carry on, participate or be interested or engaged in or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of our Group (the “Restricted Business”) to the extent such competition would materially and adversely impact the operations and financial position or prospects of our Group.

The non-competition undertaking above does not apply to:

- (a). any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business which has first been offered or made available to our Company, and at the request of our Company, the offer should include: (i) terms of offer between our Company and such third party, or (ii) terms for our Company to engage in the Restricted Business with them and/or their associates, and our Company, after review and approval by our independent non-executive Directors, has declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third party or together with them and/or their associates, provided that the principal terms by which the Undertaking Party(ies) (or his/its relevant associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those disclosed to our Company; or
- (b). any interests in the shares of any member of our Group; or
- (c). interests in the shares of a company other than our Group which shares are listed on a recognized stock exchange provided that:
  - (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts; or
  - (ii) the total number of the shares held by the Undertaking Parties and/or their respective associates in aggregate does not exceed 5% of the issued shares of that class of that company and such Undertaking Parties and/or their respective associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by the Undertaking Parties and their respective associates in aggregate; and
  - (iii) the Undertaking Parties and/or their respective associates do not have the control over the board of such company; or
- (d). any business conducted by China Xinhua Education.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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The “restricted period” stated in the Deed of Non-competition refers to the period during which (i) the Shares remain listed on the Stock Exchange; (ii) in relation to each Undertaking Party, the relevant Undertaking Party or any of its/his associates still holds directly or indirectly an equity interest in our Company; and (iii) the Undertaking Parties and/or their respective associates jointly or severally are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company.

Under the Structured Contracts, Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing, as Registered Shareholders, and Mr. Ge Xiaoliang, as a school sponsor of Nanjing School, also provided certain non-competition undertakings in favour of our Company. See “Structured Contracts — Arrangement to Address Potential Conflict of Interest” for details of the non-competition undertaking provided under the Structured Contracts.

### INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that we are capable of carrying on our business independently from our Controlling Shareholders and its/his respective associates after completion of the Global Offering:

#### Management Independence

Our Board comprises two executive Directors, two non-executive Directors and three independent non-executive Directors. Only Mr. Wu Junbao, a Controlling Shareholder and non-executive Director of our Company, and Mr. Lu Zhen, a non-executive Director, are also acting as directors of China Xinhua Education since October 27, 2017.

Save as disclosed above, no other Controlling Shareholder holds any directorship in our Company. Each of our Directors is aware of his fiduciary duties as a director of our Company which requires, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent core management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders following the completion of the Global Offering.

#### Operational Independence

We have also established a set of internal control procedures to facilitate the effective operation of our business.

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and its or his respective associates. Our Directors confirmed that our Group will be able to operate independently from our Controlling Shareholders and their associates upon the Listing.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### Financial Independence

Our Group has its own internal control (including an audit supervision department), accounting and financial management system, and financial department. Our Group makes financial decisions according to our own business needs.

During the Track Record Period, there were certain amounts which were non-trade in nature due to one of our Controlling Shareholders. On December 31, 2015, our Group entered into a sales and purchase agreement with, among others, Mr. Wu Junbao, one of our Controlling Shareholders, to acquire the entire equity interest of certain schools, with an aggregate consideration of RMB209,000,000. The amounts were unsecured, interest-free and repayable on demand. See notes 22 to the Accountants' Report in Appendix I for further details. Such amounts due to the said Controlling Shareholder were fully settled in November 2018.

During the Track Record Period, we did not obtain any banking facilities. Our Directors have confirmed that our Group did not experience any difficulty in obtaining credit facilities or withdrawal of facilities during the Track Record Period and up to the Latest Practicable Date. To the best knowledge and belief of our Directors, we do not expect to have difficulties in obtaining banking facilities after the Listing. For this reason, our Directors confirm that our Group does not intend to obtain any borrowings, guarantees, pledges or mortgages from any of our Controlling Shareholders or entities controlled by our Controlling Shareholders.

Accordingly, we believe we are able to maintain financial independence from our Controlling Shareholders.

### Confirmation Given by Directors

Each Director confirms that he or she does not have any competing business with our Group.

### CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to avoid any conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

- (a) our independent non-executive Directors will review, on an annual basis, the compliance with the undertaking given by our Controlling Shareholders under the Structured Contracts and whether there are any conflicts of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority shareholders;
- (b) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the undertaking under the Structured Contracts;
- (c) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of our Controlling Shareholders under the Structured Contracts in the annual reports of our Company;
- (d) our Controlling Shareholders will make annual declarations on compliance with their undertaking under the Structured Contracts in the annual report of our Company;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (e) under the Articles, where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their respective associates has a material interests, the relevant Controlling Shareholders or associates will not vote on the relevant resolutions;
- (f) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of its associates, our Company will comply with the applicable Listing Rules;
- (g) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses;
- (h) our Directors will abstain from voting in proposals in which they have conflict of interests;
- (i) we have appointed Haitong International Capital Limited as compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (j) we have established our audit committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Code on Corporate Governance and Corporate Governance Report in Appendix 14 of the Listing Rules. All of the members of our audit committee including the chairman, are independent non-executive Directors.

## CONNECTED TRANSACTIONS

### 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 million) for the year ending December 31,		
				2019	2020	2021
<b>Exempt continuing connected transaction</b>						
1	Trademark License Agreements	14A.34, 14A.52, 14A.53, 14A.76	N/A	Nil	Nil	Nil
<b>Non-exempt continuing connected transactions</b>						
1	Service Agreements . .	14A.34, 14A.52, 14A.53	Requirements as to announcement	2.7	2.9	N/A
2	Tenancy Agreement . . .	14A.34, 14A.52, 14A.53	N/A	7.2	4.2	N/A
3	Structured Contracts . . . .	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 to 59 and 14A.71	Requirements as to announcement, circular, shareholders approval, annual cap, and terms not more than three years	N/A	N/A	N/A

### Exempt Continuing Connected Transactions

#### *Trademark License Agreements*

Xinhua Internet Technology Education has been using two trademarks (the “Trademarks”) for its marketing and operation for many years.

Trademarks	License No.	Trademark owner	Expiry Date
 新华教育 XINHUA EDUCATION	5393809	Xinhua Investment	May 6, 2021
 新华电脑教育 XINHUA COMPUTER EDUCATION	5393810	Xinhua Investment	May 6, 2021

Pursuant to the trademark license agreements (the “Trademark License Agreements”) entered into between Anhui Xinhua Education and Xinhua Investment dated March 5, 2018 and June 1, 2018, respectively, Xinhua Investment has agreed to grant to Anhui Xinhua Education a royalty-free license to use the Trademarks during the validity period of the Trademarks which will both end on May 6, 2021, meaning a remaining term of less than three years. Xinhua Investment confirmed that it will extend the validity period for the Trademarks before the expiry date of the same.



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## CONNECTED TRANSACTIONS

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We have entered into the Trademark License Agreements to maintain consistent brand image. Our Directors consider that the Trademark License Agreements are not crucial to our Group's business because of the following reasons:

- (i) While an operating license is a prerequisite to operate a school, there are no particular requirements on obtaining any trademarks for application of the same. Thus, we can operate our schools independently of the Trademark License Agreements which do not have any material implication on the valid existence of the Schools and their continued operations;
- (ii) Students apply to our Schools by reasons of our quality of teaching, employment prospects and our recruitment efforts instead of relying on the Trademarks. Furthermore, so far as Schools under Xinhua Internet Technology Education are concerned, since students are required to live on campus for prolonged periods throughout their studies, our Directors believe prospective students enroll in our courses soon after their inspection of our campuses instead of relying on the Trademarks; and
- (iii) We provide our education services and conduct marketing activities mainly under the names of our Schools. The names of our Schools are not dependent on the Trademark Licensing Agreements. In the unlikely event that we are not able to use the Trademarks, the names of our Schools will not be impacted and we will be able to register a new trademark for the same.

Thus, we confirm we can operate independently from our Controlling Shareholders.

### *Listing Rules Implications*

Xinhua Investment is controlled by Mr. Wu Junbao, our Controlling Shareholder, and therefore an associate of Mr. Wu Junbao and a connected person of our Company.

Pursuant to the Trademark License Agreements, Anhui Xinhua Education is entitled to use the Trademarks for free during the validity period of the Trademarks. As such, the connected transactions contemplated under the Trademark License Agreements constitute de minimis connected transactions under Rule 14A.76 of the Listing Rules and are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors are of the view that the transactions contemplated under the Trademark License Agreements are on normal commercial terms.

### *Historical Amount and Annual Caps*

Historically, no licensing fees were charged by Xinhua Investment for our use of the Trademarks. The annual cap for the each of the years ending December 31, 2019, 2020 and the five months ending May 2021 is nil, nil and nil, respectively.

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## CONNECTED TRANSACTIONS

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### Non-exempt Continuing Connected Transactions

#### (1) *Service Agreements*

Pursuant to the service agreements (the “Service Agreements”) dated March 8, 2018 entered into by Anhui Xinhua University\* (安徽新華學院) (“Xinhua University”) with each of Anhui New East Culinary Education Institute\* (安徽新東方烹飪專修學院) and Anhui Xinhua Computer Institute\* (安徽新華電腦專修學院) (the “Relevant Institutes”), each of the Relevant Institutes have agreed to assist Xinhua University in promoting its adult higher education program to students of the Relevant Institutes. In connection with such promotional effort, for those students who enrolled in our adult higher education program (the “Relevant Students”), each of the Relevant Institutes have also agreed to provide convenient teaching locations for the Relevant Students to attend some of the classes for such program. In consideration of the foregoing services, Xinhua University shall pay to the Relevant Institutes a service fee equivalent to 50% of the tuition fees of the Relevant Students. The Service Agreements are for a term with effect from March 26, 2018 to December 31, 2020, renewable for another three years unless terminated by either party by serving written notice to the other party within 30 days prior to expiry of the Service Agreements (subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions).

The Directors are of the view that the transactions contemplated under the Service Agreements are on normal commercial terms or terms more favorable to our Group.

#### *Listing Rules Implications*

The Relevant Institutes are our Schools. Xinhua University is controlled by Mr. Wu Junbao, our Controlling Shareholder, and therefore our associate of Mr. Wu Junbao and a connected person of our Company.

As the counterparty in each Service Agreement is Xinhua University, which is controlled by Mr. Wu Junbao, our Controlling Shareholder and therefore a connected person of our Company, we consider it appropriate to aggregate the service fees under the Service Agreements to calculate the applicable percentage ratios under Chapter 14 of the Listing Rules for the Service Agreements.

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

#### *Historical Amount and Proposed Annual Caps*

Historically, the service fees charged by the Relevant Institutes to Xinhua University for the years ended December 31, 2016, 2017 and 2018 was equivalent to 70%, 70% and approximately 54% of the tuition fees of the Relevant Students, respectively, and amounted to RMB2.7 million, RMB2.8 million and RMB2.4 million, respectively.

The annual cap for the Service Agreements for each of the years ending December 31, 2019 and 2020 is expected to be RMB2.7 million and RMB2.9 million, respectively.

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## CONNECTED TRANSACTIONS

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### *The Basis of the Annual Caps*

The annual caps are estimated based on the service fees payable as determined with reference to (i) agreed percentage of 50% of the tuition fees of the Relevant Students, at a lower level as compared with the historical tuition fee charged at the percentage of 70%, (ii) number of the Relevant Students enrolled in our adult higher education program in 2017 and 2018, who are generally expected to continue to study in our adult higher education program in 2019 and/or 2020 (as the case may be) until they graduate and we expect the total number of the Relevant Students who will enroll in our adult higher education program in 2019 to 2020 to slightly increase as compared to 2016 to 2018 based on the historical trend, and (iii) tuition fees as filed with the relevant authority.

### *Application for Waiver*

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

If any terms of the Service Agreements are altered or if our Company enters into any new agreements with any connected persons in the future, we will fully comply with the relevant requirements set out in Chapter 14A of the Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.

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

### *Views of our Directors and the Sole Sponsor*

Our Directors (including the independent non-executive Directors) are of the view, and based on the due diligence conducted in respect of such transactions with our Company, the Sole Sponsor concurs, that (i) the transactions contemplated under the Service Agreements have been and will be entered into in the ordinary and usual course of business, are on normal terms or better to our Group and are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) the proposed annual caps for the transactions contemplated under the Service Agreements are fair and reasonable and in the interests of the Shareholders as a whole.

## **(2) Tenancy Agreement**

On December 25, 2018, Anhui New East Culinary Institute, one of our PRC Consolidated Affiliated Entities and as the landlord, and the School of Clinical Medicine of Anhui Medical University\* (安徽醫科大學臨床醫學院) (the "School of Clinical Medicine"), as the tenant, entered into a tenancy agreement (the "Tenancy Agreement"), for leasing to the School of Clinical Medicine a premise located at Guanjing Road,

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## CONNECTED TRANSACTIONS

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Xiangshan Road, Professional Education Town, Yaohai District, Hefei, Anhui province, the PRC (the “Premise”), as the campus of the School of Clinical Medicine (the “Connected Lease”). Pursuant to the Tenancy Agreement, our Group will lease to the School of Clinical Medicine the Premise for a term from January 1, 2019 to July 31, 2020, at a monthly rental of RMB600,000. The Tenancy Agreement was entered into by us and the School of Clinical Medicine after taking into the consideration that (i) the Premise was not utilized by Anhui New East Culinary Institute as of the date of the Tenancy Agreement, (ii) leasing out the Premise is of economic benefit of our Group, and (iii) the principal business of the School of Clinical Medicine is also education.

### *Listing Rules Implications*

The composition of the majority of the board of directors of the School of Clinical Medicine is controlled by China Xinhua Education Group Limited, which is controlled by our Controlling Shareholder, Mr. Wu Junbao. Therefore, the School of Clinical Medicine is an associate of Mr. Wu Junbao and a connected person of our Company.

Based on the annual caps that have been proposed, we expect that the highest relevant percentage ratios in respect of the Connected Lease with connected persons will, on an annual basis, be more than 0.1% but less than 5%, and as such the Connected Lease will be exempt from the circular (including independent financial advice) and independent shareholders’ approval requirements and are subject to the annual review, reporting and announcement requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

### *Historical Amount and Proposed Annual Caps*

Pursuant to a tenancy agreement entered into between Anhui New East Culinary Education Institute and the School of Clinical Medicine dated November 16, 2018, the Premise was leased from us to the School of Clinical Medicine for a term from December 1, 2018 to December 31, 2018, at a monthly rental of RMB600,000.

The proposed annual caps for the maximum amount receivable for each of the year ending December 31, 2019 and for the seven months ending July 31, 2020 under the Connected Lease is expected to be RMB7.2 million and RMB4.2 million, respectively.

### *The Basis of the Annual Caps*

The annual caps are estimated based on the annual rental receivable by our Group under the Connected Lease. The rental payable under the Connected Leases were negotiated on arm’s length basis with reference to the prevailing market rental prices of comparable premises in the locality confirmed by an independent property valuer.

### *Application for Waiver*

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under the Listing Rules in respect of the transactions contemplated under the Tenancy Agreement, provided that the total value of transactions under the Tenancy Agreement for each of the year ending December 31, 2019 and the seven months ending July 31, 2020 will not exceed the relevant proposed annual caps set forth above. Apart from the announcement requirement for which waiver is sought, our Group will comply with the relevant requirements under Chapter 14A of the Listing Rules.

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## CONNECTED TRANSACTIONS

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If any terms of the Tenancy Agreement are altered or if our Company enters into any new agreements with any connected persons in the future, we will comply with the applicable requirements set out in Chapter 14A of the Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.

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

### *Views of our Directors and the Sole Sponsor*

Our Directors (including the independent non-executive Directors) are of the view, and based on the data and information provided by our Company and the valuation report issued by the independent property valuer, the Sole Sponsor concurs, that (i) the transactions contemplated under the Connected Lease have been and will be entered into in the ordinary and usual course of business, are on normal commercial terms or better to our Group and are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) the proposed annual caps for the transactions contemplated under the Connected Lease are fair and reasonable and in the interests of the Shareholders as a whole.

### **(3) Structured Contracts**

As disclosed in the paragraph headed “Structured Contracts — Background of the Structured Contracts” in this prospectus, relevant laws and regulations restrict the operation of vocational education and vocational training institutions to Sino-foreign cooperation ownership, in addition to imposing qualification requirements on the foreign owners. Further, it is expected that the possibility of government approval for establishing and operating a vocational education and vocational training institute in the PRC by way of Sino-foreign ownership in the foreseeable future is very low. As a result, our Group, through our wholly-owned subsidiary, the WFOE, our PRC Consolidated Affiliated Entities and other parties, have entered into the Structured Contracts such that we can conduct our business operations indirectly in the PRC through our PRC Consolidated Affiliated Entities while complying with applicable PRC law and regulations. The Structured Contracts, as a whole, are designed to provide our Group with effective control over the financial and operational policies of our PRC Consolidated Affiliated Entities, to the extent permitted by PRC law and regulations, the right to acquire the equity interest in and/or the assets of our PRC Consolidated Affiliated Entities and/or the school sponsors interest in Nanjing School after the Listing through the WFOE. As we operate our education business through our PRC Consolidated Affiliated Entities, which are controlled by their respective school sponsors and we do not hold any direct equity interest in our PRC Consolidated Affiliated Entities, the Structured Contracts were entered into on November 30, 2018 pursuant to which all material business activities of our PRC Consolidated Affiliated Entities are instructed and supervised by our Group, through the WFOE, and the relevant economic benefits arising from such business of the our PRC Consolidated Affiliated Entities are transferred to our Group.

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## CONNECTED TRANSACTIONS

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The Structured Contracts consist of a series of agreements, collectively, the exclusive management consultancy and business cooperation agreements, the exclusive call option agreements, the equity pledge agreement, the powers of attorney, the accounts receivable pledge agreement, the school sponsors' or capital contributors' rights entrustment agreement and the school sponsors' or capital contributors' powers of attorney, each of which is an integral part of the Structured Contracts. See "Structured Contracts" in this prospectus for details of these agreements.

### *Listing Rules Implications*

The table below sets forth the connected persons of our Company involved in the Structured Contracts and the nature of their connection with our Group. The transactions contemplated under the Structured Contracts, as a whole, constitute continuing connected transactions of our Company under the Listing Rules upon the Listing.

<u>Name</u>	<u>Connected Relationships</u>
Mr. Wu Junbao . . . .	a non-executive Director and a substantial shareholder of our Company, and therefore a connected person of our Company under the Listing Rules
Mr. Wu Wei . . . . .	an executive Director and a substantial shareholder of our Company, and therefore a connected person of our Company under the Listing Rules
Mr. Xiao Guoqing . .	an executive Director and a substantial shareholder of our Company, and therefore a connected person of our Company under the Listing Rules

Our Directors (including the independent non-executive Directors) are of the view that the Structured Contracts and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, 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 Consolidated Affiliated Entities and any member of our Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Structured Contracts, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders' approval requirements.

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## CONNECTED TRANSACTIONS

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### *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 our Structured Contracts to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

- (a) No change without independent non-executive Directors' approval

No change to the Structured Contracts will be made without the approval of the independent non-executive Directors.

- (b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Structured Contracts will be made without the approval of our Company's independent shareholders.

Once independent shareholders' approval of any change has been obtained, no further announcement or approval of the independent shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Structured Contracts in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

- (c) Economic benefits flexibility

The Structured Contracts shall continue to enable our Group to receive the economic benefits derived by our PRC Consolidated Affiliated Entities through (i) our Group's option, to the extent permitted under PRC laws and regulations, to acquire all or part of the equity or school sponsor's interest held by the Registered Shareholders and/or the school sponsors of Nanjing School, as the case may be, 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 Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to WFOE by our PRC Consolidated Affiliated Entities under the exclusive technical service and management consultancy agreements, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of our PRC Consolidated Affiliated Entities as appointed by the Registered Shareholders in our PRC Consolidated Affiliated Entities or by the school sponsors of Nanjing School, as the case may be.

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## CONNECTED TRANSACTIONS

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(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 Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Structured Contracts. The directors, chief executives or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Structured Contracts, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar Structured Contracts shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

Our Group will disclose details relating to the Structured Contracts on an ongoing basis as follows:

- The Structured Contracts in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Structured Contracts annually and confirm in our Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structured Contracts, have been operated so that the profit generated by our PRC Consolidated Affiliated Entities has been substantially retained by our Group, (ii) no dividends or other distributions have been made by our PRC Consolidated Affiliated Entities to the respective holders of equity or school sponsor's interest which are not otherwise subsequently assigned or transferred to our Group, and (iii) the Structured Contracts and if any, any new contracts entered into, renewed or reproduced between our Group and our PRC Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.
- Our Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Structured Contracts and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Structured Contracts and that no dividends or other distributions have been made by our PRC Consolidated Affiliated



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## CONNECTED TRANSACTIONS

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Entities to the respective holders of equity or school sponsor's interest which are not otherwise subsequently assigned or transferred to our Group.

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, each of our PRC Consolidated Affiliated Entities 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 Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Structured Contracts, will be subject to the requirements under Chapter 14A of the Listing Rules.
- Each of our PRC Consolidated Affiliated Entities will undertake that, for so long as our Shares are listed on the Stock Exchange, each of our PRC Consolidated Affiliated Entities will provide our Group’s management and our Company’s auditors’ full access to its relevant records for the purpose of our Company’s auditors’ review of the continuing connected transactions.

### *New Transactions amongst Our PRC Consolidated Affiliated Entities and Our Company*

Given that the financial results of our PRC Consolidated Affiliated Entities will be consolidated into our financial results and the relationship between our PRC Consolidated Affiliated Entities and our Company under the Structured Contracts, all agreements other than the Structured Contracts that may be entered into between each of our PRC Consolidated Affiliated Entities and our Company in the future will also be exempted from the “continuing connected transactions” provisions of the Listing Rules.

### *Views of our Directors and the Sole Sponsor*

Our Directors (including the independent non-executive Directors) are of the view and the Sole Sponsor concurs that the transactions contemplated under the Structured Contracts have been and will be entered into in the ordinary and usual course of business of our Group, are fundamental to our Group’s legal structure and business operations, are on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. With respect to the term of the relevant agreements underlying the Structured Contracts which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of our PRC Consolidated Affiliated Entities can be effectively controlled by the WFOE or its designee, (ii) the WFOE 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.

## DIRECTORS AND SENIOR MANAGEMENT

### OUR DIRECTORS AND SENIOR MANAGEMENT

Our Board is responsible for and has general power over the management and conduct of our business. As at the Latest Practicable Date, it consists of seven Directors. Two of them are executive Directors, two of them are non-executive Directors and three of them are independent non-executive Directors. The table below sets forth certain information regarding members of our Board:

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and responsibilities	Relationship with other Director(s) and the senior management
Mr. Wu Wei (吳偉) . . . . .	51	September 1999	October 4, 2018	Chairman and executive Director	In charge of overall management and strategic planning	Cousin of Mr. Wu Junbao and Mr. Xiao Guoqing
Mr. Xiao Guoqing (肖國慶) . . . . .	50	September 1999	November 25, 2018	Executive Director	Business management and providing opinion and judgement to our Board	Cousin of Mr. Wu Wei and Mr. Wu Junbao
Mr. Wu Junbao (吳俊保)	53	September, 1999	November 25, 2018	Non-executive Director	Providing opinion and judgment to our Board	Cousin of Mr. Wu Wei and Mr. Xiao Guoqing
Mr. Lu Zhen (陸真)	43	February 2009	November 25, 2018	Non-executive Director	Providing opinion and judgment to our Board	None
Mr. Hung Ka Hai, Clement (洪嘉禧)	63	November 25, 2018	November 25, 2018	Independent non-executive Director	Providing independent opinion and judgment to our Board	None
Mr. Cheung Tsun Yung, Thomas (張俊勇)	49	November 25, 2018	November 25, 2018	Independent non-executive Director	Providing independent opinion and judgment to our Board	None
Dr. Zhu Guobin (朱國斌)	57	November 25, 2018	November 25, 2018	Independent non-executive Director	Providing independent opinion and judgment to our Board	None

## DIRECTORS AND SENIOR MANAGEMENT

The table below sets forth certain information regarding senior management of our Company:

Name	Age	Date of joining our Group	Date of appointment as senior management	Position	Roles and responsibilities	Relationship with Director(s) and other senior management
Mr. Au Yeung Siu Kei (歐陽兆基)	43	January 28, 2019	November 26, 2018	Chief financial officer	In charge of financial management of the Company	None

### BOARD OF DIRECTORS

#### Executive Directors

**Mr. Wu Wei (吳偉)**, aged 51, a founder of our Group, was appointed as a Director of our Company on October 4, 2018 and was redesignated as an executive Director and the chairman of the Board on November 25, 2018. He is in charge of the overall management and strategic development of our Group.

Mr. Wu Wei has 30 years of experience in education. The following table shows the key working experience of Mr. Wu Wei:

Period	Company	Position	Roles and responsibilities
September 1999 to December 2008	Anhui Xinhua Group Investment Co., Ltd.* (安徽新華集團投資有限公司)	Vice chairman and vice general manager	Assisting chairman in strategic planning, overall management and operation, and improvement and implementation of corporate governance
March 2004 to February 2008	Anhui Xinhua Education	Vice chairman	In charge of providing opinion and judgment to the board of directors
February 2008 to December 2009	Anhui Xinhua Education	Chairman and general manager	In charge of strategic planning, overall management and operation, and formulation and improvement of business objectives
December 2009 to March 2018	Anhui Xinhua Education	Vice chairman	In charge of providing opinion and judgment to the board of directors
March 2018 to present	Anhui Xinhua Education	Chairman and president	In charge of strategic planning, overall management and operation, and formulation and improvement of business objectives

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Wu Wei obtained the qualification of senior economist granted by the Personnel Bureau of Hefei\* (合肥市人事局) in July 2004. Mr. Wu Wei has been a director of the board of directors of Beijing Foreign Studies Universities Since November 2017. He graduated from Tsinghua University School of Economics and Management (清華大學經濟管理學院) in Beijing, the PRC, with an executive master of business administration in July, 2009. Mr. Wu Wei has been a doctoral student of Tsinghua University School of Economics and Management, majoring in global executive management, since 2016.

Mr. Wu Wei did not hold any directorship in any listed companies during the last three years.

**Mr. Xiao Guoqing (肖國慶)**, aged 50, was appointed as an executive Director of our Company on November 25, 2018, and is responsible for business management and providing opinion and judgement to our Board.

Mr. Xiao Guoqing has more than 19 years of experience in education. The following table shows the key working experience of Mr. Xiao Guoqing:

Period	Company	Position	Roles and responsibilities
September 1999 to December 2008	Anhui Xinhua Group Investment Co., Ltd.* (安徽新華集團投資有限公司)	Vice chairman and vice general manager	Assisting chairman in strategic planning, overall management and operation, and improvement and implementation of corporate governance
March 2004 to February 2008	Anhui Xinhua Education	Chairman and general manager	In charge of overall management and operation, and formulation and improvement of business objectives
February 2008 to present	Anhui Xinhua Education	Vice chairman	In charge of providing opinion and judgement to the board of directors

Mr. Xiao Guoqing obtained the qualification of senior economist granted by the Personnel Bureau of Hefei City (合肥市人事局) in July 2004. He graduated from Renmin University of China (中國人民大學) in Beijing, the PRC with a degree of master of business administration in April 2004 and a degree of executive master of business administration in January 2009, and from Cheung Kong Graduate School of Business (長江商學院) with a degree of executive master of business administration in October 2012.

Save as disclosed above, and that Mr. Xiao Guoqing has been a director of Xin'an Financial Group Co., Ltd.\* (安徽新安金融集團有限公司), a company whose shares are listed on the National Equities Exchange and Quotations (stock code: 834397) since August 2014, Mr. Xiao Guoqing did not hold any directorship in any listed companies during the last three years.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Non-executive Directors

**Mr. Wu Junbao (吳俊保)**, aged 53, the founder of our Group, was appointed as a non-executive Director of our Company on November 25, 2018, responsible for providing opinion and judgment to our Board.

Mr. Wu Junbao has more than 30 years of experience in education. The following table shows the key working experience of Mr. Wu Junbao:

Period	Company	Position	Roles and responsibilities
September 1999 to present	Anhui Xinhua Group Investment Co., Ltd.* (安徽新華集團投資有限公司)	Chairman of the board of directors/general manager	In charge of strategic planning, overall management and operation, and improvement and implementation of the corporate governance
December 2009 to March 2018	Anhui Xinhua Education	Chairman of the board of directors/general manager	In charge of strategic planning, overall management and operation, and improvement and implementation of the corporate governance
March 2018 to present	Anhui Xinhua Education	Director	Providing opinion and judgment to the board of directors

Mr. Wu Junbao obtained the qualification of senior economist granted by the Personnel Bureau of Hefei City (合肥市人事局) in July 2004. He graduated from Anhui Institute of Business Administration\* (安徽工商管理學院) in Hefei, Anhui province, the PRC with a degree of master of business administration in December 2003.

Save as disclosed above, and that Mr. Wu Junbao has been the chairman of the board of directors and non-executive director of China Xinhua Education Group Limited (stock code: 2779) since October 2017, Mr. Wu Junbao did not hold any directorship in any listed companies during the last three years.

**Mr. Lu Zhen (陸真)**, aged 43, was appointed as a non-executive Director of our company on November 25, 2018, responsible for providing opinion and judgment to our Board.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Lu has more than 9 years of experience in education. The following table shows the key working experience of Mr. Lu:

Period	Company	Position	Roles and responsibilities
July 1999 to February 2005	Hefei Meiling Co., Ltd.* (合肥美菱股份 有限公司)	Business manager	In charge of business and operation and management, including overseeing the sales of products, staff training, logistic and warehouse management, and distributor and customer relationship management
February 2005 to February 2009	Hefei Meiling Home Appliances Industrial and Trading Co., Ltd.* (合肥美菱家電工貿 有限公司)	General manager for Anhui district	In charge of business management including overseeing the planning and performance of the sales targets and marketing strategies, sales team training and management, and account receivables and finance management
February 2009 to October 2014	Anhui Xinhua Education	Deputy head of business department/ principal of Shandong school/ general manager of business department	In charge of daily operation and management of the department and the school
October 2014 to present	Anhui Xinhua Group Investment Co., Ltd.* (安徽新華集團 投資有限公司)	Deputy principal/ executive deputy principal/ executive director/ assistant to the president/ vice president/ executive vice president	In charge of the management of Anhui Xinhua University* (安徽新華學院) and Anhui Xinhua School* (安徽新華學校) and the management of the group's finance and human resources departments

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Lu graduated from Zhengzhou Institute of Textile Engineering\* (鄭州紡織工學院), currently known as Zhongyuan University of Technology\* (中原工學院), in Zhengzhou, Henan province, the PRC, with a bachelor degree majoring in mechanical engineering in July 1999, and from Nanjing University (南京大學) in Nanjing, Jiangsu province, the PRC, with a degree of master of business administration in March 2009.

Save as disclosed above, and that Mr. Lu has been an executive director of China Xinhua Education Group Limited (stock code: 2779) since October 2017, Mr. Lu did not hold any directorship in any listed companies during the last three years.

### Independent non-executive Directors

**Mr. Hung Ka Hai, Clement (洪嘉禧)**, aged 63, was appointed as an independent non-executive Director of our Company on November 25, 2018.

The following table shows the key working experience of Mr. Hung:

Period	Company	Position	Roles and responsibilities
May 1985 to June 2016	Deloitte China	Office managing partner of Shenzhen & Guangzhou offices/member of the China management team of Deloitte China/southern audit leader and deputy managing partner of southern region of Deloitte China/chairman of Deloitte China/board member of Deloitte global	Overseeing the management and operation of Deloitte China
October 2016 to present	Gome Finance Technology Co., Ltd. (formerly known as Sino Credit Holdings Limited), a company whose shares are listed on the Stock Exchange (stock code: 628)	Independent non-executive director	Providing independent opinion and judgment

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## DIRECTORS AND SENIOR MANAGEMENT

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Period	Company	Position	Roles and responsibilities
March 2017 to present	SMI Holdings Group Limited, a company whose shares are listed on the Stock Exchange (stock code: 198)	Non-executive director	Providing opinion and judgment
June 2017 to September 30, 2018	LT Commercial Real Estate Limited, a company whose shares are listed on the Stock Exchange (stock code: 112)	Independent non-executive director	Providing independent opinion and judgment
June 2017 to present	High Fashion International Limited, a company whose shares are listed on the Stock Exchange (stock code: 608)	Non-executive director	Providing opinion and judgment
June 2017 to present	Sheng Ye Capital Limited, a company whose shares are listed on the Stock Exchange (stock code: 8469)	Independent non-executive director	Providing independent opinion and judgment
January 2018 to present	Zhong Chang International Holdings Group Limited (formerly known as Henry Group Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 859)	Independent non-executive director	Providing independent opinion and judgment

Mr. Hung has been an honorary member of Shenzhen Institute of Certified Public Accountants since 2004 and a member of the Chinese People's Political Consultative Conference of Luohu District, Shenzhen City in 2006. Mr. Hung has also been an expert consultant of the Ministry of Finance in the PRC since June 2016.

Save as disclosed above, Mr. Hung did not hold any directorship in any listed companies during the last three years.



## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Cheung Tsun Yung, Thomas (張俊勇)**, aged 49, was appointed as an independent non-executive Director of our Company on November 25, 2018.

The following table shows the key working experience of Mr. Cheung:

<b>Period</b>	<b>Company</b>	<b>Position</b>	<b>Roles and responsibilities</b>
December 1993 to present	Chinagrowth Group Limited formerly known as Cheung's Holdings Limited	Chief executive officer and director	Overall management of the Group
January 1, 2016 to December 31, 2018	City University of Hong Kong	Council member	Supervision of the management of the university

Mr. Cheung was a director of the following companies incorporated in Hong Kong and the PRC, which were dissolved (otherwise by a members' voluntary winding-up) during the period when he was a director:

<b>Name of the company</b>	<b>Nature of business</b>	<b>Date of dissolution</b>	<b>Methods of dissolution</b>	<b>Reasons</b>
Cornell Club of Hong Kong Limited	Non-profit organization	2010-01-08	Dissolved by Striking Off	Ceased operation
Derby Management Limited	Investment Holding	2001-08-24	Dissolved by Striking Off	Ceased business operation
Innomed Bioscience Group Limited	Operating biotechnology business	2009-08-07	Dissolved by Striking Off	Ceased business operation
Nam Kwong Investment Company Limited	Investment Holding	2003-01-10	Dissolved by Striking Off	Ceased business operation
SEM Marine And Offshore Equipment Company Limited	Sales of marine equipment	2016-10-21	Dissolved by Striking Off	Ceased business operation
Genelife Innovations Limited	Operating biotechnology business	2006-09-29	Dissolved by Striking Off	Ceased business operation
Chongqing Jiangjin Jinchaoyang City Pipe Network Construction Management* (重慶江津市金朝陽城市管網建設管理有限公司)	Operating construction project	N/A	Revoked	Ceased business operation as project was completed
Chongqing Jinchaoyang City Pipe Network Construction Management Co., Ltd.* (重慶金朝陽城市管網建設管理有限公司)	Operating construction project	N/A	Revoked	Ceased business operation as project was completed

## DIRECTORS AND SENIOR MANAGEMENT

Name of the company	Nature of business	Date of dissolution	Methods of dissolution	Reasons
Shaanxi Shengshi Famen Tourism Development Co., Ltd.* (陝西盛世法門旅遊發展有限公司)	Operating construction project	N/A	Revoked	Ceased business operation as project was completed
Wuyishan City Pipeline Construction Investment Co., Ltd.* (武夷山城市管道建設投資有限公司)	Operating construction project	—	Revoked, not yet deregistered	Ceased business operation as project was completed
Guangzhou Shengguo Property Management Co., Ltd.* (廣州盛國物業管理有限公司)	Operating construction project	—	Revoked, not yet deregistered	Ceased business operation as project was completed
Wuhan Shengguo Traffic Construction Development Co., Ltd.* (武漢盛國交通建設開發有限公司)	Operating construction project	—	Revoked, not yet deregistered	Ceased business operation as project was completed
Changchun Jinchao yang City Pipe Network Construction Investment Management Co., Ltd.* (長春金朝陽城市管網投資建設管理有限公司)	Operating construction project	—	Revoked, not yet deregistered	Ceased business operation as project was completed
Weinan City Pipe Network Construction Management Co., Ltd.* (渭南市城市管網建設管理有限公司)	Operating construction project	—	Revoked, not yet deregistered	Ceased business operation as project was completed

Mr. Cheung graduated from the University of Wisconsin at Madison, the U.S., with a bachelor degree of science in May 1991, and from Cornell University, the U.S., with a master degree of engineering in operations research and industrial engineering in May 1992. Mr. Cheung is a deputy to the 13th National People's Congress of the PRC since March 2018.

Mr. Cheung did not hold any directorship in any listed companies during the last three years.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Dr. Zhu Guobin** (朱國斌), aged 57, was appointed as an independent non-executive Director of our Company on November 25, 2018.

The following table shows the key working experience of Dr. Zhu:

<b>Period</b>	<b>Company</b>	<b>Position</b>	<b>Roles and responsibilities</b>
June 1995 to present	School of Law of City University of Hong Kong	Research Fellow/ Research Assistant Professor/Assistant Professor/Associate Professor/Professor	Teaching and academic research
January 2002 to December 2011/ December 2011 to present	Legal Education Trust Fund (currently known as The Legal Education Fund Limited)	Trustee/director	Management of the fund as trustee
January 2004 to December 2008	City University of Hong Kong	Director of external liaison and corporation office	In charge of maintenance of external relations and developing external cooperation
July 2010 to present	Hybrid Kinetic Group Limited, a company whose shares are listed on the Stock Exchange (stock code: 1188)	Non-executive director/ independent non-executive director	Providing opinion and judgment/ providing independent opinion and judgment
December 2015 to present	CityU Research (Shenzhen) Co. Ltd.	Supervisor	Supervising the operation of the company

Dr. Zhu obtained a bachelor's degree in history, a master's degree in history and a master's degree in law from Renmin University of China in July 1983, July 1986 and June 2007, a master of laws from the University of Hong Kong in December 1999, and a doctorate in law and an accreditation to supervise research (Diplôme d'Habilitation à Diriger des Recherches) from the University of Aix-Marseilles in France in June 1994. Dr. Zhu obtained a certificate in administrative engineering class from the National School of Administration (École Nationale d'Administration) in France from June 1989 to March 1990. Dr. Zhu was a visiting scholar of Harvard Law School, the U.S., from 2007 to 2008, and a visiting scholar of Columbia Law School, the U.S., in 2011.

Dr. Zhu is a guest professor of law in the Shandong University and Sichuan University in the PRC, an adjunct professor of law at the school of Law of Zhejiang University, Wuhan University and Qingdao University in the PRC, respectively. Dr. Zhu is a titular member of the International Academy of Comparative Law (Paris, France) a member of International Association of Constitutional Law, a member of the French Society of Comparative Legislation, a council member of the Chinese Association of Constitutional Law (中國憲法學研究會), a council member of the Chinese Society of Judicial Studies (中華司法研究會), a member of the Chinese Association of the Hong Kong & Macao Studies, and a member of the Association of Hong Kong Basic Law and Macao Basic Law.

Save as disclosed above, Dr. Zhu did not hold any directorship in any listed companies during the last three years.

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## DIRECTORS AND SENIOR MANAGEMENT

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### SENIOR MANAGEMENT

**Mr. Au Yeung Siu Kei (歐陽兆基)**, aged 43, was appointed as the chief financial officer of our Company on November 26, 2018, with effect from January 28, 2019, and is responsible for financial management of the Group.

Mr. Au Yeung has more than 18 years of experience in accounting and financial management. The following table shows the key working experience of Mr. Au Yeung:

Period	Company	Position	Roles and responsibilities
November 2000 to March 2010	Arthur Anderson Hong Kong/ PricewaterhouseCoopers Hong Kong Ltd.	Staff accountant/ senior associate/manager/ senior manager	Providing auditing and capital market consulting services
April 2010 to May 2011/September 2012 to December 2015	China Oriental Group Co., Ltd., a company whose shares are listed on the Stock Exchange (stock code: 0581)	Financial controller and company secretary	In charge of day-to-day management of finance and tax related matters and corporate governance
September 2011 to September 2012	Doxen Energy Group Limited (currently known as Doyen International Holdings Limited), a company whose shares are listed on the Stock Exchange (stock code: 668)	Financial controller	In charge of day-to-day management of finance and tax related matters and corporate governance

Mr. Au Yeung obtained from The Chinese University of Hong Kong a degree of bachelor of business administration in December 1998 and from the University of London, the United Kingdom, a degree of bachelor of laws in August 2014. Mr. Au Yeung became a member of The Association of Chartered Certified Accountants since July 2002, a fellow member of The Association of Chartered Certified Accountants since July 2007, an associate of The Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants (the "HKICPA")) since January 2003, a fellow member of the HKICPA since September 2012, and a certified public accountant of the HKICPA since May 2012.

Save as disclosed above, Mr. Au Yeung did not hold any directorship in any listed companies during the last three years.

### JOINT COMPANY SECRETARIES

**Mr. Mao Chaosheng (毛超聖)**, aged 39, was appointed as our joint company secretary with effect from November 26, 2018. Mr. Mao has over 16 years of experience in management of administrative matters and human resources relating to school operation, and has been working in the Group since August 2004, where his current position is the head of administration department and human resources department of the Group.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Ms. Leung Suet Wing (梁雪穎)** was appointed as our joint company secretary with effect from November 26, 2018. Ms. Leung is an assistant manager of the listing services department of TMF Hong Kong Limited and is responsible for providing company secretarial and compliance services. Ms. Leung is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom and holds a degree of master of science in professional accounting and corporate governance obtained from City University of Hong Kong in July 2016. She has over 7 years of experience in company secretarial management and compliance.

### BOARD COMMITTEES

#### Audit Committee

We established an audit committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system of our Group, oversee the audit process, risk management process and external audit functions. The audit committee consists of three members, namely, Mr. Hung Ka Hai, Clement, Dr. Zhu Guobin and Mr. Cheung Tsun Yung, Thomas. The chairman of the audit committee is Mr. Hung Ka Hai, Clement.

#### Remuneration Committee

We established a remuneration committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Board on our Company's policy and structure concerning the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, review and approve performance based remuneration by reference to corporate goals and objectives, to determine the terms of the specific remuneration package of each executive Director and senior management and to ensure none of our Directors determine their own remuneration. The remuneration committee consists of three members, namely Dr. Zhu Guobin, Mr. Xiao Guoqing and Mr. Hung Ka Hai, Clement. The chairman of the remuneration committee is Dr. Zhu Guobin.

#### 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 review our board diversity policy (the "Board Diversity Policy") and make recommendations to our Board on the appointment of members of our Board. The nomination committee consists of three members, namely, Mr. Wu Wei, Dr. Zhu Guobin and Mr. Hung Ka Hai, Clement. The chairman of the nomination committee is Mr. Wu Wei.

### REMUNERATION POLICY

For the three years ended December 31, 2016, 2017 and 2018, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was RMB229,000, RMB285,000 and RMB338,000, respectively.

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## DIRECTORS AND SENIOR MANAGEMENT

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For the three years ended December 31, 2016, 2017 and 2018, the aggregate of the remuneration paid and benefits in kind granted to the five highest paid individuals who are neither a director nor chief executive of our Group was RMB1,649,000, RMB1,713,000 and RMB4,832,000, respectively.

During the Track Record Period, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. None of our Directors had waived any remuneration during the Track Record Period.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending December 31, 2019 will be approximately HK\$1,470,000.

In order to incentivize our Directors, senior management and other employees for their contribution to the Group and to retain suitable personnel in our Group, we adopted the Pre-IPO Share Option Scheme on December 7, 2018. Please see “F. Pre-IPO Share Option Scheme and Share Option Scheme — 1. Pre-IPO Share Option Scheme” in Appendix V to this prospectus for further details.

Save as disclosed above, no other remuneration or emolument payments had 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 Company will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and the Listing Rules.

#### Board Diversity

We embrace the benefits of diversity in our Board and have adopted the Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity on our Board in order to enhance the effectiveness of our Board and to maintain the high standards of corporate governance. The Board Diversity Policy provides that our Company should endeavor to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, gender, age, cultural background, educational background and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. Our Board believes that such merit-based appointments will best enable our Company to serve the Shareholders and other stakeholders going forward. The existing members of the Board were appointed after taking into account the aforesaid factors. Nevertheless, in recognizing the particular importance of gender diversity, our Company confirm that our nomination committee will, within two years from the Listing Date, identify and recommend one female candidate to our Board for its consideration on her appointment as director of our Company.

The effective implementation of the Board Diversity Policy requires that our Shareholders are able to judge for themselves whether the Board as constituted is a reflection of diversity, or a gradual move to increased diversity, on a scale and at a speed which they support. To this end, our Shareholders will be provided with detailed information of each candidate for appointment or re-election to the Board through announcements and circulars published prior to general meetings of our Company.

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## DIRECTORS AND SENIOR MANAGEMENT

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Our nomination committee is delegated with the overall responsibility for implementation, monitoring and periodic review of the Board Diversity Policy to ensure its effectiveness and application. A summary of the Board Diversity Policy and the measurable objectives which our Board has set for implementing the same, and the progress on achieving those objectives, will be disclosed in the corporate governance reports of our Company annually.

### MANAGEMENT PRESENCE

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, see “Waivers from Strict Compliance with the Listing Rules and Exemption from Companies (WUMP) Ordinance — Management Presence” in this prospectus.

### COMPLIANCE ADVISER

Our Company has appointed Haitong International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company on the following matters:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (iii) where we propose to use the proceeds of the initial public offering in a manner different from that detailed in this prospectus or where our business activities, developments or results materially deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment of Haitong International Capital Limited will commence from (and including) the Listing Date and end on (and including) the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

## SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date and immediately following completion of the Capitalization Issue and the Global Offering (assuming no exercise of the Over-allotment Option or any options that may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), the following persons will have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<u>Name</u>	<u>Capacity/ Nature of interest</u>	<b>Immediately after the Global Offering and the Capitalization Issue<sup>(1)</sup></b>	
		<u>Number of Shares</u>	<u>Approximate percentage of shareholding in our Company</u>
Mr. Wu Junbao . . . . .	Interest in a controlled corporation	743,743,602	34.1323%
Wu Junbao Education . .	Beneficial owner	743,743,602	34.1323%
Mr. Wu Wei. . . . .	Interest in a controlled corporation	509,386,109	23.3771%
Wu Wei Education . . . .	Beneficial owner	509,386,109	23.3771%
Mr. Xiao Guoqing . . . . .	Interest in a controlled corporation	490,017,995	22.4882%
Xiao Guoqing Education . . . . .	Beneficial owner	490,017,995	22.4882%

*Note:*

(1) Assuming the Over-allotment Option is not exercised and no Shares are issued under the Pre-IPO Share Option Scheme or the Share Option Scheme.

Except as disclosed above, our Directors are not aware of any person who will, immediately following the Capitalization Issue and the Global Offering, have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.



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## SHARE CAPITAL

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### SHARE CAPITAL

The authorized and issued share capital of our Company is as follows:

<b>Authorized Share Capital:</b>	<i>(HK\$)</i>
3,800,000,000 Shares	380,000

Assuming no exercise of the Over-allotment Option or any options that may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering will be as follows:

<b>Issued Share Capital:</b>		<i>HK\$</i>	<b>Approximate percentage of issued share capital</b>
			<i>(%)</i>
1,000,030	Shares in issue as of the date of this prospectus	100.003	0.05
1,742,199,970	Shares to be issued under the Capitalization Issue	174,219.997	79.95
435,800,000	Shares to be issued under the Global Offering	43,580	20.00
<u>2,179,000,000</u>	Shares in total	<u>217,900</u>	<u>100.00</u>

Assuming the Over-allotment Option is exercised in full, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering will be as follows:

<b>Issued Share Capital:</b>		<i>HK\$</i>	<b>Approximate percentage of issued share capital</b>
			<i>(%)</i>
1,000,030	Shares in issue as of the date of this prospectus	100.003	0.0023
1,742,199,970	Shares to be issued under the Capitalization Issue	174,219.997	77.6676
501,170,000	Shares to be issued under the Global Offering	50,117	22.3301
<u>2,244,370,000</u>	Shares in total	<u>224,437</u>	<u>100.00</u>

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## SHARE CAPITAL

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*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 65,370,000 Shares will be issued upon the full exercise of the Over-allotment Option.

### **RANKING**

The Offer Shares are ordinary Shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this prospectus.

### **ALTERATIONS OF SHARE CAPITAL**

Our Company may from time to time by ordinary resolution or special resolution (as the case may be) of shareholders alter the share capital of our Company. For a summary of the provisions in the Article of Association regarding alterations of share capital, see “Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (iii) Alteration of Capital” in this prospectus.

### **PRE-IPO SHARE OPTION SCHEME**

We have adopted the Pre-IPO Share Option Scheme on December 7, 2018. Assuming full exercise of the outstanding options granted under the Pre-IPO Share Option Scheme, the shareholding of the Shareholders immediately following completion of the Capitalization Issue and the Global Offering (assuming no exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme) will be diluted by approximately 5.84% as calculated based on 2,314,244,720 Shares then in issue. Please see “F. Pre-IPO Share Option Scheme and Share Option Scheme — 1. Pre-IPO Share Option Scheme” in Appendix V to this prospectus for further details.

### **THE SHARE OPTION SCHEME**

We have conditionally adopted the Share Option Scheme on May 21, 2019. The principal terms of the Share Option Scheme are summarized in “F. Pre-IPO Share Option Scheme and Share Option Scheme — 2. Share Option Scheme” in this prospectus.

### **GENERAL MANDATE TO ISSUE SHARES**

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may 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.

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## SHARE CAPITAL

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This mandate will expire at the earliest of:

- (i) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or
- (iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Company's Shareholders in a general meeting.

Further details of this general mandate are set out in "Appendix V — Statutory and General Information — A. Further Information about Our Company — 4. Written resolutions of the then Shareholders passed on May 21, 2019" in this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue or to be issued immediately following the completion of the Capitalization Issue and the Global Offering (excluding any Shares which may be issued upon the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in "Appendix V — Statutory and General Information — A. Further information about our Company — 5. Repurchase of our Shares" in this prospectus.

This mandate will expire at the earliest of:

- (i) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or
- (iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Company's Shareholders in a general meeting.

For further details of this share repurchase mandate, see "Appendix V — Statutory and General Information — A. Further Information about Our Company — 4. Written resolutions of the then Shareholders passed on May 21, 2019" in this prospectus.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with HKFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future development, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the sections headed "Risk Factors" and "Forward-Looking Statements" in this prospectus.*

*For the purpose of this section, unless the context otherwise requires, references to 2016, 2017 and 2018 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.*

### OVERVIEW

We are the largest vocational training education provider in China with a market share of approximately 1.7% in terms of average students enrolled and revenue for the year ended December 31, 2017, according to the Frost & Sullivan Report. We have a leading position in China in providing vocational training education services in three industry sectors, namely, culinary arts, auto services, and information technology and internet technology, where we ranked first in each sector in terms of average students enrolled, according to the Frost & Sullivan Report. We also provide secondary vocational education services through 26 out of the 145 Schools we had as of December 31, 2018.

Headquartered in Hefei, Anhui province, we had established a nationwide school network consisting of Schools as of December 31, 2018, spanning 29 of the 31 provinces in mainland China and Hong Kong. We operate our business and establish our Schools under five school brands, namely, New East Culinary Education, Omick Education of Western Cuisine and Pastry, Wontone Automotive Education, Xinhua Internet Technology Education and Wisezone Data Technology Education. For the year ended December 31, 2018, our average students enrolled were 69,141, 3,106, 19,323, 31,023 and 1,364, respectively, under these school brands. As of December 31, 2018, we also operated 18 customized catering experience centers under Cuisine Academy.

We derive revenue primarily from (i) tuition fees collected by our Schools; (ii) service fees collected by Cuisine Academy; and (iii) fees for other ancillary services we provide, such as test preparation and training for professional certificate examinations. We generally require students of long-term programs to pay tuition fees in advance for the next 12 months and students of short-term programs to pay in advance all of the tuition fees for the programs they are enrolled in. We also require customers of Cuisine Academy to pay service fees in advance for the programs they are registered. Tuition and service fees are recognized proportionately over the relevant periods of the applicable programs (not exceeding one year).

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## FINANCIAL INFORMATION

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We experienced significant growth in our revenue, gross profit and our average students enrolled during the Track Record Period. Our revenue from continuing operations increased from RMB2,335.7 million for the year ended December 31, 2016 to RMB2,850.2 million for the year ended December 31, 2017, and further to RMB3,265.0 million for the year ended December 31, 2018, representing a CAGR of 18.2%. Our gross profit from continuing operations increased from RMB1,321.5 million for the year ended December 31, 2016 to RMB1,568.8 million for the year ended December 31, 2017, and further to RMB1,705.1 million for the year ended December 31, 2018, representing a CAGR of 13.7%. Our profit and total comprehensive income from continuing operations increased by 12.6% from RMB587.4 million for the year ended December 31, 2016 to RMB661.2 million for the year ended December 31, 2017. Our average students enrolled grew cumulatively from 105,095 for the year ended December 31, 2016 to 123,957 for the year ended December 31, 2018, representing a CAGR of 8.6%. Our profit and total comprehensive income from continuing operations decreased by 22.1% to RMB515.1 million for the year ended December 31, 2018, primarily due to a significant increase in our selling expenses to promote our brand name and facilitate the student recruitment of our newly established schools as well as a significant increase in our administrative expenses because we hired additional administrative staff and professional consultants to meet the needs of our expanded school network.

### **BASIS OF PRESENTATION**

Our Company was incorporated in the Cayman Islands on October 4, 2018 and registered as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company is an investment holding company. The principal activities of its subsidiaries are in the operation of vocational education institutions.

We are restricted by the relevant PRC laws and regulations from independently or jointly operating the vocational training education business. Our wholly-owned subsidiary, Xinhua Chuangzhi, has entered into the Structured Contracts with Anhui Xinhua Education and the relevant equity holders. The Structured Contracts enable Xinhua Chuangzhi to exercise effective control over Anhui Xinhua Education and obtain substantially all economic returns generated by Anhui Xinhua Education in consideration for the business support, technical and consulting services provided by our Group. Consequently, we regard Anhui Xinhua Education as an indirect subsidiary of our Group.

Pursuant to the Corporate Reorganization as more fully explained in the paragraph under “Corporate Reorganization” in the sections headed “History and Corporate Structure” and “Structured Contracts” in the prospectus, the Company became the holding company of the companies now comprising the Group on October 4, 2018. Since our Controlling Shareholders control all the companies now comprising the Group before and after the Corporate Reorganization, the Group comprising the Company and its subsidiaries is regarded as a continuing entity. The historical financial information for the Track Record Period has been prepared on the basis as if the Company had been the holding company of its subsidiaries since the beginning of the Track Record Period using the principle of merger accounting.

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## FINANCIAL INFORMATION

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### 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 Vocational Education in China**

Demand for private vocational education in China is a function of a number of factors, including the level of economic development and demographic changes. Our business has benefited from the growth of PRC economy and the increasing demand for private education in China. According to the Frost & Sullivan Report, as the PRC economy has continued to grow over the past five years, its real GDP has also increased at a fast pace. The per capita real GDP in China grew from RMB42,812.0 for 2013 to RMB54,829.4 for 2017 and is expected to reach RMB72,534.3 for 2022, representing a CAGR of 5.8% from 2017 to 2022. According to the Frost & Sullivan Report, the urban population in China is likely to grow due to the relaxation and termination of the “one-child policy” and the adoption of the universal “two-child policy,” which in turn will likely affect the demand for private vocational education in China. Due to the rapid economic development and the influx of migrant workers from rural areas into developed areas, urban population in China has been steadily increasing since the 1990s, according to the Frost & Sullivan Report. China’s urban population increased from 731.1 million in 2013 to 813.5 million in 2017, and is expected to further increase to 934.5 million by the end of 2022, according to the Frost & Sullivan Report. To address this shift in population distribution, the Central Committee of the Communist Party of China and the State Council promulgated the “National Plan on New Urbanization” (“國家新型城鎮化規劃(2014-2020年)”) in 2014 to encourage rural workforce to receive appropriate education, acquire technical skills and get employed as skilled workers.

#### *Information Technology and Internet Technology Industry*

The economic growth in relevant industries will likely increase the demand for private vocational education. According to the Frost & Sullivan Report, the revenue of China’s information technology and internet technology industry increased from RMB5,050.1 billion in 2013 to RMB8,337.8 billion in 2017, representing a CAGR of 13.4%; the employed population increased accordingly, rising from 6.9 million in 2013 to 8.8 million in 2017, representing a CAGR of 6.3%. As a result, the gap between the supply of and the demand for information technology and internet technology talents in China increased from 3.5 million in 2013 to 7.7 million in 2017, representing a CAGR of 21.8% from 2013 to 2017. With the rapid development of information technology and internet technology industry, information technology and internet technology training market also shows a positive growth trend. The demand for the information technology and internet technology talents is expected to continue to grow, thus driving the rapid development of information technology and internet technology training market. The revenue of the information technology and internet technology vocational training market has experienced rapid growth. From 2013 to 2017, the revenue of information technology and internet technology training market increased from RMB18.6 billion to RMB33.2 billion, representing a CAGR of 15.6%, and to RMB60.3 billion in 2022, realizing a CAGR of 12.7%.

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### *Catering Industry*

Additionally, according to the Frost & Sullivan Report, the revenue of China's catering industry increased from RMB2,636.8 billion in 2013 to RMB3,964.4 billion in 2017, representing a CAGR of 10.7%. With the prosperity of the catering industry, the supply and demand gap for skilled chefs in the catering industry is likely to grow from 2.2 million for 2017 to 3.1 million for 2022, representing a CAGR of 7.1%. Driven by the flourishing catering industry, government support as well as the attractive salary package of professional chefs, there are an increasing number of students enrolled in culinary vocational training programs. The total revenue of culinary vocational training market has experienced rapid growth. From 2013 to 2017, total revenue of catering training market increased from RMB2.4 billion to RMB4.0 billion, representing a CAGR of 13.6%, and then to RMB6.4 billion in 2022, representing a CAGR of 9.9%.

### *Auto Services Industry*

Furthermore, the employed population in auto services market in China has witnessed a rapid growth in last few years. The employed population increased from 3.0 million in 2013 to 4.4 million in 2017, representing a CAGR of 10.0% from 2013 to 2017. Going forward, the employed population market in China is forecasted to reach 6.8 million in 2022, which represents a CAGR of 8.9% from 2017 to 2022. Therefore, we anticipate the demand for private education in China, including private vocational education, to continue to increase. Accordingly, revenue generated by auto services vocational education in China increased from RMB1,140.0 million in 2013 to RMB2,104.5 million in 2017, representing a CAGR of 16.6%, according to the Frost & Sullivan Report.

The increase in economy and talent demands in relevant industries, together with the potential increase in PRC urban population, and the increasing PRC urban household income and wealth, has also played an important role in the increase in the demand for private vocational education in China.

### **Student Enrollment Levels**

Our revenue primarily depends on the number of students enrolled at our Schools and the level of tuition fees we charge. During the Track Record Period, the average students enrolled at our Schools increased from 105,095 for the year ended December 31, 2016 to 116,603 for the year ended December 31, 2017, and further to 123,957 for the year ended December 31, 2018. Our student enrollment largely depends on a number of factors, including, but not limited to, our Schools' reputation, which is primarily reflected by the quality of education we provide. We believe the educational philosophy of our Schools, the practical educational curriculums we offer, and our high employment rates help us attract students who seek high-quality private education as a pathway to their career success in the future. Moreover, the quality of our teachers is also a major factor, and will continue to play an important role in the future in the success of our Schools. Accordingly, we enforce stringent teacher selection criteria and maintain rigorous training programs for our newly hired and experienced teachers, as well as regular teacher evaluation processes to assess and improve their performance.

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## FINANCIAL INFORMATION

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### **Tuition Fees and Service Fees**

Our results of operations are affected by the level of tuition fees and service fees we are able to charge. We require students and customers to pay tuition fees and service fees in advance prior to the commencement of each new program. We generally require students of long-term programs to pay tuition fees in advance for the next 12 months and students of short-term programs to pay in advance all of the tuition fees for the program they are enrolled in. We also require customers of Cuisine Academy to pay service fees in advance for the programs they are registered. Tuition fees charged by Schools that offer long-term courses also cover boarding services, and students have the option to live on-campus in dormitories we provide. See “Business — Pricing Policy” in this prospectus. The tuition and service fees we charged are typically based on the demand for our programs, the cost of our operations, the geographic markets where we operate our Schools, the tuition and service fees charged by our competitors, our pricing strategy to gain market share and general economic conditions in China. During the Track Record Period, we raised tuition rates by optimizing our course offerings with more high-end courses with a high demand in the job market at a higher tuition rate. During the Track Record Period, our management department for each brand in our headquarters provides guidance on pricing range on an annual basis to adjust the tuition fee rates of the same program offered by our Schools. Each of our Schools or centers has discretion in determining the tuition rate and service fee rate for the current year which is subject to the approval of the respective management department in our headquarters. For our tuition and service fees information, see “Business — Pricing Policy”. As a private vocational education service provider, we are not required to obtain any approval from the government to raise tuition rates. We have full discretion in our own pricing policy as long as we give public notification prior to tuition rate increases. New tuition will only be applicable to newly admitted students and the tuition levels for existing students remain unchanged. While we successfully increased tuition rates at a substantial portion of our Schools during the Track Record Period, there is no guarantee that we will be able to continue to raise tuition rates in the future. See “Risk Factors — Risks Relating to Our Business and Our Industry — Our business and results of operations depend on the level of tuition or service fees we are able to charge and our ability to maintain and raise tuition or service fees” in this prospectus.

### **Ability to Control Operating Costs and Expenses**

Our profitability also depends, in part, on our ability to control our operating costs and expenses. For the years ended December 31, 2016, 2017 and 2018, our cost of revenue represented 43.4%, 45.0% and 47.8% of our total revenue, respectively. Our cost of revenue primarily consists of teaching staff salaries and benefits, student and teaching activity related costs, leasing expenses, campus maintenance and renovation expenses, depreciation and amortization, utilities and office expenses. Our teaching staff salaries and benefits consist of salaries and benefits for our teaching staff. Teaching staff salaries and benefits constitute 30.1%, 29.4% and 30.9% of our total cost of revenue for the years ended December 31, 2016, 2017 and 2018, respectively. Our teaching related consumables and other costs mainly consist of costs of raw materials for skill training, costs of teaching materials, and other costs in relation to our students. Student and teaching activity related costs constitute 28.0%, 27.2% and 24.0% of our total cost of revenue for the years ended December 31, 2016, 2017 and 2018, respectively.



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Furthermore, our operating expenses include two major components, namely, selling expenses and administrative expenses. For the years ended December 31, 2016, 2017 and 2018, the total amount of selling expenses and administrative expenses as a percentage of our total revenue from continuing operations was approximately 27.5%, 28.3% and 33.3% respectively. The percentage increased from 2017 to 2018 is primarily due to a significant increase in our selling expenses to promote our brand name and facilitate the student recruitment of our newly established schools as well as a significant increase in our administrative expenses because we hired additional administrative staff and professional consultants to meet the needs of our expanded school network. The operating expenses may continue to increase as we expand our business operations and become a public company. If we are unable to control our costs and expenses, our profitability may be materially and adversely affected.

### Expansion of School Network

Our business has experienced significant growth in recent years. The number of our Schools increased from 90 as of December 31, 2016 to 145 as of December 31, 2018. We plan to continue to expand our operations in cities which have a population of over five million in densely populated provinces such as Guangdong, Zhejiang, Jiangsu, Hunan, Hebei, Sichuan, Inner Mongolia and Heilongjiang, which we believe have significant unmet demand for skilled workers in culinary arts, auto services, and information technology and internet technology in China. Establishing new schools poses challenges and requires us to make investments in management, capital expenditures, marketing expenses and other resources. The average payback period and average breakeven period for our new schools range from three to four years and two to three years, respectively. See “Business — Our Business Strategies — Expand school and center net work domestically and internationally” for more details.

During the ramp-up period of a new school, we incur fixed costs relating to staff compensation, costs relating to student and teaching activities, rent, maintenance and renovation, depreciation and amortization, and other miscellaneous expenses, while our revenue is relatively limited because student enrollment numbers are usually low at the initial stage and it takes time to gradually increase the utilization rate of a new school. As a result, new schools negatively impact our overall profitability during their ramp-up periods.

### Preferential Tax Treatment

Our results of operations are affected by the preferential tax treatment we receive. During the Track Record Period, our subsidiaries are subject to the PRC EIT at the standard rate of 25%, except for those which were either exempted or entitled to different preferential tax rates pursuant to relevant PRC policies, laws, rules and regulations. Some of our subsidiaries are exempted from EIT according to the *Implementation Rules for the Law for Promoting Private Education*, which allows private schools for which the school sponsors do not require reasonable returns to enjoy the same preferential tax treatment as public schools. 31 subsidiaries are eligible to enjoy the 15% preferential tax rate because they are located in the western region of China pursuant to the “Western Region Development Plan” (西部大開發計劃) promulgated by the State Council of the PRC, or because they were recognized as “high and new technology enterprises” by relevant authorities.

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The discontinuation of any preferential tax treatment currently available to us would cause our effective tax rate to increase, which would increase our tax expenses and reduce our net profit. See “Risk Factors — Risks Relating to Conducting Business in China — The discontinuation of any preferential tax treatments currently available to us, in particular the tax exempt status of certain of our Schools, could materially and adversely affect our results of operations.” in this prospectus for details. In addition, our overseas school and future overseas expansion plan may subject us to tax obligations in foreign jurisdictions and potentially affect our results of operations.

### CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on our financial position and operating results. Some of the accounting policies require us to apply estimates and judgments on matters that are inherently uncertain. We have consistently applied the accounting policies issued by the HKICPA which are effective for the financial year beginning on January 1, 2018 throughout the Track Record Period. We have adopted HKFRS 9 “Financial Instruments” and HKFRS 15 “Revenue from Contracts with Customers” on a consistent basis throughout the Track Record Period. Our Directors are of the view that the HKFRS 9 and HKFRS 15 had no significant impact on the financial position and performance of our Group when compared to that of HKAS 39 “Financial Instruments: Recognition and Measurement” and HKAS 18 “Revenue”. Set forth below are discussions of the accounting policies applied in preparing our financial information that we believe are most dependent on the application of these estimates and judgments and, in addition, certain other accounting policies that we believe are material to an understanding of our financial information. For details of these critical accounting policies, judgements and estimates, and other significant accounting policies, judgements and estimates we applied in preparing our financial information, see Accountants’ Report of the Group in Appendix I to this prospectus.

#### Revenue Recognition

Revenue is recognized to reflect the transfer of promised services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for our services. We recognize revenue when (or as) a performance obligation is satisfied, i.e., when “control” of the services underlying the particular performance obligation representing tuition and ancillary services are transferred to the students.

Tuition and service fees are generally paid in advance at the beginning of each program, and are initially recorded as contract liabilities. Tuition and service fees are recognized over time with reference to the progress towards complete satisfaction of the relevant performance obligation regarding the applicable courses regardless of the length of the program. The portion of tuition and service fee payments received from students and customers but not earned is recorded as contract liabilities and is reflected as a current liability as such amounts represent revenue that we expect to earn within one year. We have tuition fee refund policies in place at our Schools for students who withdraw from our courses. See “Business — Pricing Policy — Student/Customer Withdrawal and Refund Policy” for details.

#### Property and Equipment

Property and equipment, including buildings, held for use in the production or supply of services or for administrative purposes (other than properties under construction as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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## FINANCIAL INFORMATION

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Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of items of property and equipment, other than construction in progress, less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. During the Track Record Period, we did not have any material write off.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

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## FINANCIAL INFORMATION

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

### **Government Grants**

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. See “— Key Components of Our Results of Operations — Continuing Operations — Other Income” in this section for details.

### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognized as an expense on a straight-line basis over the lease term.

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

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### RESULTS OF OPERATIONS

The following table presents our consolidated statements of profit or loss and other comprehensive income for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	(RMB'000)	(RMB'000)	(RMB'000)
<b>Continuing operations</b>			
<b>Revenue</b> . . . . .	2,335,730	2,850,165	3,264,964
Cost of revenue . . . . .	(1,014,265)	(1,281,339)	(1,559,856)
<b>Gross profit</b>	1,321,465	1,568,826	1,705,108
Other income . . . . .	21,578	34,403	61,827
Other gains and losses . . . . .	26,704	59,809	58,089
Selling expenses . . . . .	(363,889)	(456,926)	(648,032)
Administrative expenses . . . . .	(277,798)	(349,936)	437,863
Listing expenses . . . . .	—	—	(23,873)
Research and development expenses . . . . .	(8,403)	(24,021)	(28,252)
Profit before taxation . . . . .	719,657	832,155	687,004
Income tax expense . . . . .	(132,278)	(170,965)	(171,863)
<b>Profit and total comprehensive income for the year from continuing operations</b> . . . . .	<u>587,379</u>	<u>661,190</u>	<u>515,141</u>
<b>Discontinued operation</b>			
Loss and total comprehensive expense for the year from discontinued operation . . . . .	(21,901)	(19,569)	(5,048)
Profit and total comprehensive income for the year . . . . .	<u>565,478</u>	<u>641,621</u>	<u>510,093</u>
Profit (loss) and total comprehensive income (expenses) for the year attributable to owners of the Company			
— from continuing operations . . . . .	587,379	661,190	515,141
— from discontinued operation . . . . .	(21,901)	(19,569)	(5,048)
	<u>565,478</u>	<u>641,621</u>	<u>510,093</u>

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Our new Schools and centers generally incur significant fixed costs while their initial revenue is limited due to the relatively small number of student enrollment or customer registration in their ramp-up periods, which typically range from two to three years on average. Therefore, new Schools and centers generally have a negative impact on our gross profit, net profit and the relevant profit margins which may give the investors an inaccurate impression of the performance of our Schools and centers. In the table below, new Schools and centers in a period mainly represent Schools and centers that began to generate revenue for the first time during the period. The following table is presented because our management believes that such information will be helpful for investors to assess our performance and the profitability of our Schools and centers that had been in relatively stable operations for an extended period of time.

	Year ended December 31,		
	2016	2017	2018
	(RMB'000)	(RMB'000)	(RMB'000)
<b>Profit and total comprehensive income for the year from continuing operations . . . . .</b>	587,379	661,190	515,141
<b>Profit/(loss) in relation to new schools/centers:</b>			
Aggregate net profit/(loss) of new Schools/centers that commenced to generate revenue in 2015 <sup>(1)</sup> . . . .	(10,912)	5,864	11,431
Aggregate net profit/(loss) of new Schools/centers that commenced to generate revenue in 2016 <sup>(1)</sup> . . . .	(21,373)	(7,505)	(37,727)
Aggregate net profit/(loss) of new Schools/centers that commenced to generate revenue in 2017 <sup>(1)</sup> . . . .	—	(116,314)	(115,592)
Aggregate net profit/(loss) of Schools/centers that commenced to generate revenue in 2018 <sup>(1)</sup> . . . .	—	—	(81,324)

Note:

- (1) These new Schools disclosed in the above table does not take into account the 11 technical schools (技工學校) that commenced to generate revenue from 2015 to 2018 as they did not go through the initial ramp-up period ranging from six months to 18 months.

Our new Schools/centers that commenced to generate revenue in 2015 incurred net losses for 2016, began to generate a net profit for 2017 and their profitability continued to improve in 2018 compared with 2017. Our new Schools/centers that commenced operations in 2016 recorded a decrease in net loss for 2017 but had an increase in net losses for 2018 primarily because we opened 16 new Schools under our Wisezone brand in 2016 and the profitability of these Wisezone schools decreased between these periods. The growth rates of the fixed costs incurred by these new Schools were much higher than the growth rate of revenue during the Track Record Period. See “— Key Components of Our Results of Operations — Continuing Operations — Gross Profit and Gross Profit Margin” below for details.

## FINANCIAL INFORMATION

We had 32 Schools of New East Culinary Education, 19 Schools of Xinhua Internet Technology Education and 12 Schools of Wontone Automotive Education, which commenced operations before 2015. We did not operate any Schools or centers under Omick Education of Western Cuisine and Pastry, Wisezone Data Technology Education and Cuisine Academy before 2015. The following table sets forth a breakdown of the gross profit and gross profit margin of the Schools that commenced operations before 2015 by brand for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
		%		%		%
	<i>(RMB'000 except percentages)</i>					
<b>Gross profit from continuing operations</b>						
New East <sup>(1)</sup> . . . . .	746,735	57.3	914,188	60.2	855,830	55.7
Xinhua Internet <sup>(2)</sup> . . . . .	253,661	51.7	279,078	51.6	343,745	56.7
Wontone <sup>(3)</sup> . . . . .	184,456	52.9	190,269	51.5	198,159	53.1
<b>Total</b> . . . . .	<b>1,184,852</b>	<b>55.3</b>	<b>1,383,535</b>	<b>57.0</b>	<b>1,397,734</b>	<b>55.6</b>

*Notes:*

- (1) The gross profit margin of New East Culinary Education increased from 2016 to 2017 primarily because the operations of newly established Schools became mature after the initial ramp-up period, and decreased in 2018 primarily because the rent and amortisation of construction cost of certain Schools increased slightly but the revenue generated remained relatively stable.
- (2) The gross profit margin of Xinhua Internet Technology Education increased from 2017 to 2018 primarily due to increases in the average students enrolled and the tuition fee rates, which resulted in increases in our revenue while our cost of revenue remained relatively stable.
- (3) The gross profit margin of Wontone Automotive Education decreased from 2016 to 2017, primarily due to the growth of our new student enrollment slowed down but cost of revenue increased due to the expansion, and increased in 2018 primarily due to a decrease in cost of revenue and other expenses as we enhanced our cost control measures, including budget control measures and strengthened cost management at the group level.

## FINANCIAL INFORMATION

### KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

#### Continuing Operations

##### Revenue

During the Track Record Period, we derived revenue primarily from (i) tuition fees paid by students from each of our Schools, which include, as applicable, boarding services and test preparation and training services for professional certificate examinations; (ii) service fees collected by Cuisine Academy from customers; and (iii) fees for other ancillary services we provide, including staff outsourcing services and logistics management services. Generally, we require students of long-term programs to pay tuition fees in advance for the next 12 months and students of short-term programs to pay in advance all of the tuition fees for the programs they are enrolled in. We also require customers of Cuisine Academy to pay service fees in advance for the programs they are registered. For the years ended December 31, 2016, 2017 and 2018, we generated total revenue from continuing operations of RMB2,335.7 million, RMB2,850.2 million, and RMB3,265.0 million, respectively.

During the Track Record Period, we operated our business under five school brands, namely, New East Culinary Education, Xinhua Internet Technology Education, Wontone Automotive Education, Omick Education of Western Cuisine and Pastry and Wisezone Data Technology Education. We also offered customized catering experience services through Cuisine Academy. The following table sets forth a breakdown of our revenue from continuing operations by business segment for the periods indicated:

	Year ended December 31,					
	2016		2017		2018	
	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total
	<i>(RMB'000 except percentages)</i>					
<b>Revenue from continuing operations</b>						
New East	1,432,112	61.3	1,738,743	61.0	1,900,126	58.2
Xinhua Internet	480,533	20.6	542,249	19.0	604,413	18.5
Wontone	354,256	15.2	419,347	14.7	444,305	13.6
Omick	—	—	74,838	2.6	213,256	6.5
Wisezone	53,188	2.3	64,139	2.3	70,076	2.2
Cuisine Academy	—	—	333	—	20,797	0.6
Other Miscellaneous Businesses <sup>(1)</sup>	15,641	0.6	10,516	0.4	11,991	0.4
<b>Total<sup>(2)</sup></b>	<b>2,335,730</b>	<b>100</b>	<b>2,850,165</b>	<b>100</b>	<b>3,264,964</b>	<b>100</b>

*Notes:*

- (1) Other miscellaneous businesses primarily include revenue from the internet technology solution and staff outsourcing services provided by Langjie Technology to Independent Third Parties.
- (2) The total revenue and percentages do not include inter-segment sales which are eliminated upon consolidation.



## FINANCIAL INFORMATION

The following table sets forth a breakdown of our revenue from continuing operations by source for the periods indicated:

	Year ended December 31,					
	2016		2017		2018	
	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total
	<i>(RMB'000 except percentages)</i>					
<b>Revenue from continuing operations</b>						
Tuition fees and service fees <sup>(1)</sup> . . . . .	2,320,089	99.3	2,839,649	99.6	3,252,973	99.6
Other miscellaneous businesses <sup>(2)</sup> . . . . .	15,641	0.7	10,516	0.4	11,991	0.4
<b>Total</b> . . . . .	<b>2,335,730</b>	<b>100</b>	<b>2,850,165</b>	<b>100</b>	<b>3,264,964</b>	<b>100</b>

*Notes:*

- (1) Tuition fees are primarily generated from our vocational education services. Service fees are mainly generated from customized catering experience services offered by Cuisine Academy.
- (2) Other miscellaneous businesses primarily include revenue from the internet technology solution and staff outsourcing services provided by Langjie Technology to Independent Third Parties.

The following table sets forth the new student enrollments in our long-term programs and short-term programs under each brand for the years ended December 31, 2016, 2017 and 2018:

Segments and Brands	New Student Enrollment <sup>(1)</sup>	Year ended December 31,		
		2016	2017	2018
<b>CULINARY ARTS</b>				
New East . . . . .	Long-term	38,645	40,929	35,939
	— One to less than two years	9,350	8,669	7,274
	— Two to less than three years	27,001	28,725	23,310
	— Three years	2,294	3,535	5,355
	Short-term <sup>(2)</sup>	26,661	31,013	35,396
	<b>Subtotal</b>	<b>65,306</b>	<b>71,942</b>	<b>71,335</b>
Omick . . . . .	Short-term <sup>(2)</sup>	—	2,788	9,180
	<b>Subtotal</b>	<b>—</b>	<b>2,788</b>	<b>9,180</b>

## FINANCIAL INFORMATION

Segments and Brands	New Student Enrollment <sup>(1)</sup>	Year ended December 31,		
		2016	2017	2018
<b>INFORMATION</b>				
<b>TECHNOLOGY AND</b>				
<b>INTERNET</b>				
<b>TECHNOLOGY</b>				
Xinhua Internet . . . . .	Long-Term	14,409	15,815	21,380
	— One to less than two years	633	1,103	1,203
	— Two to less than three years	8,664	8,203	11,604
	— Three years	5,112	6,509	9,113
	Short-term <sup>(2)</sup>	2,834	3,554	3,035
	<b>Subtotal</b>	<b>17,243</b>	<b>19,369</b>	<b>24,415</b>
Wiszone . . . . .	Short-term <sup>(2)</sup>	3,465	3,573	4,558
	<b>Subtotal</b>	<b>3,465</b>	<b>3,573</b>	<b>4,558</b>
<b>AUTO SERVICES</b>				
Wontone . . . . .	Long-term	9,805	9,685	11,780
	— One to less than two years	2,436	2,340	2,291
	— Two to less than three years	5,179	5,254	5,604
	— Three years	2,190	2,091	3,885
	Short-term <sup>(2)</sup>	4,644	6,518	8,483
	<b>Subtotal</b>	<b>14,449</b>	<b>16,203</b>	<b>20,263</b>
<b>Total</b> . . . . .	Long-Term	62,859	66,429	69,099
	— One to less than two years	12,419	12,112	10,768
	— Two to less than three years	40,844	42,182	39,978
	— Three years	9,596	12,135	18,353
	Short-term <sup>(2)</sup>	37,604	47,446	60,652
	<b>Total</b>	<b>100,463</b>	<b>113,875</b>	<b>129,751</b>
<b>Cuisine Academy</b> <sup>(2)</sup> . . . .	Number of new customers	—	146	5,778

*Notes:*

(1) New student enrollment represents the total number of students newly enrolled at our operating schools during the period indicated. We use new student enrollment to assess our ability of student recruitment and the popularity of our programs.

(2) We commenced operations of Cuisine Academy in 2017. Number of new customers represent the total number of new customers attending our customized catering experience programs of Cuisine Academy during the period indicated.

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For the year ended December 31, 2018, 5,778 new customers, respectively, participated in the customized catering experience centers under Cuisine Academy.

The following table sets forth the average students enrolled in our long-term programs and short-term programs for the years indicated:

<u>Segments and Brands</u>	<u>Average Students Enrolled<sup>(1)</sup></u>	<u>Year ended December 31,</u>		
		<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>CULINARY ARTS</u></b>				
New East . . . . .	Long-term	54,846	64,549	64,376
	— One to less than two years	9,210	9,252	7,596
	— Two to less than three years	43,670	51,609	50,496
	— Three years	1,966	3,688	6,284
	Short-term <sup>(2)</sup>	7,276	6,631	4,765
	<b>Subtotal</b>	<b>62,122</b>	<b>71,180</b>	<b>69,141<sup>(3)</sup></b>
Omick . . . . .	Short-term <sup>(2)</sup>	—	1,114	3,106
	<b>Subtotal</b>	<b>—</b>	<b>1,114</b>	<b>3,106</b>
<b><u>INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY</u></b>				
Xinhua Internet . . . . .	Long-term	22,798	24,234	30,356
	— One to less than two years	809	950	1,189
	— Two to less than three years	15,624	14,840	16,087
	— Three years	6,365	8,444	13,080
	Short-term <sup>(2)</sup>	966	747	667
	<b>Subtotal</b>	<b>23,764</b>	<b>24,981</b>	<b>31,023</b>
Wisezone . . . . .	Short-term <sup>(2)</sup>	1,138	1,165	1,364
	<b>Subtotal</b>	<b>1,138</b>	<b>1,165</b>	<b>1,364</b>

## FINANCIAL INFORMATION

Segments and Brands	Average Students Enrolled <sup>(1)</sup>	Year ended December 31,		
		2016	2017	2018
<b><u>AUTO SERVICES</u></b>				
Wontone . . . . .	Long-term	16,693	16,347	17,511
	— One to less than two years	2,802	2,241	2,653
	— Two to less than three years	10,748	10,169	10,055
	— Three years	3,143	3,937	4,803
	Short-term <sup>(2)</sup>	1,378	1,753	1,812
	<b>Subtotal</b>	<b>18,071</b>	<b>18,100</b>	<b>19,323</b>
<b>Total</b> . . . . .	Long-term	94,337	105,130	112,243
	— One to less than two years	12,821	12,443	11,438
	— Two to less than three years	70,042	76,618	76,638
	— Three years	11,474	16,069	24,167
	Short-term <sup>(2)</sup>	10,758	11,410	11,714
	<b>Total</b>	<b>105,095</b>	<b>116,540</b>	<b>123,957</b>
<b>Cuisine Academy</b> . . . . .	Average number of customers registered <sup>(3)</sup>	—	63	577

*Note:*

- (1) As our Schools provide various vocational training education programs during a year and the course length and commencement of our long-term and short-term programs are different, we believe that the average students enrolled is a measure that is comparable to that of our competitors and therefore can more fairly present our ranking and market position in the industry. Our average students enrolled for a year is only an approximation, representing the sum of the number of students enrolled at our operating Schools at the end of each month divided by the number of months during such period, without taking into account any transfer or withdrawal.
- (2) The average students enrolled of short-term programs include students enrolled in programs shorter than one month which are regarded as one-month programs for the calculation.
- (3) The average students enrolled under New East Culinary Education decreased from 71,180 for the year ended December 31, 2017 to 69,141 for the year ended December 31, 2018 is primarily due to a decrease in average students enrolled of short-term programs. For the decrease in short-term programs, it was because the number of students enrolled of short-term programs longer than three months decreased.
- (4) Our average number of customers registered for a year represents the sum of the number of customers registered at Cuisine Academy at the end of each month divided by the number of months during such period, without taking into account any withdrawal.

For the year ended December 31, 2018, we had an average of 577 customers participating in the customized catering experience centers under Cuisine Academy.

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Due to the different income and consumption levels in different areas of China, the tuition fee rates and service fee rates we charge vary across geographical markets. The following table sets forth ranges of our tuition fee rates under each school brand and service fee rates of Cuisine Academy for the years indicated:

Segments and Brands	Tuition/Service fees			
	2016 <sup>(1)</sup>	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>	
<i>(RMB per year for long-term program, RMB per program for short-term program/program in Cuisine Academy, unless otherwise indicated)</i>				
<b><u>CULINARY ARTS</u></b>				
New East. . . . .	<b>Long-term</b> <b>Short-term<sup>(2)</sup></b>	10,400-34,500 1,200-18,100	11,400-36,800 1,200-58,000 <sup>(3)</sup>	5,600-76,000 800-58,000 <sup>(3)</sup>
Omick. . . . .	<b>Short-term<sup>(2)</sup></b>	—	9,000-47,000	5,000-50,000
<b><u>INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY</u></b>				
Xinhua Internet . . . . .	<b>Long-term</b> <b>Short-term<sup>(2)</sup></b>	5,980-35,800 1,900-22,590	6,680-39,800 800-28,800	6,680-37,800 <sup>(4)</sup> 800-29,300
Wiszone . . . . .	<b>Short-term<sup>(2)</sup></b>	2,000-14,800	2,000-29,800	999-26,800
<b><u>AUTO SERVICES</u></b>				
Wontone . . . . .	<b>Long-term</b> <b>Short-term<sup>(2)</sup></b>	12,800-36,800 680-32,600	6,680-38,500 680-37,400	4,800-38,500 800-37,400
Cuisine Academy <sup>(4)</sup> . . . . .	<b>Customized catering experience program</b>	—	360-16,000	1,980-18,800

*Notes:*

- (1) We charge tuition fees to students enrolled at our schools. Tuition fees of our long-term programs are charged based on the yearly tuition standards of different programs that students enrolled in such year.
- (2) Tuition fees of our short-term programs are charged by each program that students enrolled in.
- (3) Tuition fees of our HK New Oriental generally ranged from HKD500 to HKD27,500 in 2017 and from HKD580 to HKD28,500 in 2018.
- (4) The high-end of the tuition fee we charged for the long-term programs of Xinhua Internet decreased from RMB39,800 in 2017 to RMB37,800 in 2018 mainly because we ceased to offer the course which charged RMB39,800 per year in 2018.
- (5) We charge customers service fees by each program they registered in Cuisine Academy.

## FINANCIAL INFORMATION

### **Cost of Revenue**

Our cost of revenue consists of teaching staff salaries and benefits, teaching related consumables and other costs, leasing expenses, campus maintenance and depreciation, utilities and office expenses. Teaching staff salary and benefits consist of salaries and benefits for our teaching staff. Teaching related consumables and other costs primarily consist of costs of raw materials for skills training, costs of teaching materials, and other costs in relation to our students. Leasing expenses primarily consist of rental fees we pay to rent the premises of our Schools. Campus maintenance and depreciation primarily consist of expenses we incur for the maintenance and renovation of our school campuses and facilities as well as depreciation and amortization for our school facilities and teaching equipment. Utilities represent the utility costs incurred by our Schools. Office expenses primarily consisted of office equipment expenses, meeting expenses and other office overhead costs. Our cost of revenue was RMB1,014.3 million, RMB1,281.3 million and RMB1,559.9 million for the years ended December 31, 2016, 2017 and 2018, respectively.

The following table sets forth a breakdown of our cost of revenue for the periods indicated:

	Year ended December 31,					
	2016		2017		2018	
	Cost	% of Total	Cost	% of Total	Cost	% of Total
	<i>(RMB'000 except percentages)</i>					
Teaching staff salaries and benefits . . . . .	305,784	30.1	376,417	29.4	481,354	30.9
Teaching related consumables and other costs . . . . .	283,679	28.0	348,354	27.2	374,495	24.0
Leasing expenses . . . . .	158,268	15.6	217,042	16.9	274,154	17.6
Campus maintenance and depreciation . . . . .	178,500	17.6	239,728	18.7	317,866	20.4
Utilities . . . . .	40,788	4.0	52,300	4.1	71,523	4.6
Office expenses . . . . .	47,246	4.7	47,498	3.7	40,464	2.5
<b>Total</b> . . . . .	<b>1,014,265</b>	<b>100.0</b>	<b>1,281,339</b>	<b>100.0</b>	<b>1,559,856</b>	<b>100.0</b>

### **Sensitivity Analysis**

The following table sets out a sensitivity analysis of: (i) the effect of the fluctuations of tuition fees and service fees during the Track Record Period, and (ii) the effect of the fluctuations of our teaching staff salaries and benefits during the Track Record Period, assuming no change of depreciation and amortization or any other costs. The sensitivity analysis involving tuition fees, service fees, teaching staff salaries and benefits 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 revenue from

## FINANCIAL INFORMATION

tuition fees, service fees, teaching staff salaries and benefits. While none of the hypothetical fluctuation ratios applied in the sensitivity analysis equals the historical fluctuations of the tuition, service fees, teaching related costs, we believe that the application of hypothetical fluctuations of 5% and 10% in the tuition and service fees income and teaching staff costs presents a meaningful analysis of the potential impact of changes in the tuition, service fees, teaching staff salaries and benefits on our revenue and profitability.

	Year ended December 31,		
	2016	2017	2018
	<i>(RMB'000)</i>		
<b>Tuition and service fees income (decrease)/increase</b>	<b>Impact on our profit for the year</b>		
(10)% .....	(232,009)	(283,965)	(325,297)
(5)% .....	(116,004)	(141,982)	(162,649)
5% .....	116,004	141,982	162,649
10% .....	232,009	283,965	325,297
 <b>Teaching staff salaries and benefits (decrease)/increase</b>	 <b>Impact on our profit for the year</b>		
(10)% .....	30,578	37,642	48,135
(5)% .....	15,289	18,821	24,068
5% .....	(15,289)	(18,821)	(24,068)
10% .....	(30,578)	(37,642)	(48,135)

### **Gross Profit and Gross Profit Margin**

Gross profit represents our revenue less cost of revenue. Our gross profit margin represents our gross profit as a percentage of our revenue. For the years ended December 31, 2016, 2017 and 2018, our gross profit was RMB1,321.5 million, RMB1,568.8 million, and RMB1,705.1 million, respectively, and our gross profit margin was 56.6%, 55.0% and 52.2%, respectively. Our gross profit margin decreased from 56.6% for the year ended December 31, 2016 to 55.0% for the year ended December 31, 2017 and further to 52.2% for the year ended December 31, 2018 as we operated 36 new Schools and six centers for the year ended December 31, 2017 and 19 new Schools and 12 new centers for the year ended December 31, 2018. Generally, the establishment of new schools has a negative impact on our gross profit margin. During the initial ramp-up period after a new school commences operations, we incur substantial fixed costs for teaching staff salaries and benefits, leasing expenses, and other fixed costs while initial revenue from the new school is limited due to the relatively small beginning number of student enrollment.

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The table below sets forth a breakdown of our gross profit and gross profit margin by brand for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>(RMB'000 except percentages)</i>					
<b>Continuing operations</b>						
New East . . . . .	826,305	57.7%	1,029,223	59.2%	1,073,709	56.5%
Xinhua Internet . . . . .	266,272	55.4%	302,337	55.8%	362,584	60.0%
Wontone . . . . .	197,890	55.9%	216,611	51.7%	197,652	44.5%
Omick . . . . .	—	—	5,890	7.9%	73,354	34.4%
Wisezone . . . . .	22,390	42.1%	13,342	20.8%	3,297	4.7%
Cuisine						
Academy . . . . .	—	—	(2,664)	-800.0%	(10,257)	-49.3%
Other Miscellaneous						
Businesses <sup>(1)</sup> . . . . .	8,608	55.0%	4,087	38.9%	4,769	39.8%
<b>Total</b> . . . . .	<b>1,321,465</b>	<b>56.6%</b>	<b>1,568,826</b>	<b>55.0%</b>	<b>1,705,108</b>	<b>52.2%</b>

(1) Other miscellaneous businesses primarily include gross profit derived from the internet technology solution and staff outsourcing services provided by Langjie Technology to Independent Third Parties.

New East Culinary Education's gross profit margin increased from 57.7% in 2016 to 59.2% in 2017 because the growth in its revenue outpaced the increase in its cost of revenue due to the improvement of its operational efficiency. New East Culinary Education's gross profit margin decreased from 59.2% for 2017 to 56.5% for 2018 primarily because in addition to the five newly established Schools that commenced operations in 2017, four newly established Schools in this segment began operations in 2018 and negatively impacted the gross profit margin.

Xinhua Internet Technology Education's gross profit margin remained relatively stable from 2016 to 2017 because its Schools generally have relatively long operating histories and stable results of operations. Xinhua Internet Technology Education's gross profit margin increased from 55.8% for 2017 to 60.0% for 2018 primarily because the average students enrolled increase from 24,981 for the year ended December 31, 2017 to 31,023 for the year ended December 31, 2018.



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Wontone Automotive Education's gross profit margin decreased from 55.9% for 2016 to 51.7% for 2017 primarily because in 2017 eight newly established Schools in this segment began operations and negatively impacted the gross profit margin in 2017. Wontone Automotive Education's gross profit margin decreased from 51.7% for 2017 to 44.5% for 2018 primarily because in addition to the eight newly established Schools that commenced operations in 2017, four newly established Schools in this segment began operations in 2018 and negatively impacted the gross profit margin for the relevant period in 2018.

Omick Education of Western Cuisine and Pastry's gross profit margin increased from 7.9% for 2017 to 34.4% for 2018 primarily because of the increase of average students enrolled as a result of the commencement of operations of new Schools and more investment in advertisement for this brand.

Wisezone Data Technology Education's gross profit margin fluctuated during the Track Record Period because this business segment was still evolving and had limited operational record and brand awareness. Wisezone Data Technology Education's gross profit margin decreased from 42.1% for the year ended December 31, 2016 to 20.8% for the year ended December 31, 2017, and further decreased to 4.7% for the year ended December 31, 2018, primarily as a result of increases in staff costs and rental fees for school premises. Wisezone Data Technology Education leased additional school premises and hired more teachers to expand its business. As a result the fixed costs increased significantly but revenue was relatively limited at the initial stage, resulting in a decrease in gross profit margin. The following table sets forth the main items of the fixed costs incurred and revenue generated from Wisezone Data Technology Education for the years indicated:

	Year Ended December 31,		
	2016	2017	2018
	(RMB'000)		
<i>Fixed costs</i>			
Staff salaries and benefits . . . . .	9,903	20,051	25,846
Leasing expenses . . . . .	7,165	11,910	17,284
Depreciation and amortization . . . . .	699	3,553	5,310
<i>Revenue</i>			
Wisezone Data Technology Education . . . . .	53,188	64,139	70,076

We made continuous investments in the brand of Wisezone Data Technology Education during the Track Record Period to promote its future development and drive sustainable, profitable growth for our Group. However, due to the fierce competition and limited brand awareness of Wisezone Data Technology Education in the vocational training market, the growth rates of the fixed costs incurred were much higher than the growth rate of revenue during the Track Record Period. For example, the staff salaries and benefits increased 102.5% from 2016 to 2017, and further increased 28.9% in 2018. However, the revenue generated from Wisezone Data Technology Education increased 20.6% from 2016 to 2017, and further increased 9.3% in 2018. Going forward, we plan to enhance our cooperation with junior colleges, universities and enterprises to attract more students and train customized talents for enterprises.

Cuisine Academy incurred losses for 2017 and 2018 primarily because we commenced our operations of Cuisine Academy in 2017 and incurred significant fixed costs at the beginning but the revenue was still limited at the initial stage of operations.

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### **Other Income**

Other income consists of asset-related government grants, unconditional government grants, interest income from banks, interest income from related parties, interest income from third parties, and others. The following table sets forth the breakdown of our other income for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	(RMB'000)		
<b>Continuing operations</b>			
Asset-related government grants . . . .	2,176	1,146	1,274
Unconditional government grants . . . .	8,781	15,076	35,519
Interest income from banks . . . . .	9,034	16,959	23,954
Others <sup>(1)</sup> . . . . .	1,587	1,222	1,080
<b>Total</b> . . . . .	<b>21,578</b>	<b>34,403</b>	<b>61,827</b>

*Note:*

(1) Others primarily include income generated from disposal of waste products.

During the Track Record Period, we received certain asset-related government grants, which were granted to us for procuring land to build practical skills training facilities and to purchase practical skills training equipment. For the years ended December 31, 2016, 2017 and 2018, revenue derived from asset-related government grants was RMB2.2 million, RMB1.1 million and RMB1.3 million, respectively. During the Track Record Period, we also received certain unconditional government grants, which were used by local governments to encourage the development of vocational education in those areas. Certain local governments provided unconditional grants to vocational education providers like us for the numbers of student we trained each year. For the years ended December 31, 2016, 2017 and 2018, the amount of unconditional government grants was RMB8.8 million, RMB15.1 million and RMB35.5 million, respectively. The amount of unconditional government grants increased from RMB15.1 million for the year ended December 31, 2017 to RMB35.5 million for the year ended December 31, 2018 is primarily because of the increase of average students enrolled and more policies of government grants issued by local governments.

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### ***Other Gains and Losses***

Our other gains and losses consist of net gain on financial assets at FVTPL and losses or gains on disposals of property and equipment. The following table sets forth the breakdown for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	<i>(RMB'000)</i>		
<b>Continuing operations</b>			
Net gains on financial assets at FVTPL.....	27,457	61,077	58,003
(Losses) gains on disposals of property and equipment.....	(753)	(1,268)	86
<b>Total.....</b>	<b>26,704</b>	<b>59,809</b>	<b>58,089</b>

### ***Selling Expenses***

Selling expenses primarily consist of sales and marketing staff salaries and benefits, advertising expenses, sales and market costs, travel expenses, depreciation and amortization, and others. Sales and marketing staff salaries and benefits consist of salaries and benefits for our marketing staff, salespersons, and other staff in other marketing and publicity functions. Advertising expenses include expenses for our commercials placed on various platforms such as the internet, television, and outdoor billboards, as well as related costs such as website designing and maintenance expenses, and other expenses related to advertising activities. Student recruitment and office expenses are primarily for promotional brochures and other items used for sales and marketing activities. Travel expenses relate to expenses our sales and marketing staff incurred for business travel. Depreciation and amortization expenses relate to depreciation and amortization of our assets used for sales and marketing activities. Others primarily consist of other overhead expenses in connection with sales and marketing activities.

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The following table sets forth the breakdown of our selling expenses for the years indicated:

	Year ended December 31,		
	2016	2017	2018
		<i>(RMB'000)</i>	
Sales and marketing staff salaries and benefits . . . . .	115,988	159,151	249,303
Advertising expenses . . . . .	224,622	263,695	354,451
Student recruitment and office expenses . . . . .	13,562	21,294	26,440
Sales and marketing travel expenses.	4,959	6,204	8,538
Depreciation and amortization . . . . .	3,137	4,308	6,455
Others . . . . .	1,621	2,274	2,845
<b>Total</b> . . . . .	<b>363,889</b>	<b>456,926</b>	<b>648,032</b>

### **Administrative Expenses**

Administrative expenses primarily consist of salaries and benefits for administrative staff, depreciation and amortization, administrative office expenses, professional consulting service expenses, transportation costs, meeting expenses, travel expenses, leasing expenses, bank charges and others. Salaries and benefits for administrative staff represent salaries and benefits paid to our staff in an administrative function. Depreciation and amortization expenses are for the depreciation and amortization of our assets used for general office administrative purposes. Professional consulting service expenses represent fees we paid to professional parties for consulting, legal and auditing services rendered. Transportation costs represent costs incurred for local transportation in connection with administrative activities. Meeting expenses represent expenses for various meetings we organized or participated in. Travel expenses represent expenses incurred by our administrative personnel for business travels. Leasing expenses are for renting our administrative offices. Bank charges represent miscellaneous charges by our banks. Others primarily include fees we paid to recruiting websites to recruit teachers and other staff and miscellaneous administrative tax expenses.

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The following table sets forth the breakdown of our administrative expenses for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	<i>(RMB'000)</i>		
Administrative staff salaries and benefits . . . . .	173,605	213,101	271,573
Depreciation and amortization . . . . .	27,639	38,921	54,308
Administrative office expenses . . . . .	33,859	42,440	52,737
Professional consulting service expenses . . . . .	3,841	5,391	8,027
Transportation costs . . . . .	12,546	13,996	13,749
Meeting expenses . . . . .	6,333	7,499	7,646
Travel expenses . . . . .	9,762	11,587	11,537
Leasing expenses . . . . .	3,812	6,624	4,811
Banking charges . . . . .	2,454	3,433	5,142
Others <sup>(1)</sup> . . . . .	3,947	6,944	8,333
<b>Total</b> . . . . .	<b>277,798</b>	<b>349,936</b>	<b>437,863</b>

*Note:*

- (1) Others primarily include fees we paid to recruiting websites to recruit teachers and other staff and miscellaneous administrative tax expenses.

### ***Listing Expenses***

We incurred RMB23.9 million of expenses in relation to the Global Offering for the year ended December 31, 2018, which primarily consist of fees paid to professional parties. We did not incur any listing expenses for the years ended December 31, 2016 and 2017.

### ***Income Tax Expenses***

#### *PRC Income Tax*

Our subsidiaries established in China were subject to the PRC EIT of 25% during the Track Record Period, except for subsidiaries which were either exempted from tax or entitled to different preferential tax rates during the Track Record Period. For further details, see note eight to the Accountants' Report set out in Appendix I to this prospectus.

## FINANCIAL INFORMATION

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, which are providing academic qualification education, are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns. During the Track Record Period, our six existing not-for-profit private Schools located in Hebei, Jiangxi and Jiangsu provinces have received EIT exemption confirmations/approvals from relevant local tax authorities.

- Two subsidiaries of the Company are entitled to the preferential tax rate of 15% because they are recognized as the high and new technology enterprises by the local governments in China.
- 29 subsidiaries of the Company are entitled to the preferential tax rate of 15% because they are located in the western region of China.

Our effective tax rate was 18.4%, 20.5% and 25.0% for the years ended 2016, 2017 and 2018, respectively. Effective tax rate is calculated by dividing the income tax expenses by profit before tax. Our effective tax rate increased for the year ended December 31, 2017 compared to the year ended December 31, 2016 mainly because we operated 36 new Schools and six new centers in 2017 which incurred losses in their initial year of operations. The profit before tax of our Group was reduced by the losses incurred by the new Schools and centers, but profit generated from our existing profitable Schools and centers was still subject to EIT of the PRC without being affected by the losses incurred by our new Schools and centers. Our effective tax rate increased for the year ended December 31, 2018 compared to the year ended December 31, 2017 mainly because we operated 19 new Schools and 12 new centers in 2018. Together with the Schools and centers established in 2017 which incurred losses in 2018, there were more Schools and centers incurred losses for the year ended December 31, 2018 than that of 2017.

The following table sets forth our current PRC EIT from continuing operation and deferred tax charge information:

	<b>Year ended December 31,</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>(RMB'000)</i>		
<b>Continuing operations</b>			
PRC EIT			
— Current tax . . . . .	132,917	171,235	171,010
Deferred tax charge (credit) . . . . .	(639)	(270)	853
<b>Total</b> . . . . .	<b>132,278</b>	<b>170,965</b>	<b>171,863</b>

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Our current PRC EIT from continuing operation increased from RMB132.9 million for the year ended December 31, 2016 to RMB171.2 million for the year ended December 31, 2017, primarily due to the increases in our taxable profit. Our deferred tax credit increased from RMB0.3 million for the year ended December 31, 2017 to deferred tax charge of RMB0.9 million for the year ended December 31, 2018, primarily due to an increase in advertisement fees we incurred, which are tax deductible expenses.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of certain of research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year. We have made its best estimate for the additional deduction to be claimed for our entities in ascertaining their assessable profits during the Track Record Period.

### *Cayman Islands Income Tax*

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

### *Hong Kong Profit Tax*

No provision for Hong Kong profits tax has been made as we had no assessable profits derived from or earned in Hong Kong.

### ***Discontinued Operation***

We disposed of a group of subsidiaries consisting of (i) six companies located in Hefei, Nanjing, Xi'an, Chongqing and Changsha, respectively, which were all engaged in the operation of automobile driving training schools; and (ii) Miwei Technology, which operated two mobile applications at the time of its disposal. Except for Hefei Xin'an, the disposal of these companies were completed in or before December 2018. The disposal of Hefei Xin'an is expected to be completed before the Listing. We disposed of these businesses in order to focus our resources and management attention on our five primary brands and customized catering service centers. See "History and Corporate Structure – Corporate Reorganization – 3. Disposal of equity interests or school sponsor's interests in subsidiaries engaged in non-core businesses" in this prospectus for details.

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The results of the discontinued operation for the years are set out below:

	Year ended December 31,		
	2016	2017	2018
	<i>(RMB'000)</i>		
Revenue . . . . .	52,702	40,184	24,269
Cost of revenue . . . . .	<u>(52,264)</u>	<u>(44,514)</u>	<u>(24,035)</u>
Gross profit (loss) . . . . .	438	(4,330)	234
Other income . . . . .	(214)	267	392
Selling expenses . . . . .	(9,829)	(7,139)	(4,256)
Administrative expenses . . . . .	<u>(12,671)</u>	<u>(8,367)</u>	<u>(5,776)</u>
Loss before taxation from discontinued operation. . . . .	(22,276)	(19,569)	(9,406)
Income tax credit . . . . .	<u>375</u>	<u>—</u>	<u>—</u>
Loss for the year from discontinued operation. . . . .	<u>(21,901)</u>	<u>(19,569)</u>	<u>(9,406)</u>
Loss for the year from discontinued operation include the followings:			
Staff costs			
— salaries and other allowances . .	30,450	23,963	13,459
— retirement benefit scheme contributions . . . . .	<u>3,727</u>	<u>3,382</u>	<u>1,969</u>
Total staff costs . . . . .	<u>34,177</u>	<u>27,345</u>	<u>15,428</u>
Depreciation of property and equipment. . . . .	10,210	9,314	6,034
Purchase of property and equipment. . . . .	6,451	3,367	847
Operating lease rental expenses in respect of rental premises . . . . .	<u>4,001</u>	<u>5,995</u>	<u>4,450</u>



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## FINANCIAL INFORMATION

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### YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

#### Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

##### Continuing Operations

##### *Revenue*

Our revenue increased by 14.6% from RMB2,850.2 million for the year ended December 31, 2017 to RMB3,265.0 million for the year ended December 31, 2018. This increase was primarily due to increases in revenue derived from our New East Culinary Education, Xinhua Internet Technology Education, Wontone Automotive Education, Omick Education of Western Cuisine and Pastry, and Cuisine Academy business segments.

Revenue generated from New East Culinary Education increased by RMB161.4 million, or 9.3%, from RMB1,738.7 million for the year ended December 31, 2017 to RMB1,900.1 million for the year ended December 31, 2018, primarily due to average students enrolled in long-term programs for three years increased from 3,688 for the year ended December 31, 2017 to 6,284 for the year ended December 31, 2018, which charge higher tuition rates.

Revenue generated from Xinhua Internet Technology Education increased by RMB62.2 million, or 11.5%, from RMB542.2 million for the year ended December 31, 2017 to RMB604.4 million for the year ended December 31, 2018 mainly due to increases in the average students enrolled. The average students enrolled for Xinhua Internet Technology Education increased from 24,981 for the year ended December 31, 2017 to approximately 31,023 for the year ended December 31, 2018.

Revenue generated from Wontone Automotive Education increased by RMB25.0 million, or 6.0%, from RMB419.3 million for the year ended December 31, 2017 to RMB444.3 million for the year ended December 31, 2018. The increase was primarily due to increases in the average students enrolled. The average students enrolled for Wontone Automotive Education increased from 18,100 for the year ended December 31, 2017 to 19,323 for the year ended December 31, 2018.

Revenue generated from Omick Education of Western Cuisine and Pastry increased by RMB138.4 million, or 185.0%, from RMB74.8 million for the year ended December 31, 2017 to RMB213.3 million for the year ended December 31, 2018 as a result of an increase in the average students enrolled from 1,114 for the year ended December 31, 2017 to 3,106 for the year ended December 31, 2018, which was primarily due to the commencement of operations of new Schools and more investment in advertisement for this brand.

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Revenue generated from Wisezone Data Technology Education increased by RMB6.0 million, or 9.4%, from RMB64.1 million for the year ended December 31, 2017 to RMB70.1 million for the year ended December 31, 2018 primarily because the commencement of operations of new Schools led to an increase in the average students enrolled from 1,165 for the year ended December 31, 2017 to 1,364 for the year ended December 31, 2018.

Revenue generated from Cuisine Academy increased from RMB0.3 million for the year ended December 31, 2017 to RMB20.8 million for the year ended December 31, 2018 primarily because the commencement of operations of new centers led to an increase in the average number of customers registered from 63 for the year ended December 31, 2017 to 577 for the year ended December 31, 2018.

Revenue generated from others increased by RMB1.5 million, or 14.0%, from RMB10.5 million for the year ended December 31, 2017 to RMB12.0 million for the year ended December 31, 2018 because of the slight increase in revenue from the internet technology solution and staff outsourcing services and other miscellaneous businesses we provided.

### ***Cost of Revenue***

Cost of revenue increased by 21.7% from RMB1,281.3 million for the year ended December 31, 2017 to RMB1,559.9 million for the year ended December 31, 2018. This increase was primarily due to the increases in teaching staff salaries and benefits leasing expenses and campus maintenance and depreciation costs. We hired additional teaching staff to meet needs of the increased number of students and we increased our teaching staff's salary in 2018 as well. The increase in leasing expenses was mainly due to increased number of newly opened schools. The increase in campus maintenance and depreciation was mainly due to the increase in expenses for renovating school facilities in connection with the expansion of our school network.

### ***Gross Profit and Gross Profit Margin***

Gross profit increased by 8.7% from RMB1,568.8 million for the year ended December 31, 2017 to RMB1,705.1 million for the year ended December 31, 2018. Our gross profit margin decreased from 55.0% for the year ended December 31, 2017 to 52.2% for the year ended December 31, 2018, primarily because we operated 36 new Schools and six new centers in 2017 and 19 new Schools and 12 new centers in 2018. During the initial ramp-up period after a new school commences operations, it incurred the same fixed costs for staff compensation, rent and other fixed costs while its revenue is limited due to the relatively small beginning number of student enrollment. As a result, new schools during ramp-up period have a negative impact on our gross profit margin.

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### ***Other Income***

Other income increased by RMB27.4 million, or 79.7%, from RMB34.4 million for the year ended December 31, 2017 to RMB61.8 million for the year ended December 31, 2018, primarily due to an increase of RMB20.4 million in unconditional government grants pursuant to local government policies to encourage vocational education service providers like us to bring quality practical skill training to their areas. Also, we had an increase of RMB7.0 million in interest income from banks as a result of an increase in cash on bank deposit. In late 2016 and early 2017, we adopted a new cash management system across all our Schools in China, which allowed our headquarters to collect unutilized cash from local Schools and re-invest the cash based on decisions made by our central management team.

### ***Other Gains and Losses***

Our other gains decreased by 2.9% from RMB59.8 million for the year ended December 31, 2017 to RMB58.1 million for the year ended December 31, 2018, primarily due to a RMB3.1 million decrease in net gains on financial assets measured at FVTPL.

### ***Selling Expenses***

Selling expenses increased by 41.8% from RMB456.9 million for the year ended December 31, 2017 to RMB648.0 million for the year ended December 31, 2018, primarily due to the increase in sales and marketing staff salaries and benefits and advertising expenses. We increased our expenses relating to selling and marketing efforts to promote our brand name especially the brand of Omick Education of Western Cuisine and Pastry and facilitate the student recruitment of our newly established Schools in the year ended December 31, 2018.

### ***Administrative Expenses***

Our administrative expenses increased by 25.1% from RMB349.9 million for the year ended December 31, 2017 to RMB437.9 million for the year ended December 31, 2018, primarily due to increases in administrative staff salaries and benefits, depreciation and amortization and administrative office expenses. Such increases are primarily because we hired additional administrative staff and purchased additional office supplies and furnitures to meet the increasing needs due to the expansion of our school network and we adopted Pre-IPO Share Option in 2018.

### ***Income Tax Expense***

Our income tax expenses increased by 0.5% from RMB171.0 million for the year ended December 31, 2017 to RMB171.9 million for the year ended December 31, 2018, primarily because of the increase in our taxable income from December 31, 2017 to December 31, 2018.

### ***Profit and Total Comprehensive Income for the Period from Continuing Operations***

As a result of all the factors mentioned above, our profit and total comprehensive income for the year from continuing operations decreased by 22.1% from RMB661.2 million for the year ended December 31, 2017 to RMB515.1 million for the year ended December 31, 2018.

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## FINANCIAL INFORMATION

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### YEAR ENDED DECEMBER 31, 2017 COMPARED TO YEAR ENDED DECEMBER 31, 2016

#### Continuing Operations

##### *Revenue*

Our revenue increased by RMB514.5 million, or 22.0%, from RMB2,335.7 million for the year ended December 31, 2016 to RMB2,850.2 million for the year ended December 31, 2017, which was primarily driven by an increase in revenue from tuition fees as a result of the increase in the student enrollment. Our average students enrolled increased from 105,095 for 2016 to 116,540 for 2017.

Revenue generated from our New East Culinary Education brand increased by RMB306.6 million, or 21.4%, from RMB1,432.1 million for the year ended December 31, 2016 to RMB1,738.7 million for the year ended December 31, 2017, primarily as a result of an increase in tuition fees we received from our students. Under our New East Culinary Education brand, our average students enrolled increased from 62,122 for 2016 to 71,180 for 2017, and our tuition fee rate range increased from a range of RMB10,400-RMB34,500 in 2016 to RMB11,400-RMB36,800 in 2017 for long-term courses, and from a range of RMB1,200-RMB18,100 in 2016 to RMB1,200-RMB58,000 in 2017 for short-term courses.

Revenue generated from Xinhua Internet Technology Education increased by RMB61.7 million, or 12.8%, from RMB480.5 million for the year ended December 31, 2016 to RMB542.2 million for the year ended December 31, 2017, primarily due to the increase in tuition fees we received. Our average students enrolled increased from 23,764 for 2016 and 24,981 for 2017, and our tuition fee rate range increased from a range of RMB5,980-RMB35,800 in 2016 to RMB6,680-RMB39,800 in 2017 for long-term courses. As to our short-term courses, our tuition rate range was RMB1,900-RMB22,590 in 2016 and RMB800-RMB28,800 in 2017.

Revenue generated from Wontone Automotive Education increased by RMB65.0 million, or 18.3%, from RMB354.3 million for the year ended December 31, 2016 to RMB419.3 million for the year ended December 31, 2017 primarily as a result of the increase in tuition fees from our students. We established eight new Wontone Schools in 2017. The average students enrolled remained relatively stable with a total of 18,071 for 2016 and 18,100 for 2017, while new student enrollment increased from 14,449 for 2016 to approximately 16,203 for 2017. The tuition fee rate range was RMB12,800-RMB36,800 in 2016 to RMB6,680-RMB38,500 in 2017 for long-term courses, and a range of RMB680-RMB32,600 in 2016 and RMB680-RMB37,400 in 2017 for short-term courses.

Revenue generated from Omick Education of Western Cuisine and Pastry increased from zero for the year ended December 31, 2016 to RMB74.8 million for the year ended December 31, 2017 as a result of our newly establish Schools under this brand. We opened one new School under the Omick Education of Western Cuisine and Pastry brand in 2016 but did not admit any student in 2016. In 2017, we established two more Schools under this brand with approximately 1,114 average students enrolled for 2017.

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## FINANCIAL INFORMATION

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Revenue generated from Wisezone Data Technology Education increased by RMB10.9 million, or 20.5%, from RMB53.2 million for the year ended December 31, 2016 to RMB64.1 million for the year ended December 31, 2017 primarily due to increase in tuition fees we received as a result of our increased new student enrollment and increased tuition fee rates. Our new student enrollment increased from 3,465 for 2016 to 3,573 for 2017. Our average students enrolled remained relatively stable, from a total of 1,138 for 2016 to 1,165 for 2017. Our tuition fee rate range increased from RMB2,000-RMB14,800 in 2016 to RMB2,000-RMB29,800 in 2017.

Revenue generated from Cuisine Academy increased from zero for the year ended December 31, 2016 to RMB0.3 million for the year ended December 31, 2017. Our Cuisine Academy brand commenced operations in 2017 and therefore had a relatively low revenue in 2017 and zero in the previous year.

### ***Cost of Revenue***

Cost of revenue increased by RMB267 million, or 26.3%, from RMB1,014.3 million for the year ended December 31, 2016 to RMB1,281.3 million for the year ended December 31, 2017. This increase was primarily due to increases in teaching staff salaries and benefits, student and teaching activity related costs, leasing expenses and campus maintenance and renovation expenses. Teaching staff salaries and benefits increased primarily due to our increasing number of newly hired teaching staff to meet the needs of our increased number of students. Also, we increased teaching staff's salary in 2017 to maintain our competitive teaching staff team. Teaching related consumables and other costs increased primarily due to the increase of average students enrolled from 105,095 for the year ended December 31, 2016 to 116,603 for the year ended December 31, 2017. As a result, we increased our expenses for procurement of raw materials related to practical training. Leasing expense increased primarily due to the expansion of our school network and we leased campuses for our newly opened Schools. Campus maintenance and depreciation increased primarily due to the increase in expenses for renovating school facilities in connection with the expansion of our school network.

### ***Gross Profit and Gross Profit Margin***

Gross profit increased by RMB247.3 million or 18.7% from RMB1,321.5 million for the year ended December 31, 2016 to RMB1,568.8 million for the year ended December 31, 2017. Our gross profit margin decreased from 56.6% for 2016 to 55.0% for 2017, primarily because our two brands, Omick Education of Western Cuisine and Pastry and Cuisine Academy, established new Schools/workshops and began operations in 2017, and we also added 39 more new Schools during 2017 compared with 2016. During the initial ramp-up period after a new School commences operations, it incurred substantial fixed costs for staff compensation, rent and other fixed costs while its revenue is limited due to the relatively small beginning number of student enrollment. As a result, new Schools during ramp-up period have a negative impact on our gross profit margin.

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## FINANCIAL INFORMATION

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### ***Other Income***

Other income increased by RMB12.8 million, or 59.3%, from RMB21.6 million for the year ended December 31, 2016 to RMB34.4 million for the year ended December 31, 2017. The increase was primarily due to an increase of RMB6.3 million in unconditional government grants. We were eligible for such unconditional government grants pursuant to local government policies to encourage vocational education service providers like us to bring quality practical skill training to their areas. Also, we had an increase of RMB7.9 million in interest income from banks as a result of an increase in cash on bank deposit. In late 2016 and early 2017, we adopted a new cash management system across all our Schools in China, which allowed our headquarters to collect unutilized cash from local Schools and re-invest the cash based on decisions made by our central management team.

### ***Other Gains and Losses***

Other gains increased by RMB33.1 million, or 124.0%, from RMB26.7 million for the year ended December 31, 2016 to RMB59.8 million for the year ended December 31, 2017. The increase was primarily due to a RMB33.6 million increase in net gains on financial assets at FVTPL, which represent our investment in certain restricted low risk debt instruments arranged by banks for terms of less than one year. Each investment in such structured deposits was reviewed by our director of finance and accounting and ultimately signed off by our Chairman.

### ***Selling Expenses***

Selling expenses increased by RMB93.0 million, or 25.6%, from RMB363.9 million for the year ended December 31, 2016 to RMB456.9 million for the year ended December 31, 2017. The increase was primarily due to increases in sales and marketing staff salaries and benefits and advertising expenses to promote our market recognition and facilitate student recruitment.

### ***Administrative Expenses***

Our administrative expenses increased by RMB72.1 million, or 26.0%, from RMB277.8 million for the year ended December 31, 2016 to RMB349.9 million for the year ended December 31, 2017, primarily due to increases in administrative staff salaries and benefits and administrative office expenses. The administrative staff salaries and benefits increased due to the additional administrative staff we hired to meet the needs of our expanding school network. Our administrative office expenses increased as a result of the expansion of our school network.

### ***Income Tax Expense***

Income tax expense increased by 29.3% from RMB132.3 million for the year ended December 31, 2016 to RMB171.0 million for the year ended December 31, 2017, as a result of an increase in our taxable income.

### ***Profit and Total Comprehensive Income for the Year from Continuing Operations***

As a result of all the factors mentioned above, our profit and total comprehensive income for the year from continuing operations increased by 12.6% from RMB587.4 million for the year ended December 31, 2016 to RMB661.2 million for the year ended December 31, 2017.

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### DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

#### Current Assets and Current Liabilities

The following table sets forth details of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of
	2016	2017	2018	March 31, 2019
	<i>(RMB'000)</i>			<i>(Unaudited)</i>
<b>CURRENT ASSETS</b>				
Inventories . . . . .	26,896	29,899	37,138	39,626
Prepaid lease payments . . .	2,010	2,940	2,940	3,374
Trade and other receivables . . . . .	127,193	190,506	242,290	308,418
Tax recoverable . . . . .	1,357	1,029	1,687	568
Bank balances and cash . . .	1,738,599	2,034,750	986,293	227,726
Other finance assets . . . . .				
– Measured at FVTPL . . .	–	–	–	740,000
– Measured at amortised cost . . . . .	–	–	–	100,000
<b>TOTAL CURRENT ASSETS . .</b>	<b>1,896,055</b>	<b>2,259,124</b>	<b>1,270,348</b>	<b>1,419,712</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables . .	308,010	471,082	507,643	421,384
Amounts due to the Controlling Equity Holders <sup>(1)</sup> . . . . .	209,000	209,000	–	–
Dividend payable . . . . .	–	–	34,112	–
Tax liabilities . . . . .	81,085	101,566	108,167	133,191
Contract liabilities . . . . .	955,170	1,089,507	1,233,230	1,288,966
Lease liabilities . . . . .	–	–	–	146,707
<b>TOTAL CURRENT LIABILITIES . . . . .</b>	<b>1,553,265</b>	<b>1,871,155</b>	<b>1,883,152</b>	<b>1,990,248</b>
<b>NET CURRENT ASSETS/(LIABILITIES) . . .</b>	<b>342,790</b>	<b>387,969</b>	<b>(612,804)</b>	<b>(570,536)</b>

Note:

(1) Our Controlling Equity Holders refer to Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing.

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As of March 31, 2019, we had net current liabilities of RMB570.5 million, as compared to net current liabilities of RMB612.8 million, primarily because (i) we recorded lease liabilities of RMB146.7 million due to the adoption of HKFRS 16 and (ii) our bank balances and cash decreased RMB758.6 million primarily because we had RMB840.0 million of other finance assets which had not been redeemed. These were partially offset by (i) an increase of RMB66.1 million for trade and other receivables, (ii) an increase of RMB840.0 million in other finance assets; (iii) a decrease of RMB86.2 million for trade and other payables; and (iv) a decrease of RMB34.1 million for dividend payable.

As of December 31, 2018, we had net current liabilities of RMB612.8 million, as compared to net current assets of RMB388.0 million as of December 31, 2017, primarily because (i) RMB1,233.2 million of our contract liabilities representing revenue that we expect to earn within one year was treated as a current liability; (ii) we declared dividends of RMB907.9 million in 2018, of which RMB873.7 million were paid in cash and RMB34.1 million were recorded as dividend payable; (iii) we used RMB401.9 million to purchase the equity interests of the registered equity interest owners of Anhui Xinhua Education as part of Anhui Xinhua Education's internal shareholding restructuring. Please see "History and Corporate Structure — Corporate Reorganization — 4. Changes in registered capital of Anhui Xinhua Education" in this section for details; and (iv) we invested cash generated from tuition fees and service fees in property and equipment for new Schools and centers, which are categorized as non-current assets. In 2018, there was (i) an increase of RMB143.7 million in contract liabilities as a result of the increase in our student enrollment and tuition fee payment; and (ii) an increase of RMB51.8 million in trade and other receivables primarily as a result of an increase of RMB30.8 million in prepayments for rental as we leased premises for new Schools during the expansion of our school network and an increase of RMB19.9 million in prepayments for advertisements as we increased our efforts to promote our brands and new Schools. We expect to further improve our net current liabilities position through (i) cash generated from our business operations and (ii) funds from the net proceeds from the Global Offering. During the Track Record Period, we utilized prepayment of the tuition and service fees we received from our students and customers which was recorded as current liabilities to finance the purchases of non-current assets such as property and equipment. In addition, we declared dividends of RMB907.9 million in 2018, of which RMB873.7 million were paid in cash, thereby reducing our cash position. Both of these factors contributed to our net current liabilities position as of December 31, 2018. We do not expect to make similar dividend payments and we intend to primarily use our net proceeds from the Global Offering to finance capital expenditures on non-current assets in the near future, which will help improve our net current liabilities position.

Our net current assets increased from RMB342.8 million as of December 31, 2016 to RMB388.0 million as of December 31, 2017, primarily as a result of an increase in our bank balances and cash from RMB1,738.6 million as of December 31, 2016 to RMB2,034.8 million as of December 31, 2017, due to the increase in our average students enrolled and tuition fees received; in 2017, there was also an increase of RMB63.3 million in trade and other receivables due to increases in prepayments for consumables, prepayments for rental and prepayments for advertisements as a result of the growth of our business and expansion of our school network, which was partially offset by an increase of RMB163.1 million in trade and other payables which in turn primarily resulted from an increase in payable for property and equipment and an increase in payroll payable due to the expansion of our school network.



## FINANCIAL INFORMATION

### Trade and Other Receivables

Trade and other receivables consist of (i) trade receivables, which primarily represent receivables from local governments that purchased vocational education services for students and receivables from customers who purchased ancillary services other than vocational education services; (ii) prepayments for consumables, which primarily represent the prepayment we made to purchase consumables used in teaching activities and by students who board at our Schools; (iii) prepayments for rental, which primarily consist of the prepaid leasing expenses for our school premises; (iv) prepayments for services, which represent registration fees we paid on behalf of our students to third party enterprise partners for prepaid exam fees, prepaid student registration fees and prepaid technical service fees; (v) prepayments for advertisement, which represent repayments we made in connection with promotional and advertising activities to promote our brands; (vi) prepayments for listing expenses; (vii) value added tax recoverable, which represents value added tax payments we have made but are entitled to recover; (viii) advance to staff, which represents advances we made to relevant staff for business procurement, including purchases of teaching materials in small amount for our courses and sellers of which usually do not accept bank transfer by companies, and business travels. Each advance needs to be reviewed by relevant supervisors and receive approvals from them; (ix) deferred issue costs, which represent the portion of the listing expenses we incurred that will be capitalized and charged to share premium after the Listing; and (x) other receivables, which represent our small transactions with other parties, including, among others, deposits we made to utility companies, fee paid by other enterprises used our utilities, and the maintenance and repair expenses we made in order to receive prompt services in relation to our school premises and expected relevant landlords to reimburse us later.

The following table sets forth our trade and other receivables as of the dates indicated:

	<b>As of December 31,</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>(RMB'000)</i>		
Trade receivables			
— from government <sup>(1)</sup> . . . . .	22,227	23,717	27,922
— from others <sup>(2)</sup> . . . . .	4,891	7,242	6,427
	27,118	30,959	34,349
Prepayments for consumables . . . . .	15,132	27,681	25,361
Prepayments for rental . . . . .	39,325	71,778	102,569
Prepayments for services . . . . .	11,286	16,959	15,440
Prepayments for advertisement . . . . .	16,501	24,914	44,774
Prepayments for listing expenses. . . . .	—	—	1,799
Value added tax recoverable . . . . .	708	3,602	1,287
Advance to staff. . . . .	10,586	8,758	4,386
Deferred issue costs . . . . .	—	—	5,474
Other receivables . . . . .	6,537	5,855	6,851
<b>Total</b> . . . . .	<b>127,193</b>	<b>190,506</b>	<b>242,290</b>

*Notes:*

- (1) The amounts represent receivables from local governments that purchased vocational education services for students.
- (2) The amounts mainly represent receivables from customers who purchased ancillary services other than vocational education services. Trade receivables from others are primarily the receivables of non-educational services provided by our Schools and centers under Cuisine Academy.

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Our trade and other receivables increased by 27.2% from RMB190.5 million as of December 31, 2017 to RMB242.3 million as of December 31, 2018, primarily due to increases of RMB30.8 million in prepayments for rental as we leased premises for new Schools and catering centers during the expansion of our school network and RMB19.9 million in prepayments for advertisement as we increased our efforts to promote our brands and new Schools.

Our trade and other receivables increased by 49.8% from RMB127.2 million as of December 31, 2016 to RMB190.5 million as of December 31, 2017, primarily reflecting increases of RMB32.5 million in prepayments for rental, RMB12.5 million in prepayments for consumables, and RMB8.4 million in prepayments for advertisement. These increases were due to the expansion of our school network resulting in significant prepayment made for renting school premises and purchasing consumables for new Schools as well as our increased efforts to promote our brands and new Schools.

As of December 31, 2016, 2017 and 2018, our trade receivables were RMB27.1 million, RMB31.0 million and RMB34.3 million, respectively, representing 1.2%, 1.1% and 1.1% of our Group's revenue from continuing operations for the same periods, respectively. Such trade receivables primarily consisted of grant subsidies to be paid by local governments who provided such grants to students. Their payment schedule depends on the government budget and approval process rather than our efforts to retrieve such amounts. Trade receivable balances which had been past due by over 90 days by the end of each year during the Track Record Period were not considered in default as these were payable by local governments with low credit risks.

The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

We considered that the impairment loss was insignificant as there has not been a significant change in credit quality and amounts are considered recoverable at the end of each year and no impairment loss on expected credit losses is recognised during the Track Record Period.

We generally do not grant credit periods to our customers. We review and evaluate our trade receivables on an annual basis and use our best effort to collect those. If such trade receivables are virtually impossible to collect, we will write off accordingly following our approval procedure.

## FINANCIAL INFORMATION

### Trade and Other Payables

Trade and other payables consist of (i) trade payables, mainly consisting of payables relating to our procurement, rent for leasing our school premises and advertising costs; (ii) payables for property and equipment, which primarily relate to payables in connection with the renovation and construction of school facilities, including office buildings and classroom buildings; (iii) value added tax and other tax payable; (iv) payroll payable; (v) discretionary subsidies received on behalf of students, which we record as payables until all relevant conditions under the subsidies are met and we recognize the subsidies as revenue; (vi) miscellaneous deposits received from students within 12 months which primarily consist of public property damage deposits paid by our students during the Track Record Period as well as advance deposits for meal card in 2018; (vii) listing expenses and issue costs payable; and (viii) other payables, which primarily consists of all the remaining categories of small amount transactions we made with various business partners. The following table sets forth our trade and other payables as of the dates indicated:

	<b>As of December 31,</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>(RMB'000)</i>		
Trade payables . . . . .	90,393	138,001	143,727
Payable for property and equipment . .	39,145	89,016	98,993
Value added tax and other			
taxes payable . . . . .	8,859	25,877	7,382
Payroll payable . . . . .	90,237	132,313	153,805
Discretionary subsidies received on			
behalf of students . . . . .	18,972	16,021	22,235
Miscellaneous deposits received			
from students — within 12 months . .	32,398	41,900	51,472
Listing expenses and issue costs			
payable . . . . .	—	—	4,562
Other payables . . . . .	28,006	27,954	25,467
<b>Total</b> . . . . .	<b>308,010</b>	<b>471,082</b>	<b>507,643</b>

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We make payments to our trade creditors upon satisfaction of quality inspection and receipt of invoice. The credit period of trade creditors is normally within 90 days. The following is an aging analysis of trade payables presented based on the dates of delivery of goods/dates of rendering of services:

	As of December 31,		
	2016	2017	2018
	<i>(RMB'000)</i>		
Within 90 days . . . . .	90,393	138,001	143,727

Our trade and other payables increased from RMB471.1 million as of December 31, 2017 to RMB507.6 million as of December 31, 2018, primarily reflecting (i) an increase of RMB21.5 million in payroll payable due to annual bonus payments; (ii) an increase of RMB10.0 million payable for property and equipment; and (iii) an increase of RMB9.6 million in miscellaneous deposits received from students-within 12 months primarily because in 2018 we began to implement a meal card system and received deposits from students for meals. These increases were partially offset by a decrease of RMB18.5 million in value added tax and other tax payable because the decrease in withholding personal income tax and a decrease of RMB2.5 million in other payables.

Our trade and other payables increased by 53.0% from RMB308.0 million as of December 31, 2016 to RMB471.1 million as of December 31, 2017, primarily as the result of a RMB47.6 million increase in trade payables, a RMB49.9 million increase in payable for property and equipment, and a RMB42.1 million increase in our payroll payable due to the significant expansion of our school network in 2017 compared to 2016.

### Inventories

Inventories primarily consist of materials used in relation to our teaching and skills training, equipment and tools, school uniforms and beddings for students who board at our Schools. Due to the expansion of our school network, we procured in advance such school supplies in anticipation of the need from additional students. The following table sets forth our inventories as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	<i>(RMB'000)</i>		
School materials and Consumables . .	26,896	29,899	37,138

We store a reasonable amount of inventories for a certain period of time due to the flexibility of beginning/end date of our programs and the variance of our program length. Most of our inventories are tools, cloths and beddings which are less likely to be aged in a short period of time. Our inventories increased from RMB29.9 million as of December 31, 2017 to RMB37.1 million as of December 31, 2018 is primarily due to the operations of 19 new Schools and 12 new centers in 2018.

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## FINANCIAL INFORMATION

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### Contract Liabilities

We generally require long-term course students to pay tuition fees in advance for the next 12 months and short-term course students to pay in advance all of the tuition fees for the courses they are enrolled in. We also require customers of Cuisine Academy to pay service fees in advance for the programs they are registered. We record tuition fees and service fees as contract liabilities when we initially receive advance tuition payments from our students and service fees from our customers. Tuition fees and service fees are recognized proportionately over the relevant periods of the applicable courses and programs. The portion of tuition payments received from students and service fees from our customers for which we expect to provide the corresponding services within 12 months is recorded as a current liability in our consolidated statements of financial position as such amounts represent deferred revenue that we expect to earn within one year. We recorded non-current liabilities from tuition fees during the Track Record Period primarily because some students chose to make one-time tuition payment for the full tuition amounts of their two-year programs as we offered a discount for such payments. The following table sets forth our contract liabilities as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	<i>(RMB'000)</i>		
Tuition fees and service fees . . . . .	982,116	1,125,824	1,289,331
Less: current liabilities. . . . .	955,170	1,089,507	1,233,230
Non-current liabilities. . . . .	<u>26,946</u>	<u>36,317</u>	<u>56,101</u>

Increases in our contract liability balances from December 31, 2016 to December 31, 2017 then to December 31, 2018 are in line with the increase in our average students enrolled, the expansion of our school network and the growth of our business.

### LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash have been to fund our working capital requirements and our capital expenditures, including purchases of property and equipment and payment of dividends. During the Track Record Period, we have funded our operations principally with cash generated from our operations. In the future, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, net proceeds from this Global Offering and other funds raised from the capital markets from time to time. Any significant decrease in our student enrollment or tuition fee rates may adversely impact our liquidity. As of December 31, 2016, 2017 and 2018, we had cash and cash equivalents of RMB1,738.6 million, RMB2,034.8 million, and RMB986.3 million, respectively.

We combine the results of our PRC Consolidated Affiliated Entities and our access to their cash balance or future earnings through our Structured Contracts with them. See “History and Corporate Structure” and “Structured Contracts” in this prospectus.

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## FINANCIAL INFORMATION

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### Cash Flows

The following table sets forth a summary of our cash flows for the years indicated.

	Year ended December 31,		
	2016	2017	2018
	<i>(RMB'000)</i>		
<b>OPERATING ACTIVITIES</b>			
Net cash from operating activities . . .	981,579	997,248	980,120
<b>INVESTING ACTIVITIES</b>			
Net cash from (used in) investing activities . . . . .	(149,115)	(601,097)	(572,962)
<b>FINANCING ACTIVITIES</b>			
Net cash used in financing activities . . . . .	—	(100,000)	(1,455,615)
Net increase (decrease) in cash and cash equivalents . . . . .	832,464	296,151	(1,048,457)
Cash and cash equivalents at the beginning of the year . . . . .	906,135	1,738,599	2,034,750
Cash and cash equivalents at the end of the year, representing bank balances and cash . . . . .	1,738,599	2,034,750	986,293

### ***Cash Flows from Operating Activities***

Our cash inflow from operating activities is generated primarily from tuition and service fees. We generally require our students and customers to pay tuition and service fees in advance at the beginning of the programs they are enrolled in. Tuition fees are initially recorded under contract liabilities. Our cash outflow under operating activities is primarily for teaching staff salaries and benefits, teaching related consumables and other costs, selling expenses and administrative expenses.

Net cash from operating activities amounted to RMB980.1 million for the year ended December 31, 2018, primarily reflecting (i) operating cash flow before movements in working capital of RMB962.9 million, which resulted from (A) profit for the year of RMB510.1 million and (B) total positive adjustments of RMB452.8 million primarily including RMB171.9 million of positive adjustments for income tax expense, RMB24.0 million negative adjustments for interest income from banks, RMB357.5 million of positive adjustments for depreciation of property and equipment, and RMB58.0 million of negative adjustments for gains on structured deposits; and (ii) positive movements in working capital of RMB182.3 million as a result of a RMB191.4 million increase in contract liabilities and a RMB38.9 million increase in trade and other payables, as offset in part by a RMB19.4 million increase in trade and other receivables, a RMB17.5 million increase in prepayments for rental and a RMB7.3 million increase in inventories.

Net cash from operating activities amounted to RMB997.2 million for the year ended December 31, 2017, primarily reflecting (i) operating cash flow before movements in working capital of RMB977.2 million, which resulted from (A) profit for the year of RMB641.6 million and (B) total positive adjustments of RMB335.5 million primarily including RMB171.0 million of positive adjustments for income tax expense, RMB17.0 million of negative adjustments for interest income from banks, RMB239.5 million of positive adjustments for depreciation of property and equipment, and RMB61.1 million of negative adjustments for net gain on structured deposits; and (ii) positive movements in

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working capital of RMB170.5 million as a result of a RMB113.2 million increase in trade and other payables and a RMB143.7 million increase in contract liabilities, as offset in part by a RMB45.4 million increase in prepayments for rental, a RMB30.9 million increase in trade and other receivables and a RMB7.1 million increase in deposits for rental and utilities.

Net cash from operating activities amounted to RMB981.6 million for the year ended December 31, 2016, primarily reflecting (i) operating cash flow before movements in working capital of RMB832.9 million, which resulted from (A) profit for the year of RMB565.5 million and (B) total positive adjustments of RMB267.4 million primarily including RMB131.9 million of positive adjustments for income tax expense, RMB9.0 million of negative adjustments for interest income from banks, RMB171.4 million of positive adjustments for depreciation of property and equipment, and RMB27.5 million of negative adjustments for net gain on structured deposits; and (ii) positive movements in working capital of RMB200.5 million as a result of a RMB57.6 million increase in trade and other payables, and a RMB167.1 million increase in contract liabilities, as offset in part by a RMB6.6 million increase in inventories, a RMB3.7 million increase in trade and other receivables, a RMB4.3 million increase in prepayments for rental, and a RMB9.5 million increase in deposits for rental and utilities.

### ***Cash Flows from/Used in Investing Activities***

Our cash flows from and used in investing activities were primarily for the purchase of property and equipment, prepaid land lease payments, and purchase of structured deposits.

Net cash used in investing activities amounted to RMB573.0 million for the year ended December 31, 2018, primarily attributable to (i) RMB5,849.9 million used to purchase structured deposits; and (ii) RMB665.6 million used for purchases of property and equipment primarily relating to construction of school facilities in connection with the expansion of our school network, as partially offset by RMB5,907.9 million of cash inflow as a result of the redemption of structured deposits we purchased previously.

Net cash used in investing activities amounted to RMB601.1 million for the year ended December 31, 2017, primarily attributable to (i) RMB6,540.0 million used to purchase structured deposits; (ii) RMB643.6 million used to purchase items of property and equipment primarily relating to construction of school facilities in connection with the expansion of our school network; and (iii) RMB41.7 million in payment for prepaid lease payments, as partially offset by RMB6,601.1 million of cash inflow as a result of the redemption of structured deposits we purchased previously.

Net cash used in investing activities amounted to RMB149.1 million for the year ended December 31, 2016, primarily attributable to (i) RMB3,105.0 million used to purchase structured deposits; and (ii) RMB240.5 million used to purchase items of property and equipment primarily relating to construction of school facilities in connection with the expansion of our school network, as partially offset by RMB3,182.5 million of cash inflow as a result of the redemption of structured deposits we purchased previously.

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### ***Net Cash Used in Financing Activities***

Our net cash used in financing activities were primarily consists of (i) dividends paid; (ii) reduction of paid-in capital; and (iii) repayment to the Controlling Equity Holders.

Net cash used in financing activities amounted to RMB1,455.6 million for the year ended December 31, 2018 as a result of the (i) RMB873.7 million of dividends paid; (ii) RMB401.9 million of reduction of paid-in capital; (iii) RMB209.0 million of repayment to the Controlling Equity Holders and (iv) RMB50.7 million received from the Controlling Equity Holders.

Net cash used in financing activities for the year ended December 31, 2017 amounted to RMB100.0 million as a result of the RMB100.0 million of dividends we paid out in 2017.

We did not have cash generated from or used in financing activities for the year ended December 31, 2016.

### **Working Capital**

During the Track Record Period, we had net current assets of RMB342.8 million and RMB388.0 million as of December 31, 2016 and 2017, respectively. We had net current liabilities of RMB612.8 million as of December 31, 2018. Taking into account the financial resources available to our Group, including cash flows from operating activities and the estimated net proceeds from the Global Offering, our Directors are of the view that, after due and careful inquiry, our Group has sufficient available working capital for our present requirements for at least the next 12 months from the date of this prospectus.

### **CAPITAL EXPENDITURES**

During the Track Record Period, our capital expenditures consisted of purchases of property and equipment and leasehold improvements, and amounted to RMB255.7 million, RMB693.5 million and RMB675.6 million, respectively, for the years ended December 31, 2016, 2017 and 2018. Our capital expenditure during the Track Record Period primarily related to renovation and maintenance of school premises and purchase of additional educational equipment.

We currently expect to incur approximately RMB892.3 million in capital expenditures in 2019 primarily for (i) the expansion of our school network; (ii) renovation and upgrade of school facilities; (iii) purchase of teaching equipment; and (iv) establishment of our five geographical regional centers which we expect to fund primarily through cash generated from operations and the net proceeds from the Global Offering. Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, results of operations and financial condition, our business plans, the market conditions and various other factors we believe to be appropriate.



## FINANCIAL INFORMATION

### CONTRACTUAL COMMITMENTS

#### Capital Commitments

Our capital commitments primarily relate to the purchase of property and equipment. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	<i>(RMB'000)</i>		
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property and equipment . . . . .	65,903	107,468	40,468
	65,903	107,468	40,468

As of December 31, 2016, 2017 and 2018, we had no significant authorized but not contracted capital commitment.

#### Operating Lease Commitments

Operating lease payments commitments represent rental payables for the premises we leased to use as classrooms and offices. The rental is fixed during the lease term. These leases are negotiated for terms of one to ten years. The following table sets forth our future minimum lease payments payable under non-cancellable operating leases as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	<i>(RMB'000)</i>		
Within one year . . . . .	163,142	244,172	289,716
In the second to fifth year inclusive . . . . .	487,381	756,602	983,979
Over five years . . . . .	626,216	811,087	1,028,486
	1,276,739	1,811,861	2,302,181

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## FINANCIAL INFORMATION

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### INDEBTEDNESS

#### Borrowings

The following table sets forth our borrowings as of December 31, 2016, 2017 and 2018 and March 31, 2019, being the latest practicable date for the purpose of the statement of indebtedness:

	As of December 31,			As of
	2016	2017	2018	March 31,
	<i>(RMB'000)</i>			2019
Amounts due to Controlling Equity Holders . . . . .	209,000	209,000	—	—

Such borrowings are interest-free, unsecured, unguaranteed and have no fixed terms of repayment or covenant, which were fully repaid in November 2018.

Our Directors have confirmed that we have not had any material delay or default in payment with regard to any borrowings during the Track Record Period and up to the Latest Practicable Date.

#### Banking facilities

As of December 31, 2016, 2017 and 2018 and March 31, 2019, the amount of our utilized and unutilized banking facilities was zero.

During the Track Record Period, we did not obtain any banking facilities. Our Directors have confirmed that our Group did not experience any difficulty in obtaining credit facilities or withdrawal of facilities during the Track Record Period and up to the Latest Practicable Date.

To the best knowledge and belief of our Directors, we do not expect to have difficulties in obtaining banking facilities after the Listing.

#### Lease obligations

As of March 31, 2019, our Group, as a lessee, had outstanding unpaid contractual lease payments, which represented the undiscounted amount after taking into account all embedded option and assessment under HKFRS 16, for the remainder of the relevant lease terms amounting to RMB2,372,949,000 in aggregate (excluding contingent rental arrangement), of which RMB1,527,623,000 are secured by rental deposits and the remaining are unsecured. All lease payments are unguaranteed.

#### Charges

During the Track Record Period and up to the Latest Practicable Date, we pledged our rental deposits to secure outstanding unpaid contractual lease payments.

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## FINANCIAL INFORMATION

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### Disclaimer

Except as disclosed above, we did not have any outstanding loan capital issued or agreed to be issued, debt securities, bank overdrafts, utilized or unutilized banking facilities, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, lease liabilities, hire purchases commitments, guarantees or other material contingent liabilities as of March 31, 2019.

### CONTINGENT LIABILITIES

As of March 31, 2019, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group. The Directors have confirmed that there has not been any material change in the contingent liabilities of our Group since March 31, 2019.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

### RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into various transactions with related parties. The following table sets forth information relating to our transactions with our related parties during the years indicated:

	Year ended December 31,		
	2016	2017	2018
		(RMB'000)	
<i>Service income</i>			
Anhui Xinhua University . . . . .	2,741	2,778	2,428
<i>Rental income</i>			
School of Clinical Medicine . . . . .	—	—	545
<i>Construction service</i>			
Anhui Xinhua Boyi Landscape Engineering Co., Ltd. (安徽新華博藝景觀工程股份有限公司) . .	—	—	10,900
<b>Total</b> . . . . .	—	—	13,873

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## FINANCIAL INFORMATION

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Pursuant to the Service Agreements entered into by Anhui Xinhua University with each of our Anhui New East Culinary Institute\* (安徽新東方烹飪專修學院) and Anhui Xinhua Computer Institute\* (安徽新華電腦專修學院) on March 8, 2018, each of the Relevant Institute has agreed to assist Anhui Xinhua University in promoting its adult higher education program to students of the Relevant Institutes. The Relevant Institutes are entitled to certain amount of service fees under the Service Agreements. In addition, on December 25, 2018, Anhui New East Culinary Institute\* (安徽新東方烹飪專修學院) as the landlord, and the School of Clinical Medicine, as the tenant, entered into the Tenancy Agreement for leasing to the School of Clinical Medicine a Premise to use as the campus of the School of Clinical Medicine. Pursuant to the Tenancy Agreement, the lease term is from January 1, 2019 to July 31, 2020, at a monthly rental of RMB600,000. For further details, please see “Connected Transactions — Non-exempt Continuing Connected Transactions” in this prospectus. Such connected transactions are expected to continue pursuant to the Service Agreements and the Tenancy Agreement. As of the Latest Practicable Date, other than the abovementioned related parties transactions, all balances with related parties had been settled.

Our Directors believe that each of the related party transactions set out in note 34 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 not reflective of our future performance.

### LISTING EXPENSES

We expect to incur a total of HK\$158.7 million of listing expenses (assuming an Offer Price of HK\$11.03, being the mid-point of the indicative Offer Price range between HK\$9.80 and HK\$12.26, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, of which HK\$27.1 million has been charged to our consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2018, and HK\$31.4 million are expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending December 31, 2019, and HK\$100.2 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 for the year ending December 31, 2019.

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## FINANCIAL INFORMATION

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### FINANCIAL RATIOS

	As of/for the year ended December 31,		
	2016	2017	2018
Gross profit margin <sup>(1)</sup> .....	56.6%	55.0%	52.2%
Net profit margin <sup>(2)</sup> .....	25.1%	23.2%	15.8%
Return on assets <sup>(3)</sup> .....	22.2%	18.8%	18.3%
Current ratio <sup>(4)</sup> .....	1.22	1.21	0.67
Return on equity <sup>(5)</sup> .....	55.1%	41.2%	59.0%

*Notes:*

- (1) Gross profit margin equals our gross profit divided by revenue for the year.
- (2) Net profit margin equals our net profit after tax divided by revenue for the year.
- (3) Return on assets equals net profit for the year divided by total assets as of the end of the year.
- (4) Current ratio equals our current assets divided by current liabilities as of the end of the year.
- (5) Return on equity equals profit for the year divided by total equity amounts as of the end of the year.

### Analysis of Key Financial Ratios

#### **Return on Assets**

Our return on assets decreased from 22.2% for the year ended December 31, 2016 to 18.8% for the year ended December 31, 2017, primarily because our newly established Schools were still in the investment period in 2017, which had adversely affected our net profit margin in 2017. Our return on assets decreased to 18.3% for the year ended December 31, 2018, mainly due to a decrease in net profit margin as a number of new Schools established in 2017 and 2018 were still in the ramp-up period.

#### **Current Ratio**

Our current ratio decreased from 1.22 as of December 31, 2016 to 1.21 as of December 31, 2017, primarily attributable to our investments in establishing new Schools, which resulted in an increase in total non-current assets. Our current ratio further decreased to 0.67 as of December 31, 2018, mainly because (i) we declared dividends of RMB907.9 million; (ii) we deducted paid-in capital/share capital for RMB401.9 million; (iii) we invested cash generated from tuition fees and service fees in property and equipment for new Schools and centers, which are categorized as non-current assets; and (iv) an increase of RMB143.7 million in contract liabilities and an increase of RMB51.8 million in trade and other receivables.

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## FINANCIAL INFORMATION

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### ***Return on Equity***

Our return on equity decreased from 55.1% for the year ended December 31, 2016 to 41.2% for the year ended December 31, 2017 primarily because of a larger increase in our total equity compared to the increase in our profit for the year as a result of increases in our teaching staff salaries and benefits and students and teaching activities related costs. Our return on equity increased to 59.0% for the year ended December 31, 2018, mainly due to a decrease in total equity for RMB734.1 million as a result of declaring dividends of RMB907.9 million in 2018 and a decrease in paid-in capital/share capital for RMB401.9 million.

### **DISTRIBUTABLE RESERVES**

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation. Accordingly, our Company has no reserve available for distribution to the Shareholders as of December 31, 2018.

### **DIVIDEND POLICY**

During the Track Record Period, we declared dividends of RMB100.0 million in 2017 and RMB907.9 million in 2018. We intend to adopt, after our Listing, a general dividend policy of declaring and paying dividends on an annual basis of no less than 30% of our distributable net profit attributable to our Shareholders in the future but subject to, among other things, our future operation and earnings, capital requirements and surplus, financial condition, working capital requirements and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all.

### **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.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since December 31, 2018 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since December 31, 2018 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this prospectus.

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## FINANCIAL INFORMATION

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### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of market risks, including interest rate risk, credit risk and liquidity risk, as set out below. We manage and monitor policies to mitigate each of these risks to ensure appropriate measures are implemented in a timely and effective manner. For further details, including the relevant sensitivity analysis, see note 26 to the Accountants' Report set out in Appendix I to this prospectus.

#### Interest Rate Risk

We are exposed to cash flow interest rate risk through the impact of rate changes on bank balances. Our cash flow interest rate risk is mainly concentrated on the fluctuation of Benchmark Borrowing Rate of the People's Bank of China.

Our Group will continue to monitor the exposure on cash flow interest risk and will consider hedging the interest rate should the need arise. Our Directors are of the view that we do not have material interest rate risk exposure and hence no sensitivity analysis is presented.

#### Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to us. At the end of the reporting period, our maximum exposure is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position.

In order to minimize the credit risk on trade and other receivables, our management makes periodic collective assessments as well as individual assessment on the recoverability of trade and other receivables based on historical settlement records and past experience. Our directors believe that there is no material credit risk inherent in our outstanding balance of trade and other receivables.

The credit risk on bank balances and the structured deposit are limited because the counterparties are reputable financial institutions.

## FINANCIAL INFORMATION

### Liquidity risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows. We regularly review our major funding positions to ensure that we have adequate financial resources in meeting our financial obligations.

The following is the maturity analysis for financial assets and financial liabilities held by us which is based on undiscounted remaining contractual obligations:

	<b>Weighted average interest rate</b>	<b>On demand or less than one year</b>	<b>Total undiscounted balances</b>	<b>Closing amount</b>
		<i>(RMB'000)</i>		
On December 31, 2016				
Trade and other payables . . . . .	—	208,914	208,914	208,914
Amounts due to Controlling Equity Holders . . . . .	—	209,000	209,000	209,000
		<u>417,914</u>	<u>417,914</u>	<u>417,914</u>
On December 31, 2017				
Trade and other payables . . . . .	—	312,892	312,892	312,892
Amounts due to Controlling Equity Holders . . . . .	—	209,000	209,000	209,000
		<u>521,892</u>	<u>521,892</u>	<u>521,892</u>
On December 31, 2018				
Trade and other payables . . . . .	—	346,456	346,456	346,456
Dividend payable . . . . .	—	34,112	34,112	34,112
		<u>380,568</u>	<u>380,568</u>	<u>380,568</u>



## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following our unaudited pro forma statement of 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 Unaudited Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the HKICPA for illustration purpose only, and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets as of December 31, 2018 as if it had taken place on that date.

Our unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of December 31, 2018 or any future date. It is prepared based on our consolidated net tangible assets as of December 31, 2018 as set out in the Accountants’ Report in Appendix I to this prospectus, and adjusted as described below:

	Audited consolidated net tangible assets attributable to owners of our Company as of December 31, 2018 <sup>(1)</sup>	Estimated net proceeds from the Global Offering <sup>(2)</sup>	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share <sup>(3)</sup>	
				RMB	HK\$ <sup>(4)</sup>
		(RMB'000)			
Based on the Offer Price of HK\$9.80 per Share . . . . .	872,631	3,647,448	4,520,079	2.07	2.36
Based on the Offer Price of HK\$12.26 per Share . . . . .	872,631	4,570,771	5,443,402	2.50	2.84

**Notes:**

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 is extracted from the Accountants’ Report as set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 435,800,000 Offer Shares at the indicative Offer Price of HK\$9.80 (equivalent to RMB8.61) and HK\$12.26 (equivalent to RMB10.78) per Offer Share, respectively, after deduction of underwriting fees and commissions and other listing related expenses paid/payable by the Company (excluding the listing expenses which has been charged to profit or loss up to December 31, 2018), and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under the Pre-IPO Share Option Scheme or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company. For the purpose of the estimated net proceeds from the Global Offering, the amount denominated in Hong Kong dollars has been converted into Renminbi at the rate of HK\$1 to RMB0.8789, which was the exchange rate prevailing on Latest Practicable Date with reference to the rate published by the People’s Bank of China. No representation is made that the HK\$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

## FINANCIAL INFORMATION

- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis that 2,179,000,000 Shares were in issue assuming that the Global Offering had been completed on December 31, 2018 and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under the Pre-IPO Share Option Scheme or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company.
- (4) For the purpose of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share, the amount stated in RMB is converted into Hong Kong dollar at the rate of RMB0.8789 to HK\$1, which was the exchange rate prevailing on Latest Practicable Date with reference to the rate published by the People's Bank of China. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2018 to reflect any trading result or other transaction of the Group entered into subsequent to December 31, 2018.

### PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

The value of our property interests as of December 31, 2018 as valued by Cushman & Wakefield, an independent property valuation firm, was RMB17.33 million. The text of its letter and valuation certificate are set out in the Property Valuation Report as set forth in Appendix III to this document.

The following table presents the reconciliation of the net book value of the relevant property interests, as of December 31, 2018 to their market value as of March 31, 2019 attributed by Cushman & Wakefield as stated in the valuation certificate in the Property Valuation Report as set forth in Appendix III to this document:

	<i>(RMB'000)</i>
Net book value of the following properties as of December 31, 2018:	
Buildings and construction in progress included in property and equipment . . . . .	409,288
Prepaid lease payments . . . . .	126,349
Less: Property interests without commercial value . . . . .	(530,641)
Less: Depreciation and amortisation for the three months ended March 31, 2019 . . . . .	(99)
Valuation surplus . . . . .	<u>12,403</u>
<b>Valuation as of March 31, 2019 . . . . .</b>	<b><u><u>17,300</u></u></b>

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

Please refer to “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\$4,675.3 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 public Offer Price of HK\$11.03 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus. If the Over-allotment Option is exercised in full, we estimate that our additional net proceeds from the offering of these additional Shares will be approximately HK\$706.6 million, after deducting the underwriting commissions and our estimated expenses, assuming an Offer Price of HK\$11.03 per Share.

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

- approximately 45.0%, or HK\$2,103.9 million, is expected to be used primarily to acquire land and construction facilities to establish our five geographical regional centers in Beijing, Shanghai, Guangzhou, Chengdu and Xi’an;
- approximately 15.0%, or HK\$701.3 million, is expected to be used primarily to establish schools in selected markets. We expect to establish new schools through (i) leasing properties from third parties; (ii) obtain land use rights to construct our own campuses; or (iii) obtain the land use rights by acquiring entities which have already had the land use rights for educational purposes;
- approximately 15.0%, or HK\$701.3 million, is expected to be used primarily to establish new majors in both existing and new industry sectors, and conducting research to further innovate our curriculums;
- approximately 15.0%, or HK\$701.3 million, is expected to be used primarily to construct and upgrade our school facilities as well as purchase teaching equipment; and
- approximately 10.0%, or HK\$467.5 million, is expected to be used to fund our working capital and general corporate purposes.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we intend to deposit the proceeds into interest-bearing bank accounts, such as demand deposit accounts, with licensed commercial banks and/or authorized financial institutions in Hong Kong.

In the event that the Offer Price is set at the high-end or low-end of the proposed Offer Price range and the Over-allotment Option is not exercised at all, the net proceeds we will receive from the Global Offering will increase or decrease by approximately HK\$525.3 million, respectively. Under such circumstances, our intended use of proceeds will be increased or decreased on a pro-rata basis.

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## FUTURE PLANS AND USE OF PROCEEDS

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If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK\$5,381.8 million, assuming an Offer Price of HK\$11.03 per Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Global Offering (assuming the Over-allotment Option is fully exercised) will increase or decrease by approximately HK\$604.1 million, respectively. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

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## CORNERSTONE INVESTOR

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### THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement (the “Cornerstone Investment Agreement”) with Anatole Investment Management Limited (the “Cornerstone Investor”), the Sole Sponsor and China International Capital Corporation Hong Kong Securities Limited dated May 24, 2019, pursuant to which the Cornerstone Investor has agreed to subscribe for such number of our Offer Shares (rounded down to the nearest whole board lot of 500 Shares), which may be purchased for an aggregate amount of the Hong Kong dollar equivalent of US\$35 million (the HK\$ equivalent of which is to be calculated based on the closing middle point spot rate as quoted by The Hongkong and Shanghai Banking Corporation Limited at the close of business in Hong Kong on the Price Determination Date) (the “Cornerstone Placing”) at the Offer Price (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%). The final total number of Shares to be subscribed for by the Cornerstone Investor and the exchange rate to be used for calculation will be disclosed in the announcement of the results of allocations to be published on June 11, 2019.

Assuming an Offer Price of HK\$9.80 (being the low-end of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investor would be 28,112,000 (calculated based on the conversion of the Cornerstone Investor’s investment amount made in US\$ being converted at the rate of US\$1.000 to HK\$7.8714 for illustrative purposes only), representing approximately 6.45% of the Offer Shares and 1.29% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and the options which may be granted under the Share Option Scheme are not exercised and approximately 5.61% of the Offer Shares and 1.25% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is fully exercised but the options granted under the Pre-IPO Share Option Scheme and the options which may be granted under the Share Option Scheme are not exercised.

Assuming an Offer Price of HK\$11.03 (being the mid-point of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investor would be 24,977,000 (calculated based on the conversion of the Cornerstone Investor’s investment amount made in US\$ being converted at the rate of US\$1.000 to HK\$7.8714 for illustrative purposes only), representing approximately 5.73% of the Offer Shares and 1.15% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised, the options granted under the Pre-IPO Share Option Scheme and the options which may be granted under the Share Option Scheme are not exercised and approximately 4.98% of the Offer Shares and 1.11% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is fully exercised but the options granted under the Pre-IPO Share Option Scheme and the options which may be granted under the Share Option Scheme are not exercised.

Assuming an Offer Price of HK\$12.26 (being the high-end of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investor would be 22,471,000 (calculated based on the conversion of the Cornerstone Investor’s investment amount made in US\$ being converted at the rate of US\$1.000 to HK\$7.8714 for illustrative purposes only), representing approximately 5.16% of the Offer Shares and 1.03% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and the options which may be granted under the Share Option Scheme are not exercised and approximately 4.48% of the Offer

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## CORNERSTONE INVESTOR

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Shares and 1.00% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is fully exercised but the options granted under the Pre-IPO Share Option Scheme and the options which may be granted under the Share Option Scheme are not exercised.

The Cornerstone Placing will form a part of the International Placing. The Offer Shares to be subscribed for by the Cornerstone Investor will rank *pari passu* in all respects with the other fully paid Shares in issue upon completion of the Global Offering and to be listed on the Stock Exchange and will be counted towards the public float of our Shares. The Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreement disclosed in this section. Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any board representation in our Company, nor will any of the Cornerstone Investor become a substantial shareholder of our Company. No special rights have been granted to the Cornerstone Investor as part of the Cornerstone Placing.

The Offer Shares to be subscribed for by the Cornerstone Investor will not be affected by any reallocation of the Offer Shares between the International Placing 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”.

To the best knowledge of our Company, the Cornerstone Investor is an Independent Third Party. The Cornerstone Investor is independent from our Company, the connected persons of the Company and their associates.

Details of the actual number of the Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement to be issued by our Company on or around June 11, 2019.

The information in the following paragraph has been provided to our Company by the Cornerstone Investor in connection with the Cornerstone Placing:

Anatole Partners Master Fund, L.P. is, as advised by the Cornerstone Investor, an Asia-based investment firm focused on deep-dive, bottoms-up fundamental research. The Cornerstone Investor was founded in 2016 and is an international investment management firm based in Hong Kong. It is licensed by the SFO to conduct Type 9 (Asset Management) regulated activities in Hong Kong. The Cornerstone Investor only provides investment services to “professional investors” (as defined under the SFO).

### CONDITIONS PRECEDENT

The subscription by the Cornerstone Investor is subject to, among other things, the satisfaction of the following conditions precedent:

- a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently varied by agreement of the relevant parties) by no later than the respective times and dates specified therein;
- b) the Offer Price having been agreed upon between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters);

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## **CORNERSTONE INVESTOR**

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- c) neither of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been terminated;
- d) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as well as other applicable waivers and approvals, and such approvals, permissions and waivers are not revoked prior to the commencement of dealings of the Shares on the Stock Exchange;
- e) there is no law made or promulgated prohibiting the completion of the Global Offering or the Cornerstone Investment Agreement, and there shall be no order or injunction preventing or prohibiting the completion of such transactions by a court of competent jurisdiction; and
- f) the respective representations, warranties, undertakings and acknowledgments of the Cornerstone Investor and our Company is (as at the date of the Cornerstone Investment Agreement) and will be (as of the closing of the Cornerstone Investment Agreement) true and accurate in all respects and not misleading, and that there is no material breach by the Cornerstone Investor of the Cornerstone Investment Agreement.

### **RESTRICTION ON DISPOSAL BY THE CORNERSTONE INVESTOR**

The Cornerstone Investor has agreed that, among other things, and has undertaken to our Company, the Sole Sponsor and the relevant Joint Global Coordinator that unless it has obtained the prior written consent of each of our Company, the Sole Sponsor and the relevant Joint Global Coordinator (as the case may be) to do otherwise, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of any of the Shares which it has subscribed for under the Cornerstone Investment Agreement or any interest in any company or entity holding (directly or indirectly) any such Shares.

After the period of six months following the Listing Date, the Cornerstone Investor may dispose of the Shares which it has subscribed for, provided that, it notifies our Company, the Sole Sponsor and the relevant Joint Global Coordinator in writing prior to any disposal, uses all reasonable endeavours to ensure that any such disposal is strictly in accordance with all applicable laws and regulations including the Listing Rules and the SFO and does not create a disorderly or false market in the Shares, and does not knowingly dispose of any Shares to another person who engages directly or indirectly in a business which competes or is likely to compete with the business of our Company (or to another entity which is a holding company, fellow subsidiary of such holding company or subsidiary of such person), without the prior written consent of our Company, the Sole Sponsor and the relevant Joint Global Coordinator.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

BNP Paribas Securities (Asia) Limited  
China International Capital Corporation Hong Kong Securities Limited  
Haitong International Securities Company Limited  
Guotai Junan Securities (Hong Kong) Limited  
CMB International Capital Limited  
ABCI Securities Company Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 43,580,000 Hong Kong Offer Shares (subject to adjustment and re-allocation as described under the section headed “Structure of the Global Offering — The Hong Kong Public Offering”) for subscription by way of a Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this document and the Application Forms.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned herein (including any additional Shares to be allotted and issued under the Over-allotment Option), and such listing and permission not having been subsequently revoked prior to the commencement of trading of our Shares on the Main Board of the Stock Exchange and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering on the terms and conditions of this document, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

One of the conditions is that the Offer Price must be agreed between us and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters). For applicants applying under the Hong Kong Public Offering, this document and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Placing will be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between us and Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), the Global Offering will not proceed.



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### ***Grounds for Termination***

The obligations of the Hong Kong Underwriters to subscribe or to procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by written notice to us from the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
  - (i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting any of Hong Kong, BVI, the Cayman Islands, the PRC, the United States, the United Kingdom, the European Union (or any member), Japan or any jurisdiction relevant to any member of the Group or the Global Offering (collectively, the “Relevant Jurisdictions”); or
  - (ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (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; or
  - (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or
  - (iv) the imposition of any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or by other competent authority), New York (imposed at Federal or New York State level or by other competent authority) or any of the Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or
  - (v) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of our Company; or

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## UNDERWRITING

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- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States, the European Union (or any member thereof), on the PRC or any of the Relevant Jurisdictions; or
- (vii) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or
- (viii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in or affecting any of the Relevant Jurisdictions; or
- (ix) any change or development involving a prospective change which has the effect of materialization of any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (x) any litigation or claim of any third party being threatened or instigated against any member of our Group, our Company or any of the Controlling Shareholders, Mr. Wu Wei, Wu Wei Education and Mr. Xiao Guoqing, Xiao Guoqing Education; or
- (xi) a Director being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or losing capacity to function in such positions; or
- (xii) the chairman or chief executive officer or chief financial officer of our Company vacating his office; or
- (xiii) an authority or a political body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (xiv) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including Shares to be allotted and issued under the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xv) a contravention by any member of our Group or any Directors of the Listing Rules or applicable laws, statutes, ordinances, legal codes, regulations or rules; or
- (xvi) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws, statutes, ordinances, legal codes, regulations or rules; or
- (xvii) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

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## UNDERWRITING

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- (xviii) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or (3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or materially delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (b) there has come to the notice of the Joint Global Coordinators:
  - (i) that any statement contained in any of this prospectus, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue or incorrect in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this document, the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or
  - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission of a material fact from any of this prospectus, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
  - (iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

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## UNDERWRITING

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- (iv) any of the Experts has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be), and references to its name included in the form and context in which it respectively appears; or
- (v) any material adverse change, or any development involving a prospective adverse change, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Company or any member of the Group; or
- (vi) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the terms of the Hong Kong Underwriting Agreement; or
- (vii) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the warranties; or
- (viii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue or to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option, the Pre-IPO Share Option Scheme and the Share Option Scheme) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (ix) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

### ***Undertakings pursuant to the Hong Kong Underwriting Agreement***

#### ***(A) Undertakings by our Company***

Pursuant to the Hong Kong Underwriting Agreement, except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) and issue of any Shares pursuant to the exercise of any of the options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "First Six-month Period"), we have undertaken to the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor not to, and to procure each other member of the Group not to, without the prior written consent of the Sole Sponsor (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance

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over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase any legal or beneficial interests in any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depository in connection with the issue of depository receipts; or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of legal or beneficial interests in Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other members of the Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-month Period). In the event that, during the period of six months commencing on the date on which the First Six-month Period expires (the "Second Six-Month Period"), our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of our Controlling Shareholders, Mr. Wu Wei, Wu Wei Education, Mr. Xiao Guoqing, Xiao Guoqing Education, and Mr. Lu Zhen has undertaken to the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor to procure our Company to comply with the above undertaking.

The Company has agreed and undertaken that it will not effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below the minimum percentage of public float as approved by the Stock Exchange on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Sole Sponsor (for itself and on behalf of the Hong Kong Underwriters).

### *(B) Undertakings by our Controlling Shareholders and substantial Shareholders*

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders, Mr. Wu Wei, Wu Wei Education, Mr. Xiao Guoqing and Xiao Guoqing Education has undertaken to each of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole

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## UNDERWRITING

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Sponsor that, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) he/it will not, and will procure that the relevant registered holder(s) will not, at any time during the First Six-month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of our Company with a depository in connection with the issue of depository receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraphs (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraphs (i), (ii) or (iii) above, in each case, whether any of the transactions specified in sub-paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-month Period);
- (b) our Controlling Shareholders will not, and will procure that the relevant registered holder(s) will not, during the Second Six-Month Period, enter into any of the transactions specified in sub-paragraphs (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, our Controlling Shareholders will cease to be a controlling shareholder (as the term is defined in the Listing Rules) of our Company; and
- (c) until the expiry of the Second Six-Month Period, in the event that he/it enters into any of the transactions specified in sub-paragraphs (a)(i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of our Company.

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## UNDERWRITING

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Each of the Controlling Shareholders, Mr. Wu Wei, Wu Wei Education, Mr. Xiao Guoqing and Xiao Guoqing Education and Mr. Lu Zhen has agreed and undertaken that he/it will not, and each of them further undertakes to procure that our Company will not, effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below the minimum percentage of public float as approved by the Stock Exchange on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Sole Sponsor (for itself and on behalf of the Hong Kong Underwriters).

### ***Indemnity***

Each of our Company, the Controlling Shareholders, Mr. Wu Wei, Wu Wei Education, Mr. Xiao Guoqing, Xiao Guoqing Education, and Mr. Lu Zhen has agreed to jointly and severally indemnify, among others, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach of our Company and the Controlling Shareholders of the Hong Kong Underwriting Agreement, provided that the indemnity shall not apply in respect of an indemnified party if any such action, claim or proceeding brought against, or losses or proceedings are finally judicially determined to have been solely caused by the gross negligence, wilful default or fraud on the part of the indemnified party.

### **Undertakings to the Stock Exchange pursuant to the Listing Rules**

In addition to the above undertakings under the Hong Kong Underwriting Agreement, our Company and our Controlling Shareholders have undertaken to the Stock Exchange pursuant to Rule 10.08 and Rule 10.07 of the Listing Rules, respectively.

#### ***By our Company***

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further shares or securities convertible into equity securities of a listed issuer (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering or for certain circumstances prescribed by Rule 10.08 of the Listing Rules.

#### ***By our Controlling Shareholders***

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange that, except pursuant to the Global Offering, they shall not

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in respect of which he is or they are shown by this prospectus to be the beneficial owner(s); or
- (b) in the period of six months commencing on the date on which the period referred to in Rule 10.07(1)(a) of the Listing Rules expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights,

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interests or encumbrances in respect of, any of the securities referred to in Rule 10.07(1)(a) of the Listing Rules if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that person or group of persons would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Pursuant to Note (3) of Rule 10.07(2) of the Listing Rules, our Controlling Shareholders have undertaken to our Company and the Stock Exchange that, during the period referred to in paragraphs (a) and (b) above:

- (a) when he/it pledges or charges any securities beneficially owned by him/it in favor of an authorized institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged/charged; and
- (b) when he/it receives indications, either verbal or written, from the pledgee/chargee that any of the pledged/charged securities will be disposed of, immediately inform the issuer of such indications.

Our Company will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

### **International Placing**

In connection with the International Placing, we expect to enter into the International Underwriting Agreement with the International Underwriters and other parties thereto. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, agree to purchase the International Placing Shares or procure subscribers or purchasers for the International Placing Shares. The International Underwriting Agreement is expected to provide that it may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors will be reminded that in the event the International Underwriting Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, we will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement as described in paragraph headed “Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings pursuant to the Hong Kong Underwriting Agreement” in this section.

Under the International Underwriting Agreement, we are expected to grant to the International Underwriters the Over-allotment Option, exercisable by BNP Paribas Securities (Asia) Limited for up to 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 65,370,000 additional Shares, representing 15% of the initial size of the Global Offering at the Offer Price to cover, among other things, over-allocations in the International Placing, if any, as determined by the Joint Global Coordinators and our Company.

### **Underwriting Commission and Expenses**

The Hong Kong Underwriters will receive an underwriting commission of 2% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially under the Hong Kong Public Offering (excluding any International Placing Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the



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International Placing). For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters.

Assuming an Offer Price of HK\$11.03 per Share (being the mid-point of the indicative Offer Price range), the listing expenses, representing professional and other fees incurred in connection with the Listing, including underwriting commissions but excluding discretionary bonus, (collectively the “Commissions and Fees”) are estimated to be approximately HK\$158.7 million (assuming the Over-allotment Option is not exercised at all) in total.

The Commissions and Fees were determined after arm’s length negotiation between our Company and the Hong Kong Underwriters or other parties by reference to the current market conditions.

### **Hong Kong Underwriters’ Interests in the Company**

Save as disclosed in this document and save for its obligations under the Hong Kong Underwriting Agreement, the Hong Kong Underwriters do not have any shareholding interests in any member of our Company or any right or options (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of Shares as a result of fulfilling their obligations under the Underwriting Agreements.

### **ACTIVITIES BY SYNDICATE MEMBERS**

The underwriters of the Hong Kong Public Offering and the International Placing (together, the “Syndicate Members”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

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All such activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering”. 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 Stabilization Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

### STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, BNP Paribas Securities (Asia) Limited, as Stabilization Manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws, rules and regulatory requirements in place. However, there is no obligation on the Stabilization Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of the Stabilization Manager, or its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

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## UNDERWRITING

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The Stabilization Manager, its affiliates or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

- (a) purchase, or agree to purchase, any of the Offer Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the Offer Shares;
- (b) in connection with any action described in paragraph (a) above:
  - (i) (1) over-allocate the Shares; or (2) sell or agree to sell the Offer Shares so as to establish a short position in them;
  - (ii) purchase or subscribe for or agree to purchase or subscribe for the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (i) above;
  - (iii) sell or agree to sell any of the Offer Shares to liquidate a long position held as a result of those purchases; or
  - (iv) offer or attempt to do anything as described in paragraphs (b)(i)(2), (b)(ii) or (b)(iii) above.

The Stabilization Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Offer Shares, and there is no certainty regarding the extent to which and the time period for which it will maintain any such position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilization Manager, its affiliates or any person acting for it and selling in the open market, which may include a decline in the market price of the Offer Shares.

Stabilization cannot be used to support the price of the Offer Shares for longer than the stabilization period, which begins on the Listing Date and ends on the thirtieth day after the last day for lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilization action may be taken, demand for the Shares, and therefore their market price, could fall. Any stabilizing action taken by the Stabilization Manager, its affiliates or any person acting for it may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilization period. Stabilizing bids or market purchases effected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Offer Shares.

In connection with the Global Offering, the Joint Global Coordinators and our Company may over-allocate up to and not more than an aggregate of 65,370,000 additional Shares and cover such over allocations with those shares from exercising the Over-allotment Option or making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

### **INDEPENDENCE OF THE SOLE SPONSOR**

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. BNP Paribas Securities (Asia) Limited, China International Capital Corporation Hong Kong Securities Limited and Haitong International Securities Company Limited are the Joint Global Coordinators of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of initially 43,580,000 Shares (subject to reallocation) in Hong Kong as described in the paragraph headed “The Hong Kong Public Offering” in this section; and
- the International Placing of initially 392,220,000 Shares (subject to reallocation and exclusive of the Over-allotment Option) outside the United States in offshore transactions in reliance on Regulation S, and in the United States to QIBs in reliance of Rule 144A, as described in the paragraph headed “The International Placing” in this section.

Investors may either apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Placing Shares under the International Placing, but may not do both.

The Offer Shares will represent 20% of the issued share capital of the Company immediately following the completion of the Global Offering, assuming no exercise of the Over-allotment Option or any options that may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 22.33% of the issued share capital of the Company immediately following the completion of the Global Offering, assuming no Shares are issued under the Pre-IPO Share Option Scheme or the Share Option Scheme.

### THE HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is a fully underwritten public offering (subject to agreement as to pricing and satisfaction or waiver of the other conditions provided in the Hong Kong Underwriting Agreement and described in the paragraph headed “Conditions of the Global Offering” in this section) for the subscription in Hong Kong of, initially, 43,580,000 Offer Shares at the Offer Price (representing 10% of the total number of the Offer Shares initially available under the Global Offering). Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering described below, the Hong Kong Offer Shares will represent 2% of our enlarged issued share capital immediately after completion of the Global Offering (assuming no exercise of the Over-allotment Option or any options that may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme). The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors.

#### Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation will be determined by the Joint Global Coordinators and our Company based on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a

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## STRUCTURE OF THE GLOBAL OFFERING

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higher allocation than others who have applied for the same number of Hong Kong Offer Shares and that those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of the Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools for allocation purposes:

- Pool A: The 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 subscription price of HK\$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and
- Pool B: The 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 subscription price of more than HK\$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. For the purpose of this subsection only, the “subscription price” for the 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. We will reject multiple applications between the two pools and reject multiple applications within pool A or pool B. In addition, any application for more than 50% of 43,580,000 Offer Shares initially included in the Hong Kong Public Offering (that is, 21,790,000 Offer Shares) will be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Placing, and such applicant’s application will be rejected if the said undertaking and/or confirmation is breached and/or untrue, as the case may be. We and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have indicated interest in or have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for or have received Offer Shares in the Hong Kong Public Offering.

### **Reallocation and Clawback**

The allocation of our Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. Currently, we have allocated 43,580,000 Shares to the Hong Kong Public Offering, representing 10% of our Shares initially available in the Global Offering.

If the number of Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares available for subscription under the Hong Kong Public Offering, then our Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the

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## STRUCTURE OF THE GLOBAL OFFERING

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total number of our Offer Shares available under the Hong Kong Public Offering will be increased to 130,740,000 Shares (in the case of (i)), 174,320,000 Shares (in the case of (ii)) and 217,900,000 Shares (in the case of (iii)), respectively, representing 30%, 40% and 50%, respectively, of the total number of Offer Shares available under the Global Offering (before any exercise of the Over-allotment Option). In addition, the Joint Global Coordinators have the discretion to reallocate our Shares offered in the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

In addition to the reallocation above, the Joint Global Coordinators reserve their rights to reallocate Offer Shares from the International Placing 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 Placing is undersubscribed and the Hong Kong Public Offering are fully subscribed or oversubscribed irrespective of the number of times or (b) when the International Placing 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 Placing 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 Placing 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. 43,580,000 Offer Shares, representing 10% 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 up to 87,160,000 Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and 20% 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\$9.80 per Offer Share).

In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 87,160,000 Shares) and the final offer price range shall be fixed at the bottom end of the indicative price range (i.e. HK\$9.80 per Offer Share).

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators may, at their discretion, reallocate to the International Placing all or any unsubscribed Shares offered in the Hong Kong Public Offering in such amount as they deem appropriate.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE INTERNATIONAL PLACING

The number of the Offer Shares to be initially offered for subscription and sale under the International Placing will be 392,220,000 Offer Shares, representing 90% of the Offer Shares initially available under the Global Offering and 18% of our enlarged issued share capital immediately after completion of the Global Offering (assuming no exercise of the Over-allotment Option or any options that may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme).

#### Allocation

Pursuant to the International Placing, the International Placing Shares will be conditionally placed on our behalf by the International Underwriters or through selling agents appointed by them. International Placing Shares will be placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for the International Placing Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S and in the United States to QIBs in reliance of Rule 144A. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of the International Placing Shares to investors under the International Placing will be determined by the Joint Global Coordinators and us and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not the relevant investor is likely to buy further, and/or hold or sell its International Placing Shares after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of an appropriate shareholder base to our benefit and the benefit of our Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that such investor is excluded from any application of Hong Kong Offer Shares under the Hong Kong Public Offering. The International Placing is subject to the Hong Kong Public Offering becoming unconditional.

#### OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company intends to grant the Over-allotment Option to the International Underwriters and exercisable by BNP Paribas Securities (Asia) Limited for up to 30 days from the last day for the lodging applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 65,370,000 additional Shares, representing 15% of the initial size of the Global Offering at the Offer Price to cover, among other things, over-allocations in the International Placing, if any, as determined by the Joint Global Coordinators and us. In the event that the Over-allotment Option is exercised, we will make an announcement.

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## STRUCTURE OF THE GLOBAL OFFERING

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The Joint Global Coordinators and us may cover any over-allocations by using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part or by a combination of these means. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations in place in Hong Kong, including in relation to stabilisation, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold under the Over-allotment Option, namely 65,370,000 Shares, representing 15% of the Shares available under the Global Offering.

### STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public offer price of the securities. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws, rules and regulations in place, including those of Hong Kong. In Hong Kong and certain other jurisdictions, the stabilization price is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period which begins on the commencement of trading of the Shares on the Stock Exchange and ends on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. The stabilizing period is expected to expire on July 4, 2019. However, there is no obligation on the Stabilizing Manager, or its affiliates or any person acting for it to do this. Such stabilizing action, if taken, may be discontinued at any time, and must be brought to an end after a limited period. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold under the Over-allotment Option, namely 65,370,000 Shares, which is 15% of the Shares available under the Global Offering.

In order to facilitate the settlement of over-allocation in connection with the Global Offering, the Stabilizing Manager may choose to borrow up to 65,370,000 Shares from Wu Wei Education pursuant to the Stock Borrowing Agreement.

Stabilizing action is permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes (a) primary stabilisation, including purchasing, or agreeing to purchase, any of the Shares or offering or attempting to do so for the purpose of preventing or minimizing any reduction in the market price of the Shares, and (b) ancillary stabilisation in connection with any primary stabilizing action, including: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price; (ii) selling or agreeing to sell Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price; (iii) purchasing or agreeing to purchase Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) selling or agreeing to sell Shares to liquidate a long position held as a result of those purchases or subscriptions; and (v) offering or attempting to do anything described in (ii), (iii) or (iv). The Stabilizing Manager, its affiliates or any person acting for it may take any one or more of the stabilizing actions described above.



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## STRUCTURE OF THE GLOBAL OFFERING

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Prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in our Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager, its affiliates or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of our Shares;
- no stabilizing action can be taken to support the price of our Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- 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.

We will ensure to procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

### PRICING

#### Determination of Offer Price

We expect the Offer Price to be fixed by agreement among us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date when market demand for the Offer Shares will be determined. We expect the Price Determination Date to be on or around Tuesday, June 4, 2019, and in any event, no later than Wednesday, June 5, 2019. The Offer Price will not be more than HK\$12.26 per Offer Share and is expected to be not less than HK\$9.80 per Offer Share. You should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Prospective professional, institutional and other investors will be required to specify the number of the Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to the Price Determination Date.

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## STRUCTURE OF THE GLOBAL OFFERING

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The Joint Global Coordinators, on behalf of the Underwriters, may, with our consent, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process reduce the number of Offer Shares and/or the indicative Offer Price range below that described in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of the reduction in the number of Offer Shares and/or the indicative Offer Price range. Such notice will also be available at the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.chinaeastedu.com](http://www.chinaeastedu.com).

Upon issue of such a notice, the revised number of Offer Shares and/or offer price range will be final and conclusive and the Offer Price, if agreed upon between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us will be fixed within such revised offer price range. In this notice, we will also confirm or revise, as appropriate, the working capital statement as currently disclosed in the section headed “Financial Information — Working capital”, the offering statistics as currently disclosed in the sections headed “Summary” and “Information about this Prospectus and the Global Offering”, the use of proceeds in the section headed “Future Plans and Use of Proceeds” and any other financial information which may change as a result of such reduction. If we do not publish a notice in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of a reduction in the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon by us, will be within the indicative Offer Price range as stated in this prospectus.

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 by Wednesday, June 5, 2019, the Global Offering will not proceed and will lapse.

We expect to publish an announcement of the Offer Price, together with the level of interest in the International Placing and the level of applications and the basis of allocation of the Hong Kong Offer Shares, on Tuesday, June 11, 2019.

### **Price Payable on Application**

The Offer Price will not be more than HK\$12.26 and is expected to be not less than HK\$9.80, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offering as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum Offer Price of HK\$12.26 per Offer Share plus a 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy. This means that, for every board lot of 500 Offer Shares, you should pay HK\$6,191.78 at the time of your application.

If the Offer Price is lower than HK\$12.26, we will refund the respective difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. You may find further details in the section headed “How to Apply for Hong Kong Offer Shares”.

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## STRUCTURE OF THE GLOBAL OFFERING

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### UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters and the International Placing is expected to be fully underwritten by the International Underwriters. The Hong Kong Public Offering and the International Placing are subject to the conditions described in the section headed “Underwriting”. In particular, we and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), must agree on the Offer Price for the Global Offering. The Hong Kong Underwriting Agreement was entered into on Wednesday, May 29, 2019, and, is subject to an agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us for the purpose of the Hong Kong Public Offering. The International Underwriting Agreement including the agreement on the Offer Price between us and the Joint Global Coordinators (for themselves and on behalf of the International Underwriters for purposes of the International Placing) is expected to be entered into on Tuesday, June 4, 2019, being the Price Determination Date. The Hong Kong Underwriting Agreement and the International Underwriting Agreement are inter-conditional upon each other.

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as described in this prospectus (including any additional Shares to be issued pursuant to any exercise of the Over-allotment Option), and our Shares that may be issued upon the exercise of any of the options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, and such listing and permission not having been subsequently revoked prior to the commencement of trading in our Shares on the Stock Exchange;
- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective agreements,

in each case, on or before the dates and times specified in the 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 that is 30 days after the date of this prospectus.

The consummation of each of the International Placing and the Hong Kong Public Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

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## STRUCTURE OF THE GLOBAL OFFERING

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If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will not proceed and will lapse immediately and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Global Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the day after such lapse. In such situation, we will return all application monies to the applicants, without interest and on the terms described in the section headed “How to Apply for Hong Kong Offer Shares — Refund of application monies”. In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving bankers or other banks licenced under the Banking Ordinance.

We expect to despatch share certificates for the Offer Shares on Tuesday, June 11, 2019. However, these share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, June 12, 2019 provided that:

- the Global Offering has become unconditional in all respects; and
- the right of termination as described in the section headed “Underwriting” in this prospectus has not been exercised.

### DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, June 12, 2019, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, June 12, 2019. The Shares will be traded in board lots of 500 Shares each.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via **White Form eIPO** at [www.eipo.com.hk](http://www.eipo.com.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through **White Form eIPO**, 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, 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** for the Hong Kong Offer Shares.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- are a director or chief executive officer of the Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above;
- are a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for or indicated an interest in any Offer Shares under the International Placing.

### 3. APPLYING FOR HONG KONG OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this prospectus during normal business hours between 9:00 a.m. on Thursday, May 30, 2019 to 12:00 noon on Tuesday, June 4, 2019 from:

- (i) any of the following offices of the Hong Kong Underwriters:

<b>BNP Paribas Securities (Asia) Limited</b> . . . . .	62/F, Two International Finance Centre 8 Finance Street Central Hong Kong
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<b>China International Capital Corporation Hong Kong Securities Limited</b> . . . . .	29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
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<b>Haitong International Securities Company Limited</b> . . . . .	22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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<b>Guotai Junan Securities (Hong Kong) Limited . . . . .</b>	27/F, Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
<b>CMB International Capital Limited . . . . .</b>	45/F, Champion Tower 3 Garden Road Central Hong Kong
<b>ABCI Securities Company Limited . . . . .</b>	10/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong

(ii) any of the branches of the receiving bank, Standard Chartered Bank (Hong Kong) Limited:

<u>Region</u>	<u>Branch Name</u>	<u>Branch Address</u>
Hong Kong Island . .	188 Des Voeux Road Branch	Shop No. 7 on G/F, whole of 1/F – 3/F Golden Centre, 188 Des Voeux Road Central, Hong Kong
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
Kowloon . . . . .	Kwun Tong Branch	G/F & 1/F One Pacific Centre, 414 Kwun Tong Road, Kwun Tong
New Territories . . . .	Maritime Square Branch	Shop 308E, Level 3, Maritime Square, Tsing Yi
	Tseung Kwan O Branch	Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Thursday, May 30, 2019 until 12:00 noon on Tuesday, June 4, 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "HORSFORD NOMINEES LIMITED — CHINA EAST EDUCATION Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Thursday, May 30, 2019 — 9:00 a.m. to 5:00 p.m.  
Friday, May 31, 2019 — 9:00 a.m. to 5:00 p.m.  
Saturday, June 1, 2019 — 9:00 a.m. to 1:00 p.m.  
Monday, June 3, 2019 — 9:00 a.m. to 5:00 p.m.  
Tuesday, June 4, 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 Tuesday, June 4, 2019, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through **White Form eIPO**, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Cayman Companies Law, the Companies (WUMP) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the 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);



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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participate in the International Placing;
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, 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 innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- (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 SERVICES**

### **General**

Individuals who meet the criteria as described in the “Who can apply” section, may apply through **White Form eIPO** for the Offer Shares to be allotted and registered in their own names through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

Detailed instructions for application through **White Form eIPO** 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 **White Form eIPO**.

### **Time for Submitting Applications under the White Form eIPO**

You may submit your application to the **White Form eIPO** Service Provider at [www.eipo.com.hk](http://www.eipo.com.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, May 30, 2019 until 11:30 a.m. on Tuesday, June 4, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, June 4, 2019 or such later time under the “Effects of Bad Weather on the Opening of the Applications Lists” in this section.

### **No Multiple Applications**

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through **White Form eIPO** to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through **White Form eIPO** or by any other means, all of your applications are liable to be rejected.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

### Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of 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 EAST EDUCATION HOLDINGS LIMITED” **White Form eIPO** application submitted via [www.eipo.com.hk](http://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 at <https://ip.ccass.com/> (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Center  
1/F, One & Two Exchange Square,  
8 Connaught Place, Central, Hong Kong

and complete an input request form.

You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 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 Placing;
  - (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 his agent;
  - confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
  - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
  - agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
  - agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents;

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- 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 a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for 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 Cayman Companies Law, the Companies (WUMP) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### **Effect of Giving Electronic Application Instructions to HKSCC via CCASS**

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- 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 500 Hong Kong Offer Shares. Instructions for more than 500 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<sup>(1)</sup>

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Thursday, May 30, 2019: 9:00 a.m. to 8:30 p.m.
- Friday, May 31, 2019: 8:00 a.m. to 8:30 p.m.
- Saturday, June 1, 2019: 8:00 a.m. to 1:00 p.m.
- Monday, June 3, 2019: 8:00 a.m. to 8:30 p.m.
- Tuesday, June 4, 2019: 8:00 a.m. to 12:00 noon

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Thursday, May 30, 2019 until 12:00 noon on Tuesday, June 4, 2019 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Tuesday, June 4, 2019, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through **White Form eIPO** is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through **White Form eIPO** will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Tuesday, June 4, 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,

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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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**, 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 **White Form eIPO** in respect of a minimum of 500 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 500 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](http://www.eipo.com.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the sections headed “Structure of the Global Offering — Pricing”.

### 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



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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, June 4, 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 Tuesday, June 4, 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 the section headed “Expected Timetable”, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, June 11, 2019 in South China Morning Post (in English), Hong Kong Economic Times (in Chinese), on the Company’s website at **www.chinaeastedu.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.chinaeastedu.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, June 11, 2019;
- from the designated results of allocations website at **www.iporeults.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 Tuesday, June 11, 2019 to 12:00 mid-night on Monday, June 17, 2019;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. to 10:00 p.m. from Tuesday, June 11, 2019 to Friday, June 14, 2019;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, June 11, 2019 to Thursday, June 13, 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 the section headed “Structure of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 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 to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If the Company or its agents exercise their discretion to reject your application:**

The Company, the Joint Global Coordinators, the Hong Kong Share Registrar, 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 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;

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- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through **White Form eIPO** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believes that by accepting your application, it 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\$12.26 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Tuesday, June 11, 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

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Tuesday, June 11, 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, June 12, 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 cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, June 11, 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 cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Tuesday, June 11, 2019 by ordinary post and at your own risk.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### ***(ii) If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Tuesday, June 11, 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 Tuesday, June 11, 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 "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, June 11, 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 Tuesday, June 11, 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 cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, June 11, 2019 by ordinary post at your own risk.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

***(iv) If you apply via Electronic Application Instructions to HKSCC***

*Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, June 11, 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 "Publication of Results" above on Tuesday, June 11, 2019. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, June 11, 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 Tuesday, June 11, 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.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, June 11, 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 adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.



**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA EAST EDUCATION HOLDINGS LIMITED AND BNP PARIBAS SECURITIES (ASIA) LIMITED**

**Introduction**

We report on the historical financial information of China East Education Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages I-3 to I-71, which comprises the consolidated statements of financial position of the Group as at December 31, 2016, 2017 and 2018, the statement of financial position of the Company as at December 31, 2018 and 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 the three years ended December 31, 2018 (the "Track Record Period") 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-3 to I-71 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated May 30, 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (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 preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.



Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, 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 Group's financial position as at December 31, 2016, 2017 and 2018, of the Company's financial position as at December 31, 2018, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange 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-3 have been made.

**Dividends**

We refer to note 12 to the Historical Financial Information which contains information about the dividends declared or paid by the group entities in respect of the Track Record Period and states that no dividend has been paid by the Company since its incorporation.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
May 30, 2019

**HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	NOTES	Year ended December 31,		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
<b>Continuing operations</b>				
Revenue . . . . .	5	2,335,730	2,850,165	3,264,964
Cost of revenue . . . . .		(1,014,265)	(1,281,339)	(1,559,856)
Gross profit . . . . .		1,321,465	1,568,826	1,705,108
Other income . . . . .	6	21,578	34,403	61,827
Other gains and losses . . . . .	7	26,704	59,809	58,089
Selling expenses . . . . .		(363,889)	(456,926)	(648,032)
Administrative expenses . . . . .		(277,798)	(349,936)	(437,863)
Listing expenses . . . . .		–	–	(23,873)
Research and development expenses . . . . .		(8,403)	(24,021)	(28,252)
Profit before taxation . . . . .		719,657	832,155	687,004
Income tax expense . . . . .	8	(132,278)	(170,965)	(171,863)
Profit and total comprehensive income for the year from continuing operations . . . . .		587,379	661,190	515,141
<b>Discontinued operation</b>				
Loss and total comprehensive expense for the year from discontinued operation . . . . .	10	(21,901)	(19,569)	(5,048)
Profit and total comprehensive income for the year . . . . .	9	565,478	641,621	510,093
Profit (loss) and total comprehensive income (expenses) for the year attributable to owners of the Company				
– from continuing operations . . . . .		587,379	661,190	515,141
– from discontinued operation . . . . .	10	(21,901)	(19,569)	(5,048)
		565,478	641,621	510,093
From continuing and discontinued operations				
Earnings per share . . . . .	13			
– Basic (RMB cents) . . . . .		9.06	10.28	10.26
– Diluted (RMB cents) . . . . .		N/A	N/A	10.25
From continuing operations				
Earnings per share . . . . .	13			
– Basic (RMB cents) . . . . .		9.41	10.59	10.36
– Diluted (RMB cents) . . . . .		N/A	N/A	10.35

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		The Group		
		As at December 31,		
NOTES	2016	2017	2018	
	RMB'000	RMB'000	RMB'000	
<b>Non-current assets</b>				
Property and equipment . . . . .	14	611,342	1,060,309	1,361,005
Prepaid lease payments . . . . .	15	88,549	126,349	123,409
Deferred tax assets . . . . .	16	3,579	3,849	2,996
Prepayments for rental . . . . .		18,959	31,902	17,873
Deposits for rental and utilities . . . . .		29,660	36,792	39,904
		<u>752,089</u>	<u>1,259,201</u>	<u>1,545,187</u>
<b>Current assets</b>				
Inventories . . . . .	18	26,896	29,899	37,138
Prepaid lease payments . . . . .	15	2,010	2,940	2,940
Trade and other receivables . . . . .	19	127,193	190,506	242,290
Tax recoverable . . . . .		1,357	1,029	1,687
Bank balances and cash . . . . .	20	1,738,599	2,034,750	986,293
		<u>1,896,055</u>	<u>2,259,124</u>	<u>1,270,348</u>
<b>Current liabilities</b>				
Trade and other payables . . . . .	21	308,010	471,082	507,643
Amounts due to Controlling Equity Holders . . .	23	209,000	209,000	–
Dividend payable . . . . .		–	–	34,112
Tax liabilities . . . . .		81,085	101,566	108,167
Contract liabilities . . . . .	24	955,170	1,089,507	1,233,230
		<u>1,553,265</u>	<u>1,871,155</u>	<u>1,883,152</u>
<b>Net current assets (liabilities) . . . . .</b>		<u>342,790</u>	<u>387,969</u>	<u>(612,804)</u>
<b>Total assets less current liabilities . . . . .</b>		<u>1,094,879</u>	<u>1,647,170</u>	<u>932,383</u>
<b>Non-current liabilities</b>				
Contract liabilities . . . . .	24	26,946	36,317	56,101
Government grants . . . . .		2,830	4,129	3,651
		<u>29,776</u>	<u>40,446</u>	<u>59,752</u>
<b>Net assets . . . . .</b>		<u>1,065,103</u>	<u>1,606,724</u>	<u>872,631</u>
<b>Capital and reserves</b>				
Paid-in capital/share capital . . . . .	25	360,000	360,000	–
Reserves . . . . .		705,103	1,246,724	872,631
<b>Total equity . . . . .</b>		<u>1,065,103</u>	<u>1,606,724</u>	<u>872,631</u>

## STATEMENT OF FINANCIAL POSITION

	<i>NOTES</i>	<u>The Company</u> <u>As at December</u> <u>31, 2018</u> <i>RMB'000</i>
<b>NON-CURRENT ASSET</b>		
Investment in a subsidiary .....	17	—
<b>CURRENT ASSETS</b>		
Amount due from a subsidiary .....	22	533
Deferred issue costs .....	19	5,474
Prepayments for listing expenses .....	19	1,799
		<u>7,806</u>
<b>CURRENT LIABILITIES</b>		
Accrued listing expenses and issue costs .....	21	4,562
Amount due to a subsidiary .....	22	26,583
		<u>31,145</u>
<b>NET CURRENT LIABILITIES</b> .....		<u>(23,339)</u>
		<u><u>(23,339)</u></u>
<b>CAPITAL AND RESERVE</b>		
Share capital .....	25	—
Reserves .....	26	(23,339)
		<u>(23,339)</u>
		<u><u>(23,339)</u></u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Attributable to owners of the Company						Total
		Share capital/ paid-in capital	Capital reserve	Share premium	Share options reserve	Statutory surplus reserve	Retained profits	
		RMB'000	RMB'000 (note b)	RMB'000	RMB'000	RMB'000 (note a)	RMB'000	
At January 1, 2016 . . . . .		360,000	-	-	-	127,957	11,668	499,625
Profit and total comprehensive income for the year . . . . .		-	-	-	-	-	565,478	565,478
Transfer . . . . .		-	-	-	-	118,577	(118,577)	-
At December 31, 2016. . . . .		360,000	-	-	-	246,534	458,569	1,065,103
Profit and total comprehensive income for the year . . . . .		-	-	-	-	-	641,621	641,621
Transfer . . . . .		-	-	-	-	157,015	(157,015)	-
Dividend distribution . . . . .	12	-	-	-	-	-	(100,000)	(100,000)
At December 31, 2017. . . . .		360,000	-	-	-	403,549	843,175	1,606,724
Profit and total comprehensive income for the year . . . . .		-	-	-	-	-	510,093	510,093
Capital increase (note c) . . . . .		141,940	-	-	-	(51,240)	(90,700)	-
Capital deduction (note d) . . . . .		(401,940)	-	-	-	-	-	(401,940)
Deemed contribution from the Controlling Equity Holders (as defined in note 1) (note 30) . . . . .		-	56,947	-	-	-	-	56,947
Recognition of equity-settled share-based payments (note 27) . . . . .		-	-	-	8,125	-	-	8,125
Arising from reorganisation . . . . .		(100,000)	100,000	-	-	-	-	-
Ordinary shares issued . . . . .	25	-	-	533	-	-	-	533
Transfer . . . . .		-	-	-	-	(128,461)	128,461	-
Dividend distribution . . . . .	12	-	-	-	-	-	(907,851)	(907,851)
At December 31, 2018. . . . .		-	156,947	533	8,125	223,848	483,178	872,631

*Notes:*

- (a) Pursuant to the relevant laws in the People's Republic of China (the "PRC"), the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the management of the relevant PRC subsidiaries. These reserves include: (i) general reserve of the limited liabilities companies and (ii) the development fund of schools.
- i. For PRC subsidiaries with limited liability, they are required to make annual appropriations to general reserve of 10% of after-tax profits as determined under the PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital.
  - ii. According to the relevant PRC laws and regulations, for private school that does not require for reasonable return, it is required to appropriate to development fund of not less than 25% of the net income of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund shall be used for the construction or maintenance of the schools or procurement or upgrading of educational equipment. When the development fund is used, the reserve will be transferred back to retained profits directly.
- (b) The amounts of capital reserve mainly include:
- i. an amount of RMB56,947,000 representing the differences between the consideration received on disposal of the entire equity interests of Hefei Xin'an Automobile Driver Training School (合肥新安機動車駕駛員培訓學校) ("Hefei Xin'an"), Hefei Yuxing Automobile Driver Training Co., Ltd. (合肥宇星機動車駕駛員培訓有限公司) ("Hefei Yuxing"), Xi'an City Yuxing Driver Training Co., Ltd. (西安市宇星駕駛員培訓有限公司) ("Xi'an Yuxing"), Chongqing Yuxing Xincheng Automobile Driving Training Co., Ltd. (重慶宇星新城汽車駕駛培訓有限公司) ("Chongqing Yuxing") and Changsha City Yuxing Automobile Driver Training Co., Ltd. (長沙市宇星機動車駕駛員培訓有限公司) ("Changsha Yuxing"), which provided training course for diving examinations, and Beijing Miwei Technology Co., Ltd. (北京秘味科技有限公司) ("Miwei Technology"), which developed and ran two mobile applications, with one providing cooking tutorial videos and online courses, and the other providing online academic support for students, to companies controlled by the Controlling Equity Holders (as defined in note 1) and the carrying amounts of the net assets of the five subsidiaries and Miwei Technology (details are set out in note 30); and
  - ii. an amount of RMB100,000,000 representing the difference between the nominal value of the share capital issued by the Company and the registered capital of Anhui Xinhua Education Group Co., Ltd. (安徽新華教育集團有限公司) ("Anhui Xinhua Education") upon the Reorganisation (as defined in note 1).
- (c) On September 18, 2018, Anhui Xinhua Education increased its paid-in capital by transferring RMB51,240,000 from statutory surplus reserve and RMB90,700,000 from retained profits to paid-in capital.
- (d) On November 13, 2018, Anhui Xinhua Education reduced its paid-in capital by RMB401,940,000 and its paid-in capital changed to RMB100,000,000. The reduction of registered capital was completed in cash settlement and in accordance with the procedures under the articles of Anhui Xinhua Education.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
<b>OPERATING ACTIVITIES</b>			
Profit for the year	565,478	641,621	510,093
Adjustments for:			
Income tax expense	131,903	170,965	171,863
Interest income from banks	(9,034)	(16,959)	(23,954)
Depreciation of property and equipment	171,428	239,544	357,507
Amortisation of prepaid lease payments	2,010	2,940	2,940
Release of asset-related government grants	(2,176)	(1,146)	(1,274)
Losses (gains) on disposals of property and equipment	753	1,268	(86)
Gains on other financial assets measured at fair value through profit or loss ("FVTPL")	(27,457)	(61,077)	(58,003)
Gain on disposal of a subsidiary	–	–	(4,358)
Equity-settled share option expense	–	–	8,125
Operating cash flow before movements in working capital	832,905	977,156	962,853
Increase in inventories	(6,629)	(3,003)	(7,300)
Increase in trade and other receivables	(3,730)	(30,860)	(19,383)
Increase in prepayments for rental	(4,286)	(45,396)	(17,542)
Increase in deposits for rental and utilities	(9,514)	(7,132)	(3,798)
Increase in trade and other payables	57,565	113,201	38,924
Increase in contract liabilities	167,056	143,708	191,433
Cash generated from operations	1,033,367	1,147,674	1,145,187
Income taxes paid	(51,788)	(150,426)	(165,067)
Net cash from operating activities	981,579	997,248	980,120
<b>INVESTING ACTIVITIES</b>			
Interest received from banks	9,034	16,959	23,954
Proceeds on disposals of property and equipment	2,989	3,692	9,274
Purchases of property and equipment	(240,548)	(643,600)	(665,585)
Payments for prepaid lease payments	–	(41,670)	–
Purchases of other financial assets	(3,105,000)	(6,540,000)	(5,849,900)
Redemptions of other financial assets	3,182,457	6,601,077	5,907,903
Net cash inflow from disposal of a subsidiary	–	–	596
Asset-related government grants	1,953	2,445	796
Net cash used in investing activities	(149,115)	(601,097)	(572,962)
<b>FINANCING ACTIVITIES</b>			
Proceeds from issue of shares	–	–	533
Dividend paid	–	(100,000)	(873,739)
Reduction of paid-in capital	–	–	(401,940)
Receipt from the Controlling Equity Holders	–	–	50,715
Repayment to the Controlling Equity Holders	–	–	(209,000)
Repayment to former group companies	–	–	(13,000)
Issue costs paid	–	–	(4,918)
Net cash outflow from disposals of subsidiaries to Controlling Equity Holders as part of the Reorganisation (as defined in note 1)	–	–	(4,266)
Net cash used in financing activities	–	(100,000)	(1,455,615)
Net increase (decrease) in cash and cash equivalents	832,464	296,151	(1,048,457)
Cash and cash equivalents at the beginning of the year	906,135	1,738,599	2,034,750
Cash and cash equivalents at the end of the year, representing bank balances and cash	1,738,599	2,034,750	986,293



## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

## 1. CORPORATE INFORMATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on October 4, 2018. Its shareholders are Wu Wei Education Company Limited (“Wu Wei Education”), Wu Junbao Education Company Limited (“Wu Junbao Education”) and Xiao Guoqing Education Company Limited (“Xiao Guoqing Education”), which are incorporated in the British Virgin Islands (the “BVI”). Its ultimate controlling parties are Mr. Wu Wei, Mr. Wu Junbao and Mr. Xiao Guoqing, who have historically and throughout the Track Record Period been the controlling equity holders of the Group (Mr. Wu Wei, Mr. Wu Junbao and Mr. Xiao Guoqing collectively referred as the “Controlling Equity Holders”). The addresses of the registered office and the principal place of business of the Company are disclosed in the section “Corporate Information” in the Prospectus.

The Company is an investment holding company. The principal activities of its subsidiaries are mainly engaged in the operation of vocational education institutions under the common control of the Controlling Equity Holders historically and throughout the Track Record Period. Details of the subsidiaries are disclosed in note 35.

The Historical Financial Information has been prepared based on the accounting policies set out in note 3 which conform with HKFRSs issued by the HKICPA and the principle of merger accounting in accordance with Accounting Guidance 5 “Merger Accounting for Common Control Combinations” issued by HKICPA.

Pursuant to the reorganisation as more fully explained in the paragraph under the sections headed “History and Corporate Structure” and “Structured Contracts” in the Prospectus (the “Reorganisation”), the Company became the holding company of the companies now comprising the Group on November 30, 2018. Since the Controlling Equity Holders control all the companies now comprising the Group before and after the Reorganisation, the Group comprising the Company and its subsidiaries is regarded as a continuing entity.

Under the relevant PRC laws and regulations requirement, the Company is restricted to independently or jointly operate most of vocational and training business. In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Group underwent the Reorganisation through entering into contractual arrangements with the Controlling Equity Holders to maintain and exercise the control over the operation of Anhui Xinhua Education, and to obtain all of its entire economic benefits (the “Contractual Arrangements”). The Contractual Arrangements were entered into by a wholly-owned subsidiary of the Company, Hefei Xinhua Chuangzhi Education Management Co., Ltd. (合肥新華創智教育管理有限公司) (“Xinhua Chuangzhi”) with Anhui Xinhua Education and the Controlling Equity Holders, which, effective from November 30, 2018, enable Xinhua Chuangzhi and the Group to:

- exercise effective financial and operational control over Anhui Xinhua Education;
- exercise equity holders' voting rights of Anhui Xinhua Education;
- receive substantially all economic returns generated by Anhui Xinhua Education in consideration for the business support, technical and consulting services provided by the Group;
- obtain an irrevocable and exclusive right to purchase the entire equity interests in Anhui Xinhua Education from the Controlling Equity Holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. The Group may exercise such options at any time until it has acquired all equity interests and/or all assets of Anhui Xinhua Education. In addition, Anhui Xinhua Education is not allowed to sell, transfer, or dispose any assets, or make any distributions to its equity holders without prior consent of the Group; and
- obtain a pledge over the entire equity interests of Anhui Xinhua Education from the Controlling Equity Holders as collateral security for all of the amounts Anhui Xinhua Education due to the Group and to secure performance of the Controlling Equity Holders' obligations under the Contractual Arrangements.

Consequently, the Company regards Anhui Xinhua Education as an indirect subsidiary.

However, certain subsidiaries under Anhui Xinhua Education including Beijing Langjie Technology Co., Ltd. (北京朗杰科技有限公司) ("Langjie Technology"), Anhui Simai'er Catering Co., Ltd. (安徽思麥爾餐飲有限公司) and other 20 companies in providing specialised culinary training, were not restricted to be held by the foreigner and these subsidiaries were transferred from Anhui Xinhua Education to Xinhua Chuangzhi in October 2018.

As the Reorganisation involved inserting new holding companies and has not resulted in any change of economic substance, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation/establishment of the relevant companies now comprising the Group where this is a shorter period. The consolidated statements of financial position of the Group as at December 31, 2016 and 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure were in existence at those dates.

The following balances and amounts of the Anhui Xinhua Education and its subsidiaries, excluding those which have been transferred to Xinhua Chuangzhi, were included in the Historical Financial Information:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Revenue . . . . .	2,320,089	2,839,316	3,232,176
Profit before taxation . . . . .	743,024	873,341	801,627
	<u>                    </u>	<u>                    </u>	<u>                    </u>
	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Non-current assets . . . . .	705,731	1,176,941	1,507,880
Current assets . . . . .	1,867,194	2,211,611	1,249,157
Current liabilities . . . . .	1,489,811	1,734,800	1,856,575
Non-current liabilities . . . . .	29,776	40,446	59,752
	<u>                    </u>	<u>                    </u>	<u>                    </u>

The Historical Financial Information is presented in RMB, which is the same as the functional currency of the Company and its subsidiaries.

The Group and the Company recorded net current liabilities of RMB612,804,000 and RMB23,339,000 as at December 31, 2018 respectively. In view of the net current liabilities position, the management of the Group has considered the cash inflow from operations and is satisfied that the Group and the Company are able to meet in full their financial obligations as they fall due for the foreseeable future. The management of the Group considers that the Group and the Company will have sufficient financial resources to continue as a going concern. Therefore, the financial statements of the Group and the Company for the Track Record Period have been prepared on going concern basis.

## 2. APPLICATION OF HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has applied HKFRSs issued by the HKICPA that are effective for the Group's accounting period beginning on January 1, 2018, including HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers*, consistently throughout the Track Record Period.

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16 . . . . .	<i>Leases</i> <sup>1</sup>
HKFRS 17 . . . . .	<i>Insurance Contracts</i> <sup>3</sup>
HK(IFRIC) – Int 23 . . . . .	<i>Uncertainty over Income Tax Treatments</i> <sup>1</sup>
Amendments to HKFRS 3 . . . . .	<i>Definition of a Business</i> <sup>4</sup>
Amendments to HKFRS 9 . . . . .	<i>Prepayment Features with Negative Compensation</i> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28 . . . . .	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>2</sup>
Amendments to HKAS 1 and HKAS 8 . . . . .	<i>Definition of Material</i> <sup>5</sup>
Amendments to HKAS 19 . . . . .	<i>Plan Amendment, Curtailment or Settlement</i> <sup>1</sup>
Amendments to HKAS 28 . . . . .	<i>Long-term Interests in Associates and Joint Ventures</i> <sup>1</sup>
Amendments to HKFRSs . . . . .	<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2019.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2021.

<sup>4</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020.

<sup>5</sup> Effective for annual periods beginning on or after January 1, 2020.

#### HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flow by the Group, while upfront prepaid lease payment will continue to be presented as investing cash flows in accordance with the nature.

Other than certain requirement which are also applicable to lessors, HKFRS 16 substantially carries forward the lessors accounting requirements in HKAS 17, and continues to require a lessors to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at December 31, 2018, the Group has non-cancellable operating lease commitments of RMB2,302,181,000 as disclosed in note 31. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB36,873,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustment to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

In the opinion of the directors of the Company, the adoption of HKFRS 16 as compared with the current accounting policy would result in increase in the Group's right-of-use assets and related lease liabilities. The combination of straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. The directors of the Company anticipate that the application of HKFRS 16 will not significantly affect the financial performance and net assets of the Group upon adoption on January 1, 2019. These estimates are based on accounting policies, assumptions, judgements and estimation techniques that remain subject to change until the Group finalises its financial statements for the year ending December 31, 2019.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group has not reassessed whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group has elected the modified retrospective approach for the application of HKFRS 16 as lessee and has recognised the cumulative effect of initial application to opening retained profits without restating comparative information.

#### **HK(IFRIC) – Int 23 "Uncertainty over Income Tax Treatments"**

HK(IFRIC) – Int 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

As disclosed in note 8, the detailed implementation rules of New Law for Promoting Private Education has not yet been announced, certain schools of the Group have not yet elected to be for-profit or non-profit private schools, there will be uncertainty whether the schools could follow previous PRC Enterprise Income Tax ("EIT") exemption treatment for the tuition income when facts and circumstances change or new information become available. The management of the Group would reassess any judgments and estimates if the facts and circumstances change or new information becomes available.

Except as described above, the management of the Group anticipates that the application of other new and revised HKFRSs in issue but not yet effective will have no material impact on the Group's financial statements in the foreseeable future.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The Historical Financial Information has been prepared in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial investments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

#### **Basis of consolidation**

The Historical Financial Information incorporates the financial statements of the entities now comprising the Group. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### ***Change in the Group's interests in existing subsidiaries***

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of the subsidiary and non-controlling interest (if any) are derecognised. A gain or loss is recognised in profit or loss when the subsidiary is disposed to independent third parties, while a gain or loss is recognised in capital reserve if the subsidiary is disposed to the Controlling Equity Shareholders. The gain and loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets, and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

#### **Merger accounting for business combination involving businesses under common control**

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been consolidated from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

#### **Investment in a subsidiary**

Investment in a subsidiary is stated in the statement of financial position of the Company at cost less any identified impairment loss.

#### **Revenue recognition**

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation, representing tuition and ancillary services are transferred to the students.

A performance obligation represents service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

Contract liabilities represents the Group's obligation to transfer services to the students for which the Group has received tuition fees and fees for ancillary services from the students.

***Input method***

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs (mainly representing teaching staff costs, rental expenses and depreciation of school premises) to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Tuition fees are generally paid in advance at the beginning of each courses, and are initially recorded as contract liabilities. The portion of tuition payments received from students but not earned is recorded as contract liabilities. Amounts which will be earned within one year is reflected as a current liability and those which will be earned beyond one year is reflected as a non-current liability.

**Research and development expenses**

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

When no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

***The Group as lessee***

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

***Leasehold land and building***

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

**Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### **Share-based payments**

#### ***Equity-settled share-based payment transactions***

##### *Share options granted to employees*

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

### **Retirement benefit costs**

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

### **Short-term employee benefits**

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.



Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or in equity respectively.

### **Property and equipment**

Property and equipment, including buildings held for use in the supply of services or for administrative purposes (other than properties under construction as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property and equipment, other than construction in progress, less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### **Impairment of tangible assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 during the Track Record Period. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### **Financial assets**

#### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend earned on the financial asset and is included in the "other gains and losses" line item.

*Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, other financial assets measured at amortised cost and bank balances). The amount of ECL is updated at each reporting dates to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after each reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at each reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and other financial assets measured at amortised cost, where the corresponding adjustment is recognised through a loss allowance account.

#### ***Financial liabilities and equity***

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definition of a financial liability and an equity instrument.

#### ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by group entities are recognised at the proceeds received, net of direct issue costs.

#### ***Financial liabilities at amortised cost***

All financial liabilities including trade and other payables and amounts due to Controlling Equity Holders are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### ***Derecognition of financial liabilities***

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, is recognised in profit or loss.

## **4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES**

In the application of the Group's accounting policies, which are described in note 3, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Critical judgements in applying accounting policies**

The following are the critical judgements, apart from those involving estimations, that the management of the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

##### *Contractual Arrangements*

The Group conducts a substantial portion of the business through Anhui Xinhua Education in the PRC due to regulatory restrictions on foreign ownership in the Group's schools in the PRC. The Group does not have any equity interest in Anhui Xinhua Education. The management of the Group assessed whether or not the Group has control over Anhui Xinhua Education based on whether the Group has the power over Anhui Xinhua Education, has rights to variable returns from its involvement with Anhui Xinhua Education and has the ability to affect those returns through its power over Anhui Xinhua Education. After assessment, the management of the Group concluded that the Group has control over Anhui Xinhua Education as a result of the Contractual Arrangements and accordingly, the assets, liabilities and their operating results of Anhui Xinhua Education are included in the Historical Financial Information throughout the Track Record Period or since the respective dates of establishment, whichever is the shorter period.

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over Anhui Xinhua Education and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Anhui Xinhua Education. The management of the Group, based on the advice of its legal counsel, considers that the Contractual Arrangements among Xinhua Chuangzhi, Anhui Xinhua Education and the Controlling Equity Holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

#### **Key sources of estimation uncertainties**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainties at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

##### *Useful lives and impairment of property and equipment*

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges of its property and equipment. This estimate is based on the management's experience of the actual useful lives of property and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property and equipment may not be recoverable. Management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. Any change in these estimates may have a material impact on the results of the Group.

As at December 31, 2016, 2017 and 2018, the carrying amounts of property and equipment of the Group were RMB611,342,000, RMB1,060,309,000 and RMB1,361,005,000 respectively, details of which are set out in note 14.

##### *Income taxes*

Significant judgment is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to EIT. This assessment relies on estimates and assumptions about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such determination is made.

**5. REVENUE AND SEGMENT INFORMATION**

The Group is mainly engaged in the provision of vocational education services in the PRC.

Revenue represents service income from tuition fees and service fees less sales related tax, and is recognised over time.

**Transaction price allocated to the remaining performance obligation for contracts with customers**

The majority of the contracts for provision of vocational education services are for periods of one year or less. As permitted under HKFRS15, the transaction price allocated to these unsatisfied contracts is not disclosed.

The Group's operating segments are based on information prepared and reported to the chief operating decision makers ("CODM"), the board of directors of the Company, for the purposes of resource allocation and performance assessment. The Group is organised into the following segments,

- (a) New East Culinary Education: providing comprehensive culinary training programs to students who pursue a career in becoming professional chefs;
- (b) Xinhua Internet Technology Education: providing a wide range of information technology-related training to students;
- (c) Wontone Automotive Education: providing hands-on auto repair skill training as well as practical knowledge of automobile commerce;
- (d) Omick Education of Western Cuisine and Pastry: offering a variety of courses, including baking, deserts, western cuisines, bartending and barista training;
- (e) Wisezone Data Technology Education: providing short-term programs to junior college and university students who have already had the basic theoretical knowledge and seek to further develop relevant practical skills;
- (f) Cuisine Academy: providing people with culinary skill training on small-class settings and/or individual classes that are delivered on an one-on-one basis; and
- (g) Other miscellaneous businesses.

These segments are the basis on which the Group reports its segment information.

The management of the Group assesses the performance of the operating and reportable segment based on the revenue and gross profit for the year of the Group as presented in the consolidated statements of profit or loss and other comprehensive income. The accounting policies of the reportable segment are the same as the Group's accounting policies described in note 3. Segment results represent the profits earned by each segment and excluding certain other income, other gains and losses, corporate administrative expenses, listing expenses and income tax expense. No analysis of the Group's assets and liabilities is regularly provided to the management of the Group for review. Inter-segment sales are charged at cost plus approach.

Provision of steer training services was discontinued during the year ended December 31, 2018. The segment information reported does not include any amounts for the discontinued operation, which are described in note 10.

The following is an analysis of the Group's revenue from continuing operations and results by operating and reportable segments for the Track Record Period:

**For the year ended December 31, 2016**

	New East Culinary Education	Xinhua Internet Technology Education	Wontone Automotive Education	Omick Education of Western Cuisine and Pastry	Wisezone Data Technology Education	Cuisine Academy	Other miscellaneous businesses	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenue</b>									
External sales . . . . .	1,432,112	480,533	354,256	-	53,188	-	15,641	-	2,335,730
Inter-segment sales . . . . .	-	-	-	-	25,385	-	64,624	(90,009)	-
Segment revenue . . . . .	1,432,112	480,533	354,256	-	78,573	-	80,265	(90,009)	2,335,730
<b>Results</b>									
Segment results . . . . .	507,920	129,192	89,659	-	(11,542)	-	(8,681)	-	706,548
<b>Unallocated</b>									
Other income . . . . .									10,621
Other gains and losses . . . . .									26,704
Corporate administrative expenses . . . . .									(24,216)
Profit before taxation . . . . .									719,657
Income tax expense . . . . .									(132,278)
Profit for the year . . . . .									587,379
<b>Other segment information</b>									
Depreciation of property and equipment . . . . .	80,040	43,420	31,902	1,490	3,183	-	1,183	-	161,218
Amortisation of prepaid lease payments . . . . .	536	896	219	-	-	-	359	-	2,010
Purchase of property and equipment . . . . .	122,768	49,425	38,822	17,381	17,548	-	3,259	-	249,203



For the year ended December 31, 2017

	New East Culinary Education	Xinhua Internet Technology Education	Wontone Automotive Education	Omick Education of Western Cuisine and Pastry	Wisezone Data Technology Education	Cuisine Academy	Other miscellaneous businesses	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenue</b>									
External sales . . . . .	1,738,743	542,249	419,347	74,838	64,139	333	10,516	-	2,850,165
Inter-segment sales . . . . .	-	-	-	-	23,656	-	43,042	(66,698)	-
Segment revenue . . . . .	1,738,743	542,249	419,347	74,838	87,795	333	53,558	(66,698)	2,850,165
<b>Results</b>									
Segment results . . . . .	691,082	148,053	44,189	(41,119)	(40,540)	(5,020)	(12,847)	-	783,798
<b>Unallocated</b>									
Other income . . . . .									18,181
Other gains and losses . . . . .									59,809
Corporate administrative expenses . . . . .									(29,633)
Profit before taxation . . . . .									832,155
Income tax expense . . . . .									(170,965)
Profit for the year . . . . .									661,190
<b>Other segment information</b>									
Depreciation of property and equipment . . . . .	133,366	35,854	41,006	11,612	6,793	89	1,510	-	230,230
Amortisation of prepaid lease payments . . . . .	1,033	928	619	-	-	-	360	-	2,940
Purchase of property and equipment . . . . .	267,348	99,528	177,507	116,406	13,385	13,149	2,781	-	690,104
Acquisition of prepaid lease payments . . . . .	22,196	-	19,474	-	-	-	-	-	41,670

For the year ended December 31, 2018

	New East Culinary Education	Xinhua Internet Technology Education	Wontone Automotive Education	Omick Education of Western Cuisine and Pastry	Wisezone Data Technology Education	Cuisine Academy	Other miscellaneous businesses	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenue</b>									
External sales . . . . .	1,900,126	604,413	444,305	213,256	70,076	20,797	11,991	-	3,264,964
Inter-segment sales . . . . .	-	-	-	-	13,000	-	42,453	(55,453)	-
Segment revenue . . . . .	1,900,126	604,413	444,305	213,256	83,076	20,797	54,444	(55,453)	3,264,964
<b>Results</b>									
Segment results . . . . .	663,831	182,604	4,781	(35,978)	(70,468)	(35,186)	(28,111)	-	681,473
<b>Unallocated</b>									
Other income . . . . .									25,034
Other gains and losses . . . . .									58,089
Corporate administrative expenses . . . . .									(53,719)
Listing expenses . . . . .									(23,873)
Profit before taxation . . . . .									687,004
Income tax expense . . . . .									(171,863)
Profit for the year . . . . .									515,141
<b>Other segment information</b>									
Depreciation of property and equipment . . . . .	140,898	51,654	81,507	51,755	5,837	13,536	6,286	-	351,473
Amortisation of prepaid lease payments . . . . .	1,033	928	619	-	-	-	360	-	2,940
Purchase of property and equipment . . . . .	306,382	96,209	131,169	112,599	12,947	12,719	2,690	-	674,715

### Geographical information

The Group primarily operates in the PRC. Substantially all of the non-current assets of the Group are located in the PRC.

### Information about major customers

No single customer contributes over 10% or more of total revenue of the Group during the Track Record Period.

## 6. OTHER INCOME

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
<b>Continuing operations</b>			
Asset-related government grants . . . . .	2,176	1,146	1,274
Unconditional government grants . . . . .	8,781	15,076	35,519
Interest income from banks . . . . .	9,034	16,959	23,954
Others. . . . .	1,587	1,222	1,080
	<u>21,578</u>	<u>34,403</u>	<u>61,827</u>

## 7. OTHER GAINS AND LOSSES

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
<b>Continuing operations</b>			
Net gains on other financial assets measured at FVTPL . . . . .	27,457	61,077	58,003
(Losses) gains on disposals of property and equipment. . . . .	(753)	(1,268)	86
	<u>26,704</u>	<u>59,809</u>	<u>58,089</u>

## 8. INCOME TAX EXPENSE

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
<b>Continuing operations</b>			
EIT			
– Current tax . . . . .	132,917	171,235	171,010
Deferred tax (credit) charge (note 16) . . . . .	(639)	(270)	853
	<u>132,278</u>	<u>170,965</u>	<u>171,863</u>

The Company was incorporated in the Cayman Islands and China East Education Investment Limited (中國東方教育投資有限公司) ("China East BVI") was incorporated in the BVI that are tax exempted as no business carried out in Cayman Islands and BVI under the tax laws of the Cayman Islands and the BVI.

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the Historical Financial Information, since subsidiaries of the Company operating in Hong Kong did not have tax assessable profit during the Track Record Period.

Pursuant to the Enterprise Income Tax Law and Implementation Regulations of the Law of the PRC (the "New PRC Tax Law"), the applicable tax rate of PRC subsidiaries is 25% during the Track Record Period.

According to the Implementation Rules for the Law for Promoting Private Education, private schools, which are providing academic qualification education and the school sponsors do not require reasonable returns, are eligible to enjoy income tax exemption treatment as public schools. During the Track Record Period, Shijiazhuang New East Secondary Vocational School (石家莊新東方中等專業學校) ("Shijiazhuang Secondary"), Jiangxi Wontone Automobile Technical School (江西萬通汽車技工學校), Jiangxi Nanchang New East Culinary Secondary Vocational School (江西南昌新東方烹飪中專學校), Jiangxi Nanchang Xinhua Computer Secondary Vocational School (江西南昌新華電腦中專學校), Nanjing Wontone Automobile Vocational Technical School (南京萬通汽車技工學校) and Nanjing Culinary Technical School (南京烹飪技工學校) ("Nanjing Culinary") (collectively referred as "EIT Exempted Schools") have received EIT exemption confirmations/approvals from relevant local tax authorities and been exempted from income tax.

In the opinion of the directors of the Company, the Group inclines to apply the for-profit business model to the EIT Exempted Schools. Given that the specific taxation policies applicable to for-profit private schools under the Decision on Amending the Law for Promoting Private Education of the PRC are yet to be introduced, the EIT Exempted Schools may be subject to PRC enterprise income tax going forward.

For the years ended December 31, 2016, 2017 and 2018, the non-taxable tuition income amounted to approximately RMB169,083,000, RMB213,599,000 and RMB244,244,000, and the related non-deductible expenses amounted to approximately RMB143,123,000, RMB135,412,000 and RMB136,869,000, respectively.

Certain subsidiaries were qualified as high-tech companies and enjoyed the preferential tax rate of 15% during the Track Record Period. Details are set out below:

<u>Name of subsidiary</u>	<u>Starting date</u>	<u>Expiring date</u>
Langjie Technology . . . . .	January 1, 2004	December 31, 2020
Beijing Wisezone Education Technology Co., Ltd. (北京華信智原教育技術有限公司) ("Beijing Wisezone") . . . . .	January 1, 2016	December 31, 2019

Certain subsidiaries of the Company are entitled to the preferential tax rate of 15% because they are located in the western region of the PRC. Details are set out below:

<u>Name of subsidiary</u>	<u>Starting date</u>	<u>Expiring date</u>
Chengdu New East Culinary Vocational Training School Co., Ltd. 成都新東方烹飪職業技能培訓學校有限公司 . . . . .	January 1, 2011	December 31, 2020
Chengdu Wisezone Technology Co., Ltd. 成都華信智原科技有限公. . . . .	January 1, 2016	December 31, 2020
Sichuan Wontone Automobile Vocational Training Institute 四川萬通汽車職業培訓學院. . . . .	January 1, 2011	December 31, 2020
Sichuan Xinhua Computer Institute 四川新華電腦學院 . . . . .	January 1, 2011	December 31, 2020
Gansu New East Culinary Vocational Training School 甘肅新東方烹飪職業培訓學校 . . . . .	January 1, 2015	December 31, 2020
Guiyang City New East Culinary Secondary Vocational School 貴陽市新東方烹飪中等職業學校. . . . .	January 1, 2011	December 31, 2020
Guiyang City Xinhua Computer Secondary Vocational School 貴陽市新華電腦中等職業學校 . . . . .	January 1, 2011	December 31, 2020
Guiyang New East Culinary Institute 貴陽新東方烹飪學院 . . . . .	January 1, 2011	December 31, 2020
Guizhou Xinhua Computer Institute 貴州新華電腦學院 . . . . .	January 1, 2011	December 31, 2020

Name of subsidiary	Starting date	Expiring date
Guizhou Wisezone Technology Co., Ltd. 貴州華信智原科技有限公司 . . . . .	January 1, 2016	December 31, 2020
Guiyang Xinhua Internet Technical School 貴陽新華互聯網技工學校 . . . . .	January 1, 2017	December 31, 2020
Guiyang New East Culinary Technical School 貴陽新東方烹飪技工學校 . . . . .	January 1, 2016	December 31, 2020
Hohhot New City East Technical School 呼和浩特市新東方技工學校 . . . . .	January 1, 2016	December 31, 2020
Hohhot New East City Culinary Vocational Training School 呼和浩特市新東方烹飪職業培訓學校 . . . . .	January 1, 2016	December 31, 2020
Ningxia New East Vocational Training School 寧夏新東方職業技能培訓學校 . . . . .	January 1, 2017	December 31, 2020
Shaanxi New East Culinary Training School Co., Ltd. 陝西新東方烹飪培訓學校有限公司 (formerly known as Shaanxi New East Culinary Training School 陝西新東方烹飪培訓學校) . . . . .	August 1, 2011	December 31, 2020
Shaanxi Xinhua Computer Software Training School Co., Ltd. 陝西新華電腦軟體培訓學校有限公司 (formerly known as Shaanxi Xinhua Computer Software School 陝西新華電腦軟件學校) . . . . .	January 1, 2012	December 31, 2020
Xi'an Wontone Automobile Vocational Skills Training School Co., Ltd. 西安萬通汽車職業技能培訓學校有限公司 . . . . .	January 1, 2014	December 31, 2020
Xinjiang New East Culinary School 新疆新東方烹飪學校 . . . . .	January 1, 2016	December 31, 2020
Yunnan Wontone Automobile Repair Vocational Training School 雲南萬通汽修職業培訓學校 . . . . .	January 1, 2014	December 31, 2020
Yunnan New East Culinary School 雲南新東方烹飪學校 . . . . .	January 1, 2015	December 31, 2020
Yunnan New East Culinary Vocational Training School 雲南新東方烹飪職業培訓學校 . . . . .	January 1, 2015	December 31, 2020
Yunnan Xinhua Computer Vocational Training School 雲南新華電腦職業培訓學校 . . . . .	January 1, 2009	December 31, 2020
Chongqing City New East Culinary Vocational Training Institute 重慶市新東方烹飪職業培訓學院 . . . . .	January 1, 2012	December 31, 2020
Chongqing Xinhua Computer Vocational Training School 重慶新華電腦職業培訓學校 . . . . .	January 1, 2011	December 31, 2020
Chongqing City Xinhua Technical School 重慶市新華技工學校 . . . . .	January 1, 2017	December 31, 2020
Chengdu City Longquanyi District New East Culinary Technical School Co., Ltd. 成都市龍泉驛區新東方烹飪技工學校有限公司 . . . . .	January 1, 2018	December 31, 2020
Chengdu City Shuangliu District Xinhua Technical School Co., Ltd. 成都市雙流區新華技工學校有限公司 . . . . .	January 1, 2018	December 31, 2020
Chengdu Wontone Weilai Automobile Technical School Co., Ltd. 成都萬通未來汽車技工學校有限公司 . . . . .	January 1, 2018	December 31, 2020

The income tax expense for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Profit before taxation (from continuing operations) . . . . .	719,657	832,155	687,004
Tax at PRC EIT rate of 25% . . . . .	179,914	208,039	171,751
Tax effect on expenses not deductible for tax purposes. . . . .	38,108	36,516	37,450
Tax effect of income not taxable for tax purpose . . . . .	(42,271)	(53,400)	(61,061)
Tax effect of deductible temporary differences not recognised . . . . .	–	–	10,237
Tax effect of tax losses not recognised . . . . .	14,212	40,404	60,876
Utilisation of tax losses previously not recognised . . . . .	(18,697)	(18,570)	(15,647)
Tax benefit on research and development expenses . . . . .	(1,081)	(1,836)	(3,178)
Income tax at concessionary rate . . . . .	(37,907)	(40,188)	(28,565)
	<u>132,278</u>	<u>170,965</u>	<u>171,863</u>

## 9. PROFIT FOR THE YEAR

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Profit for the year from continuing operations has been arrived after charging:			
Directors' remuneration . . . . .	229	285	338
Other staff costs			
– salaries and other allowances . . . . .	535,775	679,611	892,325
– retirement benefit scheme contributions . . . . .	67,354	89,601	122,712
– equity-settled share-based payments expenses . . . . .	–	–	8,059
Total staff costs . . . . .	<u>603,358</u>	<u>769,497</u>	<u>1,023,434</u>
Depreciation of property and equipment . . . . .	161,218	230,230	351,473
Amortisation of prepaid lease payments. . . . .	2,010	2,940	2,940
Operating lease rental expenses in respect of rental premises . . . . .	162,081	223,668	273,795
Auditor's remuneration . . . . .	550	850	1,199
	<u>162,081</u>	<u>223,668</u>	<u>273,795</u>

Share-based payments expenses of approximately RMB8,125,000 were recognised in profit or loss during the year ended December 31, 2018 in respect of share options of the Company. Details of transactions are set out in note 27.

## 10. DISCONTINUED OPERATION

In October and November 2018, the Group disposed of six subsidiaries which provided training courses for driving examinations. Five out of these subsidiaries were disposed to companies controlled by the Controlling Equity Holders at cash consideration of RMB10,000 each and one was disposed to the independent third parties at cash consideration of RMB1,000,000. The disposals were consistent with the Group's long-term policy to focus its activities on operation of private higher education institutions.

Loss for the year from discontinued operation were set out below:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Loss for the year from discontinued operation . . .	(21,901)	(19,569)	(9,406)
Gain on disposal of discontinued operation (note 30) . . . . .	–	–	4,358
	<u>(21,901)</u>	<u>(19,569)</u>	<u>(5,048)</u>

The results of the discontinued operation were as follows:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Revenue . . . . .	52,702	40,184	24,269
Cost of revenue . . . . .	(52,264)	(44,514)	(24,035)
Gross profit (loss) . . . . .	438	(4,330)	234
Other income . . . . .	(214)	267	392
Selling expenses . . . . .	(9,829)	(7,139)	(4,256)
Administrative expenses . . . . .	(12,671)	(8,367)	(5,776)
Loss before taxation from discontinued operation . . . . .	(22,276)	(19,569)	(9,406)
Income tax credit . . . . .	375	–	–
Loss for the year from discontinued operation . . .	<u>(21,901)</u>	<u>(19,569)</u>	<u>(9,406)</u>
Loss for the year from discontinued operation include the followings:			
Staff costs			
– salaries and other allowances . . . . .	30,450	23,963	13,459
– retirement benefit scheme contributions . . . . .	3,727	3,382	1,969
Total staff costs . . . . .	<u>34,177</u>	<u>27,345</u>	<u>15,428</u>
Depreciation of property and equipment . . . . .	10,210	9,314	6,034
Purchase of property and equipment . . . . .	6,451	3,367	847
Operating lease rental expenses in respect of rental premises . . . . .	<u>4,001</u>	<u>5,995</u>	<u>4,450</u>

The net cash flows (used in) from the discontinued operation were as follows:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Operating activities . . . . .	1,563	6,059	(2,215)
Investing activities . . . . .	(4,059)	(1,601)	7,594
Financing activities . . . . .	–	(5,500)	–
Net cash (outflow) inflow . . . . .	<u>(2,496)</u>	<u>(1,042)</u>	<u>5,379</u>

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

## Directors

Details of the emoluments paid or payable by the entities comprising the Group to the directors and chief executive of the Company (including emolument for services as employee/directors of the group entities prior to becoming the directors of the Company) during the Track Record Period are as follows:

*For the year ended December 31, 2016*

	Directors fees	Salaries and other allowances	Retirement benefit contribution	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>Executive directors</u>				
Mr. Wu Wei . . . . .	–	–	–	–
Mr. Xiao Guoqing . . . . .	–	–	–	–
	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<u>Non-executive director</u>				
Mr. Wu Junbao . . . . .	–	224	5	229
	<u>–</u>	<u>224</u>	<u>5</u>	<u>229</u>

*For the year ended December 31, 2017*

	Directors fees	Salaries and other allowances	Retirement benefit contribution	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>Executive directors</u>				
Mr. Wu Wei . . . . .	–	–	–	–
Mr. Xiao Guoqing . . . . .	–	–	–	–
	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<u>Non-executive director</u>				
Mr. Wu Junbao . . . . .	–	280	5	285
	<u>–</u>	<u>280</u>	<u>5</u>	<u>285</u>

*For the year ended December 31, 2018*

	Directors fees	Salaries and other allowances	Share-based payment expenses	Retirement benefit contribution	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>Executive directors</u>					
Mr. Wu Wei . . . . .	–	244	–	7	251
Mr. Xiao Guoqing . . . . .	–	–	–	–	–
	–	244	–	7	251
	<u>–</u>	<u>244</u>	<u>–</u>	<u>7</u>	<u>251</u>



	Directors fees	Salaries and other allowances	Share-based payment expenses	Retirement benefit contribution	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>Non-executive directors</u>					
Mr. Wu Junbao . . . . .	–	20	–	1	21
Mr. Lu Zhen . . . . .	–	–	66	–	66
	–	20	66	1	87
<u>Independent non-executive directors</u>					
Mr. Hung Ka Hai, Clement . .	–	–	–	–	–
Mr. Cheung Tsun Yung, Thomas . . . . .	–	–	–	–	–
Dr. Zhu Guobin . . . . .	–	–	–	–	–
	–	–	–	–	–

The executive directors' emoluments shown above were paid for their services in connection with the management of affairs of the Group entities during the Track Record Period. The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

On November 25, 2018, Mr. Lu Zhen was appointed as a non-executive director of the Company and Mr. Hung Ka Hai, Clement, Mr. Cheung Tsun Yung, Thomas and Dr. Zhu Guobin were appointed as the independent non-executive directors of the Company.

### Employees

The five highest paid individuals of the Group did not include any directors for the Track Record Period whose emoluments are included in the disclosures above. The emoluments of the five highest paid individuals for the Track Record Period are as follows:

	Year ended December 31,		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other benefits . . . . .	1,628	1,688	3,329
Retirement benefit scheme contributions . . . . .	21	25	26
Share-based payment expenses . . . . .	–	–	1,477
	1,649	1,713	4,832

The emoluments of the five highest paid individuals, other than directors of the Company, were within the following bands:

	Year ended December 31,		
	2016	2017	2018
	number of employees	number of employees	number of employees
Nil to HK\$1,000,000. . . . .	5	5	5

During the Track Record Period, no emoluments were paid by the Group to any of the executive directors, non-executive director, independent non-executive directors, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors, supervisors and chief executive has waived any emoluments during the Track Record Period.

During the year ended December 31, 2018, certain director and employees were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 27.

## 12. DIVIDENDS

No dividend has been paid or proposed by the Company since its incorporation, nor has any dividend been proposed since the end of the reporting period.

During the years ended December 31, 2016, 2017 and 2018, the Group declared and paid dividends of nil, RMB100,000,000 and RMB907,851,000, respectively, to the Controlling Equity Holders. The rate of dividend and the number of shares, ranking for the dividend are not presented, as such information is not meaningful having regard to the purpose of this report.

## 13. EARNINGS PER SHARE

### From continuing operations

The calculation of the basic and diluted earnings per share attributable to the owners of the Company for the Track Record Period is based on the following data:

	Year ended December 31,		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Earnings:			
Earnings for the purposes of calculating basic and diluted earnings per share – attributable to the owners of the Company . . . . .	587,379	661,190	515,141
Number of shares:			
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share . . . . .	6,242,248,814	6,242,248,814	4,972,877,114
Effect of dilutive potential ordinary shares – share options . . . . .	N/A	N/A	2,756,243
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share . . . . .	N/A	N/A	4,975,633,357

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the Capitalisation Issue (as defined in note 38) is completed on January 1, 2016. No diluted earnings per share is presented for years ended December 31, 2016 and 2017 as there was no potential dilutive shares during the years ended December 31, 2016 and 2017.

**From continuing and discontinued operations**

The calculation of the basic and diluted earnings per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	Year ended December 31,		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Earnings:			
Earnings for the purposes of calculating basic and diluted earnings per share – attributable to the owners of the Company . . . . .	565,478	641,621	510,093

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

**From discontinued operations**

Basic loss per share for the discontinued operations is RMB0.35 cents, RMB0.31 cents and RMB0.19 cents for the years ended December 31, 2016, 2017 and 2018 respectively, based on the loss for the year from the discontinued operations of RMB21,901,000, RMB19,569,000 and RMB5,048,000 respectively and the denominators detailed above for basic earnings per share.

No diluted loss per share for the discontinued operation for the years ended December 31, 2016 and 2017 were presented as there were no potential dilutive shares during those years. For the year ended December 31, 2018, the diluted loss per share was the same with the basic loss per share.

**14. PROPERTY AND EQUIPMENT**

	Buildings	Leasehold improvements and structures	Furniture and fixtures	Electronic equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>COST</b>							
At January 1, 2016 . . . . .	261,029	194,002	194,128	152,227	60,329	15,760	877,475
Additions . . . . .	–	118,468	44,348	35,903	18,141	38,794	255,654
Transfer . . . . .	1,037	3,001	1,471	–	–	(5,509)	–
Disposals/write-off . . . . .	–	(59,465)	(4,046)	(12,296)	(13,266)	–	(89,073)
At December 31, 2016. . . . .	262,066	256,006	235,901	175,834	65,204	49,045	1,044,056
Additions . . . . .	1,255	323,180	144,294	76,237	17,473	131,032	693,471
Transfer . . . . .	42,341	5,823	–	–	–	(48,164)	–
Disposals/write-off . . . . .	–	(100,641)	(11,369)	(10,588)	(8,019)	–	(130,617)
At December 31, 2017. . . . .	305,662	484,368	368,826	241,483	74,658	131,913	1,606,910
Additions . . . . .	854	399,536	113,031	66,308	14,651	81,182	675,562
Transfer . . . . .	112,056	10,143	–	–	–	(122,199)	–
Disposals/write-off . . . . .	–	(160,931)	(17,053)	(11,735)	(10,467)	–	(200,186)
Disposals of subsidiaries (note 30) . . . . .	(111)	(3,864)	(1,161)	(2,697)	(23,595)	–	(31,428)
At December 31, 2018. . . . .	418,461	729,252	463,643	293,359	55,247	90,896	2,050,858

**APPENDIX I**
**ACCOUNTANTS' REPORT OF THE GROUP**

	Buildings	Leasehold improvements and structures	Furniture and fixtures	Electronic equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>DEPRECIATION</b>							
At January 1, 2016 . . . . .	59,689	67,755	93,936	87,808	37,429	–	346,617
Provided for the year . . . . .	11,957	86,184	33,923	29,078	10,286	–	171,428
Eliminated on disposals/write-off . . . . .	–	(59,465)	(3,265)	(11,568)	(11,033)	–	(85,331)
At December 31, 2016 . . . . .	71,646	94,474	124,594	105,318	36,682	–	432,714
Provided for the year . . . . .	12,620	141,032	37,354	37,511	11,027	–	239,544
Eliminated on disposals/write-off . . . . .	–	(100,641)	(9,564)	(8,848)	(6,604)	–	(125,657)
At December 31, 2017 . . . . .	84,266	134,865	152,384	133,981	41,105	–	546,601
Provided for the year . . . . .	15,871	239,249	40,054	48,484	13,849	–	357,507
Eliminated on disposals/write-off . . . . .	–	(160,931)	(11,408)	(11,106)	(7,553)	–	(190,998)
Disposals of subsidiaries (note 30) . . . . .	(68)	(1,945)	(902)	(2,116)	(18,226)	–	(23,257)
At December 31, 2018 . . . . .	100,069	211,238	180,128	169,243	29,175	–	689,853
<b>CARRYING VALUES</b>							
At December 31, 2016 . . . . .	190,420	161,532	111,307	70,516	28,522	49,045	611,342
At December 31, 2017 . . . . .	221,396	349,503	216,442	107,502	33,553	131,913	1,060,309
At December 31, 2018 . . . . .	318,392	518,014	283,515	124,116	26,072	90,896	1,361,005

The above items of property and equipment other than construction in progress are depreciated on a straight line basis, after taking into account their estimated residual value, at the following useful life:

Buildings . . . . .	20 years
Leasehold improvements . . . . .	Shorter of lease term or 3-5 years
Structures . . . . .	Shorter of lease term or 15 years
Furniture and fixtures . . . . .	3-5 years
Electronic equipment . . . . .	3-5 years
Motor vehicles . . . . .	4-8 years

As of December 31, 2016, 2017 and 2018, the Group is in the process of obtaining title deeds of buildings with carrying value of approximately RMB106,810,000, RMB99,746,000 and RMB203,651,000, respectively.

**15. PREPAID LEASE PAYMENTS**

	<b>As at December 31,</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Analysed for reporting purpose as:			
Current assets . . . . .	2,010	2,940	2,940
Non-current assets . . . . .	88,549	126,349	123,409
	<u>90,559</u>	<u>129,289</u>	<u>126,349</u>

The prepaid lease payments are amortised on a straight-line basis over a period of 50 years, which is based on the lease terms or estimated by the management with reference to the normal terms in the PRC.

At December 31, 2016, 2017 and 2018, the carrying values of the prepaid lease payments of RMB84,666,000, RMB123,564,000 and RMB120,791,000 respectively are allocated by the government, which have no definite lease term stated in the relevant land use rights certificates. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or pledge as security such land use rights allocated by the government.

## 16. DEFERRED TAX ASSETS

The followings are the major deferred tax assets recognised and movements thereon during the Track Record Period:

	<b>Asset-related government grants</b>	<b>Excess of advertising expenses</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2016 . . . . .	552	2,388	2,940
(Charge) credit to profit or loss . . . . .	(27)	666	639
At December 31, 2016 . . . . .	525	3,054	3,579
(Charge) credit to profit or loss . . . . .	(211)	481	270
At December 31, 2017 . . . . .	314	3,535	3,849
Charge to profit or loss . . . . .	(120)	(733)	(853)
At December 31, 2018 . . . . .	194	2,802	2,996

At December 31, 2018, the Group has unrecognised deductible temporary differences of RMB40,948,000. In the opinion of the directors of the Company, no deferred tax asset is recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

At December 31, 2016, 2017 and 2018, the Group has unrecognised tax losses of approximately RMB104,074,000, RMB186,684,000 and RMB364,831,000, respectively from continuing operations. In the opinion of the directors of the Company, no deferred tax asset is recognised due to the unpredictability of future profit streams. Such unrecognised losses will expire at various dates up to and including 2023.

At December 31, 2016, 2017 and 2018, the Group also has unused tax losses without expiry date, amounted to RMB3,010,000, RMB7,736,000 and RMB10,503,000, respectively.

## 17. INVESTMENT IN A SUBSIDIARY

### The Company

	<b>As at December 31, 2018</b>
	<i>RMB'000</i>
Unlisted shares, at cost . . . . .	—

Investment in a subsidiary represents the investment cost in China East BVI.

## 18. INVENTORIES

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
School materials and consumables . . . . .	26,896	29,899	37,138

## 19. TRADE AND OTHER RECEIVABLES

## The Group

Details of trade and other receivables are as follows:

	As at	As at December 31,		
	January 1,	2016	2017	2018
	2016	RMB'000	RMB'000	RMB'000
Trade receivables				
– from government ( <i>note i</i> ) . . . . .	17,061	22,227	23,717	27,922
– from others ( <i>note ii</i> ) . . . . .	6,120	4,891	7,242	6,427
	23,181	27,118	30,959	34,349

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Other receivables			
Prepayments for consumables . . . . .	15,132	27,681	25,361
Prepayments for rental . . . . .	39,325	71,778	102,569
Prepayments for services . . . . .	11,286	16,959	15,440
Prepayments for advertisement . . . . .	16,501	24,914	44,774
Prepayments for listing expenses . . . . .	–	–	1,799
Value added tax recoverable . . . . .	708	3,602	1,287
Advance to staff . . . . .	10,586	8,758	4,386
Deferred issue costs . . . . .	–	–	5,474
Other receivables . . . . .	6,537	5,855	6,851
	100,075	159,547	207,941
	127,193	190,506	242,290

## The Company

	As at
	December 31,
	2018
	RMB'000
Deferred issue costs . . . . .	5,474
Prepayments for listing expenses . . . . .	1,799
	7,273

*Notes:*

- i. The amounts represent receivables from the local governments, which purchased vocational education services for students.
- ii. The amounts mainly represent receivables from customers, which purchased ancillary services other than vocational education services.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on revenue recognition dates:

	<b>As at December 31,</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months . . . . .	16,194	18,583	20,589
Over 3 months but within 12 months . . . . .	9,070	9,758	11,382
Over 1 year . . . . .	1,854	2,618	2,378
	<u>27,118</u>	<u>30,959</u>	<u>34,349</u>

In order to minimise credit risk on trade receivables and other receivables, the management of the Group makes individual assessment on the historical default experience and considering various external sources of actual and forecast economic information, as appropriate.

The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

In the opinion of the management of the Group, all of the trade receivable balances at the end of each year which have been past due over 90 days are not considered as in default as these are contributed by local governments with extremely low credit risks. The management of the Group considered that the impairment loss was insignificant as there has not been a significant change in credit quality and amounts are considered recoverable at the end of each year and no impairment loss on ECL is recognised during the Track Record Period.

## 20. BANK BALANCES AND CASH

The Group's bank balances carry interest at prevailing market rates is 0.35% per annum for the Track Record Period.

## 21. TRADE AND OTHER PAYABLES

### The Group

	<b>As at December 31,</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables . . . . .	90,393	138,001	143,727
Payable for property and equipment . . . . .	39,145	89,016	98,993
Value added tax and other taxes payable . . . . .	8,859	25,877	7,382
Payroll payable . . . . .	90,237	132,313	153,805
Discretionary subsidies received on behalf of students . . . . .	18,972	16,021	22,235
Miscellaneous deposits received from students			
– within 12 months . . . . .	32,398	41,900	51,472
Listing expenses and issue costs payable . . . . .	–	–	4,562
Other payables . . . . .	28,006	27,954	25,467
	<u>308,010</u>	<u>471,082</u>	<u>507,643</u>

## The Company

	<b>As at December 31, 2018</b>
	<i>RMB'000</i>
Listing expenses and issue costs payable . . . . .	4,562

The credit period of trade creditors is normally 90 days. The following is an aged analysis of trade payables presented based on the dates of delivery of goods:

	<b>As at December 31,</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days . . . . .	90,393	138,001	143,727

## 22. AMOUNT DUE FROM (TO) A SUBSIDIARY

## The Company

## (a) Amount due from a subsidiary

	<b>As at December 31, 2018</b>
	<i>RMB'000</i>
HK New Oriental Culinary Art Limited (香港新東方烹飪培訓有限公司) ("HK New Oriental") . . . . .	533

The amount was not trading in nature, unsecured, interest-free and repayable on demand. The maximum outstanding balance during the year ended December 31, 2018 was RMB533,000.

## (b) Amount due to a subsidiary

	<b>As at December 31, 2018</b>
	<i>RMB'000</i>
Anhui Xinhua Education . . . . .	26,583

The amount was not trading in nature, unsecured, interest-free and repayable on demand.

## 23. AMOUNTS DUE TO CONTROLLING EQUITY HOLDERS

	<b>As at December 31,</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due to Controlling Equity Holders . . . . .	209,000	209,000	—



On December 31, 2015, the Group entered into a sales and purchase agreement with the Controlling Entity Holders to acquire the entire equity interests of Shijiazhuang Secondary, Nanjing Culinary and Beijing City New East Culinary Vocational Training School (北京市新東方烹飪職業技能培訓學校) ("Beijing New East") with an aggregate consideration of RMB209,000,000. The amounts were unsecured, interest-free and repayable on demand, which were fully repaid in November 2018.

#### 24. CONTRACT LIABILITIES

	As at January 1,	As at December 31,		
	2016	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Tuition fees and service fees . . . . .	815,060	982,116	1,125,824	1,289,331
Less: current liabilities . . . . .	794,012	955,170	1,089,507	1,233,230
Non-current liabilities . . . . .	21,048	26,946	36,317	56,101

The contract liabilities as at January 1, 2016, December 31, 2016 and 2017, amounted to RMB794,012,000, RMB955,170,000 and RMB1,089,507,000, respectively, were recognised as revenue during the years ended December 31, 2016, 2017 and 2018, respectively.

#### 25. PAID-IN CAPITAL/SHARE CAPITAL

##### The Company

	<i>Notes</i>	Number of shares	Share Capital <i>HK\$</i>
<i>Ordinary shares of HK\$0.0001 each</i>			
<i>Authorised:</i>			
At the date of incorporation on October 4, 2018 and at December 31, 2018 . . . . .	<i>i</i>	3,800,000,000	380,000
<i>Issued:</i>			
1 share issued and allotted, at the date of incorporation on October 4, 2018 . . . . .	<i>ii</i>	1	–
999,999 shares issued and allotted, on October 4, 2018 . . . . .	<i>iii</i>	999,999	100
30 shares issued and allotted, on October 26, 2018 . . . . .	<i>iv</i>	30	–
At December 31, 2018 . . . . .		1,000,030	100
Shown in the Historical Financial Information (RMB'000). . . . .			–

##### Notes:

- i. The Company was incorporated in the Cayman Islands on October 4, 2018 with an authorised share capital of HK\$380,000 divided into 3,800,000,000 shares with a par value of HK\$0.0001 each.
- ii. On October 4, 2018, 1 share of HK\$0.0001 was issued and allotted to the subscriber and transferred to Wu Wei Education at par value.

- iii. On October 4, 2018, 426,667 shares, 292,221 shares and 281,111 shares were issued and allotted to Wu Junbao Education, Wu Wei Education and Xiao Guoqing Education, respectively, at par.
- iv. On October 26, 2018, 30 shares were issued and allotted to Lu Lu Education for a cash consideration at HK\$600,000 (approximately equivalent to RMB533,000).

#### The Group

The paid-in capital of the Group at January 1, 2016, December 31, 2016, and 2017 represented the paid-in capital of Anhui Xinhua Education directly held by the Controlling Equity Holders. The share capital of the Group as at December 31, 2018 represents the share capital of the Company.

## 26. RESERVES

#### The Company

	Share premium	Share options reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the date of incorporation	–	–	–	–
Issue of new shares . . . . .	533	–	–	533
Loss and total comprehensive expense for the year . . . . .	–	–	(31,997)	(31,997)
Recognition of equity-settled share-based payments . . . . .	–	8,125	–	8,125
At December 31, 2018 . . . . .	<u>533</u>	<u>8,125</u>	<u>(31,997)</u>	<u>(23,339)</u>

## 27. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on December 7, 2018 for the primary purpose of providing incentives to eligible employees, including directors of the Company, its subsidiaries and consolidated affiliated entities, to subscribe for shares in the Company.

According to the terms of the Scheme, options granted must be taken up within 28 days from the date of grant, upon payment of HK\$1.00. The maximum number of shares, which may be issued upon exercise of all options granted under the Scheme and any other schemes of the Group, shall not in aggregate exceed 10% of the shares in issue as at the date on which dealings in the shares first commence on the Stock Exchange, excluding shares which may fall to be issued upon the exercise of any over-allotment option granted by the Company.

The options may be exercised in accordance with the terms of the Scheme at any time during the exercise period determined by the board of directors, which shall in any event not be more than ten years from the date of listing of the Company (the "Expiry Date").

On December 7, 2018, 135,244,720 options were granted assuming that the Capitalisation Issue (as defined in note 38) are completed.

On December 31, 2018, the number of shares in respect of which options had been granted and remained outstanding under the scheme was 135,244,720, assuming that the Capitalisation Issue (as defined in note 38) are completed.

Details of specific categories of options are as follows:

<u>Date of grant</u>	<u>Vesting period</u>	<u>Exercise period</u>	<u>Percentage of the options to be vested</u>	<u>Fair value at grant date</u> <i>HK\$'000</i>
December 7, 2018	December 7, 2018 ~ 30 days after the listing date	30 days after the listing date to the Expiry Date (both days inclusive)	10%	48,074
December 7, 2018	December 7, 2018 ~ December 31, 2020	Any time after December 31, 2020 but prior to and including the Expiry Date	10%	46,869
December 7, 2018	December 7, 2018 ~ December 31, 2021	Any time after December 31, 2021 but prior to and including the Expiry Date	10%	46,310
December 7, 2018	December 7, 2018 ~ December 31, 2022	Any time after December 31, 2022 but prior to and including the Expiry Date	10%	45,867
December 7, 2018	December 7, 2018 ~ December 31, 2023	Any time after December 31, 2023 but prior to and including the Expiry Date	10%	45,501
December 7, 2018	December 7, 2018 ~ December 31, 2024	Any time after December 31, 2024 but prior to and including the Expiry Date	10%	45,173
December 7, 2018	December 7, 2018 ~ December 31, 2025	Any time after December 31, 2025 but prior to and including the Expiry Date	10%	44,857
December 7, 2018	December 7, 2018 ~ December 31, 2026	Any time after December 31, 2026 but prior to and including the Expiry Date	10%	44,549
December 7, 2018	December 7, 2018 ~ December 31, 2027	Any time after December 31, 2027 but prior to and including the Expiry Date	10%	44,242
December 7, 2018	December 7, 2018 ~ December 31, 2028	Any time after December 31, 2028 but prior to and including the Expiry Date	10%	43,392

The following table disclosed movements of the Company's options granted under the Scheme during the year ended December 31, 2018:

Name of grantee	Date of grant	Exercisable period	Exercise price	Outstanding as at January 1, 2018	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at December 31, 2018
<i>(note i)</i>								
<b>Director</b>								
Lu Zhen . . . . .	December 7, 2018	May 31, 2019 ~ May 31, 2029	*	-	1,090,510	-	-	1,090,510
<b>Employees</b>								
Employees . . . . .	December 7, 2018	May 31, 2019 ~ May 31, 2029	*	-	134,154,210	-	-	134,154,210
				-	135,244,720	-	-	135,244,720
Exercisable at the end of the year . . . . .								-
Weighted average exercise price . . . . .				-	*	-	-	*

**Note:**

- (i) The total number of options granted during the year ended December 31, 2018 can be converted into approximately 77,586 shares before the Capitalisation Issue (as defined in note 38) being completed.

The fair value of the share options was determined at the date of grant using the Black-scholes option pricing model (the "Black-scholes model") with the following inputs and based on the respective vesting period of the share options:

	<b>2018</b>
Stock price as at grant date . . . . .	N/A
Exercise price . . . . .	*
Expected volatility . . . . .	45.02%
Expected life of options . . . . .	10 years
Risk free rate . . . . .	2.11%
Expected dividend yield . . . . .	2%

- \* The exercise price of the options is at 20% of the final offer price per share on the listing day, which was under the best estimation by the management at the date of grant.

The Black-scholes model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Expected volatility was determined by using the historical volatility of comparable company's share prices with discounts for lack of marketability. Changes in variables and assumptions may result in changes in the fair value of the options.

During the year ended December 31, 2018, the Group recognised total expenses of RMB8,125,000 in relation to share options granted by the Company.

**28. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of equity attributable to owners of the Group, comprising capital and retained profits as disclosed in the consolidated statements of changes in equity.

The management of the Group reviews 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 management of the Group, the Group will balance its overall capital structure through the payment of dividends as well as new share issues.

**29. FINANCIAL INSTRUMENTS****A. Categories of financial instruments****The Group**

	As at December 31,		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Financial assets</i>			
Financial assets at amortised cost (including bank balances and cash) . . . . .	1,782,840	2,080,322	1,031,879
<i>Financial liabilities</i>			
Amortised cost . . . . .	417,914	521,892	380,568

**The Company**

	As at December 31 2018 <i>RMB'000</i>
<i>Financial assets</i>	
Financial assets at amortised cost (including bank balances and cash) . . . . .	533
<i>Financial liabilities</i>	
Amortised cost . . . . .	31,145

**B. Financial risk management objectives and policies**

The Group's major financial instruments include trade and other receivables, bank balances and cash, amounts due to Controlling Equity Holders and trade and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the management policies remain unchanged during the Track Record Period.

(i) **Market risk**

(a) *Interest rate risk*

The Group is exposed to cash flow interest rate risk through the impact of rate changes on bank balances. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of Benchmark Borrowing Rate of the People's Bank of China.

The Group will continue to monitor the exposure on cash flow interest rate risk and will consider hedging the interest rate should the need arise. In the management's opinion, the Group does not have material interest rate risk exposure and hence no sensitivity analysis is presented.

(ii) **Credit Risk and Impairment Assessment**

The Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the amount of each class of financial assets as disclosed in the consolidated statements of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivables are assessed individually, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each year.

The Group has concentration of credit risk as 82.0%, 76.6% and 81.3% of the total trade receivables were due from the PRC government as at December 31, 2016, 2017 and 2018 respectively. The Group's remaining customers were mainly the corporate customers, and individually contributed less than 10% of the total trade receivables of the Group.

In the opinion of management, the Group has no significant credit risk for the receivables from the PRC government.

In order to minimise the credit risk with the corporate customers, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

For other receivables, the Group has applied 12m ECL in HKFRS 9 to measure the loss allowance. The ECL on other receivables are assessed individually based on historical settlement records and past default experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of each year.

For other receivables which are mainly consisted of deposits paid for advertising services, the management closely monitors the progress of advertising services rendered and takes follow-up action when the cooperation with advertising agency ended. Only reputable advertising agency could be selected by the Group with good credit record.

The management of the Group believes that the Group's credit risk in trade and other receivables is significantly reduced.

The credit risk on bank balances are limited because the counterparties are reputable financial institutions. The management are of the opinion that the average loss rate is insignificant and no impairment was provided at the end of each year.

**(iii) Liquidity Risk**

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The Group recorded net current liabilities of RMB612,804,000 as at December 31, 2018. In view of the net current liabilities position, the management of the Group has given careful consideration to the future liquidity and performance of the Group to continue as a going concern. Having considered the cash inflow from operations, the management of the Group is satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future.

The following is the maturity analysis for financial assets and financial liabilities held by the Group and the Company which is based on undiscounted remaining contractual obligations:

**The Group**

	Weighted average interest rate	On demand or less than 1 year	Total undiscounted balances	Carrying amounts
	%	RMB'000	RMB'000	RMB'000
At December 31, 2016				
Trade and other payables . . . . .	–	208,914	208,914	208,914
Amounts due to Controlling Equity Holders . . . . .	–	209,000	209,000	209,000
		<u>417,914</u>	<u>417,914</u>	<u>417,914</u>
At December 31, 2017				
Trade and other payables . . . . .	–	312,892	312,892	312,892
Amounts due to Controlling Equity Holders . . . . .	–	209,000	209,000	209,000
		<u>521,892</u>	<u>521,892</u>	<u>521,892</u>
At December 31, 2018				
Trade and other payables . . . . .	–	346,456	346,456	346,456
Dividend payable . . . . .	–	34,112	34,112	34,112
		<u>380,568</u>	<u>380,568</u>	<u>380,568</u>

**The Company**

	Weighted average interest rate	On demand or less than 1 year	Total undiscounted balances	Carrying amounts
	%	RMB'000	RMB'000	RMB'000
At December 31, 2018				
Listing expenses and issue costs payable . . . . .	–	4,562	4,562	4,562
Amount due to a subsidiary . . . . .	–	26,583	26,583	26,583
		<u>31,145</u>	<u>31,145</u>	<u>31,145</u>

**C. Fair value measurements**

*Fair value of financial assets that are recorded at amortised cost*

The management of the Group considers that the carrying amounts of financial assets recorded at amortised cost in the Historical Financial Information approximate to their fair values at the end of each reporting period.

**30. DISPOSALS OF SUBSIDIARIES****(I) Disposal of Nanjing Yuxing Driver Training Co., Ltd. (南京宇星駕駛員培訓有限公司) (“Nanjing Yuxing”)**

On September 27, 2018, Anhui Wontone Automobile Maintenance Institute (安徽萬通汽車專修學院) (“Anhui Wontone”) entered into an equity transfer agreement with independent third parties, to dispose of the entire equity interests in Nanjing Yuxing at a cash consideration of RMB1,000,000. The disposal was completed on October 31, 2018.

**(II) Disposal of Hefei Xin'an**

On October 15, 2018, Anhui Wontone entered into an equity transfer agreement with Anhui Xinhua Investment Group Co., Ltd. (安徽新華投資集團有限公司) (“Xinhua Investment”), Anhui Xinhua Real Estate Co., Ltd. (安徽新華房地產有限公司) (“Anhui Xinhua Real Estate”), and Anhui Huadi Rongxin Real Estate Co., Ltd. (安徽華地融信房地產有限公司) (“Huadi Rongxin”), which are controlled by the Controlling Equity Holders, to dispose of the entire equity interests in Hefei Xin'an at a cash consideration of RMB10,000. The disposal was completed on October 26, 2018.

**(III) Disposal of Hefei Yuxing**

On October 30, 2018, Anhui Wontone entered into an equity transfer agreement with Xinhua Investment, Anhui Xinhua Real Estate, and Huadi Rongxin, which are controlled by the Controlling Equity Holders, to dispose of the entire equity interests in Hefei Yuxing at a cash consideration of RMB10,000. The disposal was completed on November 15, 2018.

**(IV) Disposal of Xi'an Yuxing**

On October 8, 2018, Anhui Wontone entered into an equity transfer agreement with Xinhua Investment, Anhui Xinhua Real Estate, and Huadi Rongxin, which are controlled by the Controlling Equity Holders, to dispose of the entire equity interests in Xi'an Yuxing at a cash consideration of RMB10,000. The disposal was completed on November 19, 2018.

**(V) Disposal of Chongqing Yuxing**

On October 10, 2018, Anhui Wontone entered into an equity transfer agreement with Xinhua Investment, Anhui Xinhua Real Estate, and Huadi Rongxin, which are controlled by the Controlling Equity Holders, to dispose of the entire equity interests in Chongqing Yuxing at a cash consideration of RMB10,000. The disposal was completed on November 27, 2018.

**(VI) Disposal of Changsha Yuxing**

On November 11, 2018, Hunan Wontone Automobile Vocational Training School (湖南萬通汽車職業培訓學校) entered into an equity transfer agreement with Xinhua Investment, Anhui Xinhua Real Estate, and Huadi Rongxin, which are controlled by the Controlling Equity Holders to dispose of the entire equity interests in Changsha Yuxing at a consideration of RMB10,000. The disposal was completed on November 22, 2018.



**(VII) Disposal of Miwei Technology**

On November 13, 2018, Hefei Xinhua East Education Investment Co., Ltd. (合肥新華東方教育投資有限公司) (“Xinhua East Investment”) entered into an equity transfer agreement with the Controlling Equity Holders, to dispose of the entire equity interests in Miwei Technology at a consideration of RMB1,000,000. The disposal was completed on November 28, 2018.

Details of the consideration, and assets and liabilities disposed of are set out below:

	Nanjing Yuxing	Hefei Xin'an	Hefei Yuxing	Xi'an Yuxing	Chongqing Yuxing	Changsha Yuxing	Miwei Technology	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>								
Property and equipment . . . . .	1,864	3,007	–	347	1,715	537	701	8,171
Prepayments for rental . . . . .	139	87	–	–	–	–	554	780
Deposits for rental and utilities . . .	–	261	–	–	–	375	50	686
<b>Current assets</b>								
Inventories . . . . .	15	46	–	–	–	–	–	61
Trade and other receivables . . . . .	195	532	–	334	1,499	549	755	3,864
Amounts due from shareholders . . .	–	13,000	–	–	–	–	–	13,000
Bank balances and cash . . . . .	404	2,437	–	443	1,076	1,360	–	5,720
<b>Current liabilities</b>								
Trade and other payables . . . . .	1,179	6,960	–	436	2,888	1,137	296	12,896
Amounts due to related parties . . .	–	–	–	10,500	16,200	14,300	–	41,000
Amounts due to Controlling Equity Holders . . . . .	–	–	–	–	–	–	9,715	9,715
Contract liabilities . . . . .	4,796	17,370	–	1,874	2,451	1,435	–	27,926
<b>Net liabilities disposed of . . . . .</b>	<b>(3,358)</b>	<b>(4,960)</b>	<b>–</b>	<b>(11,686)</b>	<b>(17,249)</b>	<b>(14,051)</b>	<b>(7,951)</b>	<b>(59,255)</b>
Consideration . . . . .	1,000	10	10	10	10	10	1,000	2,050
Less: Net liabilities disposed of . . .	(3,358)	(4,960)	–	(11,686)	(17,249)	(14,051)	(7,951)	(59,255)
	<b>4,358</b>	<b>4,970</b>	<b>10</b>	<b>11,696</b>	<b>17,259</b>	<b>14,061</b>	<b>8,951</b>	<b>61,305</b>
Analysis as:								
Net gain on disposal of a subsidiary . . . . .	4,358	–	–	–	–	–	–	4,358
Deemed contribution from Controlling Equity Holders . . . . .	–	4,970	10	11,696	17,259	14,061	8,951	56,947
<b>Net cash inflow (outflow) arising on disposal</b>								
Cash consideration received . . . . .	1,000	10	10	10	10	10	1,000	2,050
Less: Bank balances and cash disposed of . . . . .	404	2,437	–	443	1,076	1,360	–	5,720
	<b>596</b>	<b>(2,427)</b>	<b>10</b>	<b>(433)</b>	<b>(1,066)</b>	<b>(1,350)</b>	<b>1,000</b>	<b>(3,670)</b>

## 31. OPERATING LEASES

## The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within one year . . . . .	163,142	244,172	289,716
In the second to fifth year inclusive . . . . .	487,381	756,602	983,979
Over five years . . . . .	626,216	811,087	1,028,486
	<u>1,276,739</u>	<u>1,811,861</u>	<u>2,302,181</u>

Operating lease payments commitments represent rental payables for the premises leased for schools and offices. The rental is fixed in the lease terms. These leases are negotiated for lease terms of one to ten years.

## 32. CAPITAL COMMITMENTS

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the Historical Financial Information in respect of acquisition of property and equipment . . . . .	<u>65,903</u>	<u>107,468</u>	<u>40,468</u>

## 33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cash flow will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Dividend payable	Accrued issue costs	Amounts due to Controlling Equity Holders	Total
				RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, and December 31, 2016 . . . . .	–	–	209,000	209,000
Financing cash flow . . . . .	(100,000)	–	–	(100,000)
Dividend declared . . . . .	100,000	–	–	100,000
At December 31, 2017 . . . . .	–	–	209,000	209,000
Financing cash flow . . . . .	(873,739)	(4,918)	(209,000)	(1,087,657)
Dividend declared . . . . .	907,851	–	–	907,851
Accrued/prepaid issue costs . . . . .	–	5,474	–	5,474
At December 31, 2018 . . . . .	<u>34,112</u>	<u>556</u>	<u>–</u>	<u>34,668</u>

## 34. RELATED PARTY TRANSACTIONS

- (i) The relationships between the Company and related parties are as follows:

Name of the related parties	Relationship with the Company
Anhui Xinhua University 安徽新華學院 . . . . .	Under common control of Mr. Wu Junbao
The School of Clinical Medicine of Anhui Medical University (安徽醫科大學臨床醫學院) ("School of Clinical Medicine"). . . . .	Under common control of Mr. Wu Junbao
Anhui Xinhua Boyi Landscape Engineering Co., Ltd. (安徽新華博藝景觀工程有限公 司) ("Xinhua Boyi") . . . . .	Under common control of Mr. Wu Wei

- (ii) Save for those disclosed in other notes to the Historical Financial Information, during the Track Record Period, the Group entered into the following transactions with the related parties:

- (1) Service income

Name of a related party	Year ended December 31,		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Anhui Xinhua University . . . . .	2,741	2,778	2,428

- (2) Rental income

Name of a related party	Year ended December 31,		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
School of Clinical Medicine . . . . .	–	–	545

- (3) Construction service

Name of a related party	Year ended December 31,		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Xinhua Boyi . . . . .	–	–	10,900

- (iii) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the Track Record Period is as follows:

	Year ended December 31,		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Short-term benefits . . . . .	1,852	1,904	3,593
Post-employment benefits . . . . .	26	30	34
Equity-settled share-based payments expenses . . . . .	–	–	1,543
	<u>1,878</u>	<u>1,934</u>	<u>5,170</u>

## 35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at December 31, 2016, 2017 and 2018 and up to date of the report are as follows:

Name of subsidiary	Place/country and date of establishment/incorporation	Issued and fully paid share/registered capital	Equity interest attributable to the Group				Principal activities
			As at December 31,			Up to date of the report	
			2016	2017	2018		
			%	%	%	%	
Anhui Xinhua Education Group Co., Ltd. 安徽新華教育集團有限公司 (formerly known as Anhui Xinhua Education Development Co., Ltd. 安徽新華教育發展有限公司)	March 30, 2004 PRC	RMB100,000,000	100	100	100	100	Education Investment
China East Education Investment Limited 中國東方教育投資有限公司	October 19, 2018 BVI	US\$1	N/A	N/A	100	100	Investment holding
China Xinhua Vocational Education Holdings Limited 中國新華職業教育控股有限公司	August 10, 2018 Hong Kong	HK\$1	N/A	N/A	100	100	Investment holding
Wide Bridge Education Limited 慧橋教育有限公司	October 26, 2018 Hong Kong	HK\$1	N/A	N/A	100	100	Investment holding
Xinhua Education Group	October 2, 2018 United States	US\$10	N/A	N/A	100	100	Education investment
Hefei Xinhua Chuangzhi Education Management Co., Ltd. 合肥新華創智教育管理有限公司	August 28, 2018 PRC	RMB5,000,000	N/A	N/A	100	100	Education Investment
Hefei Xinhua East Education Investment Co., Ltd. 合肥新華東方教育投資有限公司	November 6, 2016 PRC	RMB1,000,000	100	100	100	100	Education Investment
Hefei Xinhua Xueli Education Investment Co., Ltd. 合肥新華學力教育投資有限公司	November 6, 2016 PRC	RMB1,000,000	100	100	100	100	Education Investment
Hefei Xinhua Zhiyuan Education Investment Co., Ltd. 合肥新華智原教育投資有限公司	November 6, 2016 PRC	RMB1,000,000	100	100	100	100	Education Investment
Sichuan Xinhua Jinjin Education Investment Co., Ltd. 四川新華金津教育投資有限公司	May 29, 2018 PRC	RMB50,000,000	N/A	N/A	100	100	Education Investment
Chengdu Tianji Education Management Co., Ltd. 成都天極教育管理有限公司	April 16, 2001 PRC	RMB600,000	100	100	100	100	Education Investment
Anhui Wontone Automobile Technical School 安徽萬通汽車技工學校	October 16, 2015 PRC	RMB1,500,000	100	100	100	100	Provision of automobile related educational services
Anhui Wontone Automobile Maintenance Institute 安徽萬通汽車專修學院	March 19, 2007 PRC	RMB30,000,000	100	100	100	100	Provision of automobile related educational services
Anhui New East Culinary Technical School 安徽新東方烹飪技工學校	October 30, 2016 PRC	RMB1,500,000	100	100	100	100	Provision of culinary related educational services

Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities
			As at December 31,			Up to date of the report	
			2016	2017	2018		
%	%	%	%				
Anhui New East Culinary Institute 安徽新東方烹飪專修學院	March 2, 2006 PRC	RMB40,000,000	100	100	100	100	Provision of culinary related educational services
Anhui Xinhua Computer Institute 安徽新華電腦專修學院	December 28, 2004 PRC	RMB5,000,000	100	100	100	100	Provision of internet technology related educational services
Anhui Xinhua Technical School Co., Ltd. 安徽新華技工學校有限公司	April 10, 2017 PRC	RMB1,500,000	N/A	100	100	100	Provision of internet technology related educational services
Beijing Wisezone Educational Technology Co., Ltd. 北京華信智原教育技術有限公司	November 1, 2005 PRC	RMB2,550,000	100	100	100	100	Provision of data technology related educational services
Beijing Cuisine East Educational Technology Co., Ltd. 北京美味東方教育科技有限公司	August 14, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Beijing Omick Educational Technology Co., Ltd. 北京歐米奇教育科技有限公司	August 9, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Beijing City Chaoyang District New East Culinary Vocational Training School 北京市朝陽區新東方烹飪職業技能培訓學校	December 25, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of culinary related educational services
Beijing City Daxing District Wontone Automobile Vocational Skills Training School 北京市大興區萬通汽車修理職業技能培訓學校	February 4, 2010 PRC	RMB500,000	100	100	100	100	Provision of automobile related educational services
Beijing City Daxing District Xinhua Computer Vocational Training School 北京市大興區新華電腦職業技能培訓學校	July 8, 2008 PRC	RMB500,000	100	100	100	100	Provision of internet technology related educational services
Beijing City New East Culinary Vocational Training School 北京市新東方烹飪職業技能培訓學校	September 8, 2003 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Chengdu Wisezone Technology Co., Ltd. 成都華信智原科技有限公司	September 2, 2015 PRC	RMB500,000	100	100	100	100	Provision of data technology related educational services
Chengdu Omick Western Pastry Vocational Training School 成都歐米奇西點職業技能培訓學校	May 6, 2014 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Chengdu City Longquanyi District New East Culinary Technical School Co., Ltd. 成都市龍泉驛區新東方烹飪技工學校有限公司	April 17, 2018 PRC	RMB1,000,000	N/A	N/A	100	100	Provision of culinary related educational services

Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities
			As at December 31,			Up to date of the report	
			2016	2017	2018		
%	%	%	%				
Chengdu City Shuangliu District Xinhua Technical School Co., Ltd. 成都市雙流區新華技工學校有限公司	April 13, 2018 PRC	RMB2,000,000	N/A	N/A	100	100	Provision of internet technology related educational services
Chengdu Wontone Weilai Automobile Technical School Co., Ltd. 成都萬通未來汽車技工學校有限公司	June 1, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of automobile related educational services
Chengdu New East Culinary Vocational Training School Co., Ltd. 成都新東方烹飪職業技能培訓學校有限公司 (formerly known as Chengdu New East Culinary School 成都新東方烹飪學校)	January 14, 2003 PRC	RMB3,500,000	100	100	100	100	Provision of culinary related educational services
Dalian Wisezone Educational Technology Co., Ltd. 大連華信智原教育科技有限公司	March 6, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of data technology related educational services
Dalian Jinzhou New District New East Culinary Vocational Training School 大連金州新區新東方烹飪職業培訓學校	July 25, 2015 PRC	RMB1,000,000	100	100	100	100	Provision of culinary related educational services
Fujian Province New East Technical School 福建省新東方技工學校	March 9, 2012 PRC	RMB1,000,000	100	100	100	100	Provision of culinary related educational services
Fujian Province New East Culinary Vocational Training School 福建省新東方烹飪職業培訓學校	December 3, 2010 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Gansu Wontone Automobile Vocational Training School 甘肅萬通汽車職業培訓學校	September 7, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of automobile related educational services
Gansu New East Culinary Vocational Training School 甘肅新東方烹飪職業培訓學校	February 14, 2014 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Guangzhou Cuisine Classroom Training Co., Ltd. 廣州美味課堂培訓有限公司	July 31, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Guangzhou City Panyu District Wontone Automobile Vocational Training School 廣州市番禺區萬通汽車職業培訓學校	July 4, 2011 PRC	RMB500,000	100	100	100	100	Provision of automobile related educational services
Guangzhou City Panyu District New East Culinary Vocational Training School 廣州市番禺區新東方烹飪職業培訓學校	February 17, 2009 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services

## APPENDIX I

## ACCOUNTANTS' REPORT OF THE GROUP

Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities
			As at December 31,			Up to date of the report	
			2016	2017	2018		
%	%	%	%				
Guangzhou City Omick Western Pastry Vocational Training School 廣州市歐米奇西點職業培訓學校	September 15, 2015 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Guiyang Omick International Western Pastry Vocational Training School 貴陽歐米奇國際西點職業培訓學校	March 10, 2015 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Guiyang City New East Culinary Secondary Vocational School 貴陽市新東方烹飪中等職業學校	December 28, 2007 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Guiyang City Xinhua Computer Secondary Vocational School 貴陽市新華電腦中等職業學校	July 10, 2007 PRC	RMB500,000	100	100	100	100	Provision of internet technology related educational services
Guiyang New East Culinary Technical School 貴陽新東方烹飪技工學校	December 8, 2016 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Guiyang New East Culinary Institute 貴陽新東方烹飪學院	December 28, 2007 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Guiyang Xinhua Internet Technical School 貴陽新華互聯網技工學校	March 27, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of internet technology related educational services
Guizhou Wisezone Technology Co., Ltd. 貴州華信智原科技有限公司	August 27, 2015 PRC	RMB500,000	100	100	100	100	Provision of data technology related educational services
Guizhou Cuisine Academy Education & Training Co., Ltd. 貴州美味學院教育培訓有限公司	August 25, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Guizhou Wontone Automobile Education & Training Co., Ltd. 貴州萬通汽車教育培訓有限公司	August 23, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of automobile related educational services
Guizhou Xinhua Computer Institute 貴州新華電腦學院	July 11, 2005 PRC	RMB1,000,000	100	100	100	100	Provision of internet technology related educational services
Harbin Omick Vocational Training School 哈爾濱歐米奇職業培訓學校	January 8, 2015 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Harbin New East Culinary Vocational Training School Co., Ltd. 哈爾濱新東方烹飪職業培訓學校有限公司 (formerly known as Harbin New East Culinary Vocational Training School 哈爾濱新東方烹飪職業培訓學校)	December 28, 2011 PRC	RMB400,000	100	100	100	100	Provision of culinary related educational services

Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities
			As at December 31,			Up to date of the report	
			2016	2017	2018		
%	%	%	%				
Hainan New East Culinary Technical School 海南新東方烹飪技工學校	December 20, 2016 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Hainan New East Culinary Vocational Training School 海南新東方烹飪職業培訓學校	July 23, 2014 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Hangzhou Wisezone Educational Technology Co., Ltd. 杭州華信智原教育科技有限公司	November 21, 2016 PRC	RMB500,000	100	100	100	100	Provision of data technology related educational services
Hangzhou Economic & Technology Development Area Omick Western Pastry School 杭州經濟技術開發區歐米奇西點學校 (formerly known as Hangzhou Xihu District Omick Western Pastry School (杭州西湖區歐米奇西點學校))	May 23, 2011 PRC	RMB600,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Hangzhou Cuisine Consultancy Service Co., Ltd. 杭州美味諮詢服務有限公司	November 9, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Hangzhou City Yuhang District New East Culinary School 杭州市余杭區新東方烹飪學校	July 5, 2015 PRC	RMB600,000	100	100	100	100	Provision of culinary related educational services
Hangzhou Wontone Automobile Vocational Skills Training Co., Ltd. 杭州萬通汽車職業技能培訓有限公司	April 12, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of automobile related educational services
Hefei Cuisine Classroom Education Consultancy Co., Ltd. 合肥美味課堂教育諮詢有限公司 (formerly known as Hefei Cuisine Classroom Catering Training Co., Ltd. 合肥美味課堂餐飲培訓有限公司)	August 1, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Hefei City Omick Western Pastry Vocational Training School 合肥市歐米奇西點職業培訓學校	January 12, 2015 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Henan Cuisine Academy Educational Consultancy Co., Ltd. 河南美味學院教育諮詢有限公司	September 18, 2017 PRC	RMB1,000,000	N/A	100	100	100	Provision of customized catering experience services
Henan Xinhua Computer Institute 河南新華電腦學院	April 7, 2003 PRC	RMB1,000,000	100	100	100	100	Provision of internet technology related educational services



Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities
			As at December 31,			Up to date of the report	
			2016	2017	2018		
%	%	%	%				
Hohhot City Wontone Automobile Vocational Training School 呼和浩特市萬通汽車職業培訓學校	July 10, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of automobile related educational services
Hohhot City New East Technical School 呼和浩特市新東方技工學校	March 23, 2015 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Hohhot City New East Culinary Vocational Training School 呼和浩特市新東方烹飪職業培訓學校	July 29, 2013 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Hubei Cuisine Academy Training Co., Ltd. 湖北美味學院培訓有限公司	February 5, 2018 PRC	RMB2,000,000	N/A	N/A	100	100	Provision of customized catering experience services
Hubei New East Culinary Vocational Training School 湖北新東方烹飪職業培訓學校	March 12, 2013 PRC	RMB900,000	100	100	100	100	Provision of culinary related educational services
Hunan Wisezone Information Technology Co., Ltd. 湖南華信智原資訊科技有限公司	October 21, 2015 PRC	RMB2,200,000	100	100	100	100	Provision of data technology related educational services
Hunan Wontone Automobile Vocational Training School 湖南萬通汽車職業培訓學校 (formerly known as Hunan Wontone Automobile Repair Vocational Training School 湖南萬通汽修職業培訓學校)	May 10, 2010 PRC	RMB500,000	100	100	100	100	Provision of automobile related educational services
Jilin Province Cuisine Classroom Vocational Skills Consultancy Co., Ltd. 吉林省美味課堂職業技能諮詢有限公司	November 9, 2017 PRC	RMB2,000,000	N/A	100	100	100	Provision of customized catering experience services
Jilin Province Wontone Technical School Co., Ltd. 吉林省萬通技工學校有限責任公司 (formerly known as Changchun Wontone Education Consultancy Co., Ltd. 長春萬通教育諮詢有限公司)	January 15, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of automobile related educational services
Jinan Lixia District Wisezone Training School Co. Ltd. 濟南歷下區華信智原培訓學校有限公司 (formerly known as Jinan Wisezone Educational Technology Co., Ltd. 濟南華信智原教育科技有限公司)	October 23, 2015 PRC	RMB500,000	100	100	100	100	Provision of data technology related educational services
Jinan Cuisine Classroom Catering Management Consultancy Co., Ltd. 濟南美味課堂餐飲管理諮詢有限公司	July 9, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of customized catering experience services

Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities
			As at December 31,			Up to date of the report	
			2016	2017	2018		
%	%	%	%				
Jiangsu New East Culinary Training School 江蘇新東方烹飪技術學校	April 12, 2002 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Jiangxi Nanchang New East Culinary Secondary Vocational School 江西南昌新東方烹飪中專學校	March 14, 2005 PRC	RMB1,800,000	100	100	100	100	Provision of culinary related educational services
Jiangxi Nanchang Xinhua Computer Secondary Vocational School 江西南昌新華電腦中專學校	March 22, 2005 PRC	RMB2,600,000	100	100	100	100	Provision of internet technology related educational services
Jiangxi Wontone Automobile Technical School 江西萬通汽車技工學校	July 13, 2015 PRC	RMB500,000	100	100	100	100	Provision of automobile related educational services
Jiangxi Wontone Automobile Vocational Training Institute 江西萬通汽車職業培訓學院	December 26, 2014 PRC	RMB500,000	100	100	100	100	Provision of automobile related educational services
Kunming Cuisine Education Information Consultancy Co., Ltd. 昆明美味教育資訊諮詢有限公司 (formerly known as Kunming Cuisine Academy Education & Training Co., Ltd. 昆明美味學院教育培訓有限公司)	August 1, 2017 PRC	RMB1,000,000	N/A	100	100	100	Provision of customized catering experience services
Kunming Omick Western Pastry & Cuisine Training Co., Ltd. 昆明歐米奇西點西餐培訓有限公司	July 13, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Lanzhou Wisezone Information Technology Co., Ltd. 蘭州華信智原資訊科技有限公司	March 13, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of data technology related educational services
Lanzhou Cuisine Academy Educational Consultancy Co., Ltd. 蘭州美味學院教育諮詢有限公司	August 21, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Nanchang Wisezone Technology Co., Ltd. 南昌華信智原科技有限公司	September 1, 2015 PRC	RMB500,000	100	100	100	100	Provision of data technology related educational services
Nanchang Omick Western Pastry Vocational Training School 南昌歐米奇西點職業培訓學校	December 22, 2016 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Nanchong New East Culinary Vocational Skills Training Co., Ltd. 南充新東方烹飪職業技能培訓有限公司	September 8, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of culinary related educational services
Nanjing Wisezone Educational Technology Co., Ltd. 南京華信智原教育科技有限公司	September 8, 2015 PRC	RMB500,000	100	100	100	100	Provision of data technology related educational services

Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities
			As at December 31,			Up to date of the report	
			2016	2017	2018		
%	%	%	%				
Nanjing Omick Western Pastry School 南京歐米奇西點學校	November 10, 2014 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Nanjing Culinary Technical School 南京烹飪技工學校	July 16, 2007 PRC	RMB300,000	100	100	100	100	Provision of culinary related educational services
Nanjing Wontone Automobile Technical School 南京萬通汽車技工學校 (formerly known as Nanjing Wontone Automobile Repair Technical School 南京萬通汽修技工學校)	July 1, 2015 PRC	RMB3,000,000	100	100	100	100	Provision of automobile related educational services
Nanjing Wontone Automobile Vocational Training School 南京萬通汽車職業培訓學校	December 29, 2009 PRC	RMB1,500,000	100	100	100	100	Provision of automobile related educational services
Nanjing Xinhua Computer Institute 南京新華電腦專修學院	December 15, 2004 PRC	RMB3,390,000	100	100	100	100	Provision of internet technology related educational services
Ningxia New East Vocational Training School 寧夏新東方職業技能培訓學校	April 9, 2015 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Omick Western Pastry Training (Shanghai) Co., Ltd. 歐米奇西點培訓(上海)有限公司	September 21, 2015 PRC	RMB1,000,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Qingdao Chengyang New East Culinary Vocational Training School Co., Ltd. 青島城陽新東方烹飪職業培訓學校有限公司 (formerly known as Qingdao Chengyang New East Culinary Vocational Training School 青島城陽新東方烹飪職業培訓學校)	July 16, 2014 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Qingdao Cuisine Classroom Education & Training Co., Ltd. 青島美味課堂教育培訓有限公司	September 12, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Qinghai New East Culinary Vocational Training School Co., Ltd. 青海新東方烹飪職業培訓學校有限公司	June 6, 2017 PRC	RMB1,000,000	N/A	100	100	100	Provision of culinary related educational services
Xiamen Cuisine East Education Co., Ltd. 廈門美味東方教育有限公司	September 26, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Xiamen Omick Western Pastry & Cuisine Educational Co., Ltd. 廈門歐米奇西點西餐教育有限公司	July 19, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of western cuisine and pastry related educational services

**APPENDIX I**
**ACCOUNTANTS' REPORT OF THE GROUP**

Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities
			As at December 31,			Up to date of the report	
			2016	2017	2018		
%	%	%	%				
Xiamen City Tong'an District New East Culinary Vocational Training School 廈門市同安區新東方烹飪職業培訓學校	March 11, 2015 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Shandong Wontone Automobile Vocational Training Institute Co., Ltd. 山東萬通汽車職業培訓學院有限公司 (formerly known as Shandong Wontone Automobile Vocational Training Institute 山東萬通汽車職業培訓學院)	September 27, 2010 PRC	RMB3,000,000	100	100	100	100	Provision of automobile related educational services
Shandong New East Culinary Vocational Training School Co., Ltd. 山東新東方烹飪職業培訓學院有限公司 (formerly known as Shandong New East Culinary Vocational Training School 山東新東方烹飪職業培訓學院)	July 14, 2009 PRC	RMB3,000,000	100	100	100	100	Provision of culinary related educational services
Shandong Xinhua Computer Institute Co., Ltd. 山東新華電腦學院有限公司 (formerly known as Shandong Xinhua Computer Institute 山東新華電腦學院)	May 27, 2003 PRC	RMB3,000,000	100	100	100	100	Provision of internet technology related educational services
Shanxi New East Culinary Vocational Training School 山西新東方烹飪職業培訓學校	December 7, 2010 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Shanxi Xinhua Computer Vocational Training School 山西新華電腦職業培訓學校	August 19, 2005 PRC	RMB1,000,000	100	100	100	100	Provision of internet technology related educational services
Shaanxi New East Culinary Training School Co., Ltd. 陝西新東方烹飪培訓學校有限公司 (formerly known as Shaanxi New East Culinary Training School 陝西新東方烹飪培訓學校)	August 30, 2011 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Shaanxi Xinhua Computer Software Training School Co., Ltd. 陝西新華電腦軟體培訓學校有限公司 (formerly known as Shaanxi Xinhua Computer Software School 陝西新華電腦軟體學校)	May 22, 2006 PRC	RMB500,000	100	100	100	100	Provision of internet technology related educational services
Shanghai Fengxian District East Delicacy Vocational Training School 上海奉賢區東方美食職業培訓學校	March 27, 2014 PRC	RMB2,600,000	100	100	100	100	Provision of culinary related educational services

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			As at December 31,			Up to date of the report	
			2016	2017	2018		
%	%	%	%				
Shanghai Xinman Culinary Training Co., Ltd. 上海新曼烹飪培訓有限公司	September 11, 2013 PRC	RMB3,000,000	100	100	100	100	Provision of culinary related educational services
Shenzhen Cuisine East Institute Training Co., Ltd. 深圳美味東方學院培訓有限公司	August 21, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Shenzhen City Pingshan District New East Culinary Vocational Training School 深圳市坪山區新東方烹飪職業培訓學校 (formerly known as Shenzhen City Pingshan New District New East Culinary Vocational Training School 深圳市坪山新區新東方烹飪職業培訓學校)	June 15, 2015 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Shenyang Cuisine Classroom Education Enterprise Management Co., Ltd. 沈陽美味課堂教育企業管理有限公司 (formerly known as Shenyang Cuisine Academy Vocational Skills Training Co., Ltd. 沈陽美味學院職業技能培訓有限公司)	August 3, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Shenyang City Omick Western Pastry Training School Co., Ltd. 沈陽市歐米奇西點培訓學校有限公司 (formerly known as Shenyang City Omick Western Pastry Training School 沈陽市歐米奇西點培訓學校)	December 5, 2014 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Shenyang City Wontone Automobile Vocational Training School Co., Ltd. 沈陽市萬通汽車職業培訓學校有限公司 (formerly known as Shenyang City Wontone Automobile Vocational Training School 沈陽市萬通汽車職業培訓學校)	January 22, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of automobile related educational services
Shenyang New East Culinary School Co., Ltd. 沈陽新東方烹飪學校有限公司 (formerly known as Shenyang New East Culinary School 沈陽新東方烹飪學校)	December 14, 2010 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services

Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities
			As at December 31,			Up to date of the report	
			2016	2017	2018		
			%	%	%	%	
Shijiazhuang City Luancheng District New East Culinary Vocational Skills Training School Co., Ltd. 石家莊市樂城區新東方烹飪職業技能培訓學校有限公司 (formerly known as Shijiazhuang City Luancheng District New East Culinary Vocational Training School 石家莊市樂城區新東方烹飪職業培訓學校)	July 9, 2010 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Shijiazhuang New East Secondary Vocational School 石家莊新東方中等專業學校	May 20, 2005 PRC	RMB2,000,000	100	100	100	100	Provision of culinary related educational services
Shijiazhuang Xinhua Computer School 石家莊新華電腦學校	July 17, 2005 PRC	RMB2,000,000	100	100	100	100	Provision of internet technology related educational services
Chengdu Wontone Automobile Vocational Training School Co., Ltd. 成都萬通汽車培訓職業技能學校有限公司 (formerly known as Sichuan Wontone Automobile Vocational Training Institute 四川萬通汽車職業培訓學院)	March 19, 2010 PRC	RMB1,000,000	100	100	100	100	Provision of automobile related educational services
Sichuan Xinhua Computer Institute 四川新華電腦學院	May 25, 2004 PRC	RMB3,500,000	100	100	100	100	Provision of internet technology related educational services
Suzhou City Omick Western Pastry & Cuisine Training Co., Ltd. 蘇州市歐米奇西點西餐培訓有限公司	March 13, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Suzhou City New East Vocational Training School 蘇州市新東方烹飪職業培訓學校	December 16, 2015 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Taiyuan City Omick Western Pastry & Catering Vocational Training School 太原市歐米奇西點西餐職業培訓學校	September 28, 2016 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Tianjin Wisezone Technology Co., Ltd. 天津華信智原科技有限公司	December 1, 2016 PRC	RMB500,000	100	100	100	100	Provision of data technology related educational services
Tianjin Cuisine Educational Technology Co., Ltd. 天津美味教育科技有限公司	September 7, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services

Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities
			As at December 31,			Up to date of the report	
			2016	2017	2018		
			%	%	%	%	
Tianjin City Jinghai District New East Culinary Vocational Skills Training School Co., Ltd. 天津市靜海區新東方烹飪職業技能培訓學校有限公司 (formerly known as Tianjin City Jinghai New East Culinary Vocational Training School 天津市靜海新東方烹飪職業培訓學校)	July 29, 2015 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Urumqi Xinhua Wontone Automobile Vocational Skills Training School Co., Ltd. 烏魯木齊新華萬通汽車職業技能培訓學校有限公司 (formerly known as Xinjiang Production and Construction Corps 12th Division Wontone Automobile Maintenance School 新疆生產建設兵團第十二師萬通汽車專修學校)	January 23, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of automobile related educational services
Urumqi Xinhua Zhiyuan Internet Technology Co., Ltd. 烏魯木齊新華智原互聯網科技有限責任公司	January 31, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of internet technology related educational services
Wuhan Donghu New Technology Development Zone Wontone Automobile Repair Vocational Training School Co., Ltd. 武漢東湖新技術開發區萬通汽修職業培訓學校有限公司 (formerly known as Wuhan Wontone Yuxing Automobile Training Co., Ltd. 武漢萬通宇星汽車培訓有限公司)	January 12, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of automobile related educational services
Wuhan Donghu New Technology Development Zone Wisezone Vocational Training School Co., Ltd. 武漢東湖新技術開發區華信智原職業培訓學校有限公司 (formerly known as Wuhan City Wisezone Technology Co., Ltd. 武漢市華信智原科技有限公司)	December 24, 2015 PRC	RMB500,000	100	100	100	100	Provision of data technology related educational services
Wuhan City Omick Western Pastry & Cuisine Vocational Training Co., Ltd. 武漢市歐米奇西點西餐職業技能培訓有限公司	January 19, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Wuhan Xinhua Computer Vocational Training School 武漢新華電腦職業培訓學校	July 28, 2007 PRC	RMB3,600,000	100	100	100	100	Provision of internet technology related educational services

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			As at December 31,			Up to date of the report	
			2016	2017	2018		
%	%	%	%				
Xi'an Cuisine East Catering Management Co., Ltd. 西安美味東方餐飲管理有限公司 (formerly known as Xi'an Cuisine East Catering Skills Training Co., Ltd. 西安美味東方餐飲技能培訓有限公司)	July 25, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Xi'an Omick Western Pastry & Cuisine Training Co., Ltd. 西安歐米奇西點西餐培訓有限公司	June 26, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Xi'an Wontone Automobile Vocational Skills Training School Co., Ltd. 西安萬通汽車職業技能培訓學校有限公司 (formerly known as Xi'an Wontone Automobile Repair Vocational Skills Training School 西安萬通汽車職業技能培訓學校)	January 9, 2014 PRC	RMB500,000	100	100	100	100	Provision of automobile related educational services
HK New Oriental Culinary Art Limited 香港新東方烹飪培訓有限公司	February 3, 2015 Hong Kong	HK\$500,000	100	100	100	100	Provision of culinary related educational services
Xinjiang New East Culinary School 新疆新東方烹飪學校	November 4, 2013 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Xuzhou New East Culinary Vocational Training School Co., Ltd. 徐州新東方烹飪職業培訓學校有限公司	September 13, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of culinary related educational services
Yunnan Wontone Automobile Repair Vocational Training School 雲南萬通汽車修職業培訓學校	December 30, 2011 PRC	RMB500,000	100	100	100	100	Provision of automobile related educational services
Yunnan New East Culinary School 雲南新東方烹飪學校	July 30, 2012 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Yunnan New East Culinary Vocational Training School 雲南新東方烹飪職業培訓學校	February 14, 2012 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Yunnan Xinhua Computer Vocational Training School 雲南新華電腦職業培訓學校	June 6, 2003 PRC	RMB1,800,000	100	100	100	100	Provision of internet technology related educational services
Yunnan Xinhua Computer Secondary Vocational School 雲南新華電腦中等專業學校	August 30, 2006 PRC	RMB100,000	100	100	100	100	Provision of internet technology related educational services
Changchun New East Culinary Technical School Co., Ltd 長春新東方烹飪技工學校有限公司 (formerly known as Changchun New East Culinary Technical School 長春新東方烹飪技工學校)	May 3, 2016 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services



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%	%	%	%				
Changchun City Kuancheng New East Culinary Vocational Training School Co., Ltd. 長春市寬城新東方烹飪職業培訓學校有限責任公司 (formerly known as Changchun New East Culinary Vocational Training School 長春新東方烹飪職業培訓學校)	December 19, 2013 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Changsha New East Culinary Institute 長沙新東方烹飪學院	September 12, 2002 PRC	RMB1,600,000	100	100	100	100	Provision of culinary related educational services
Changsha Xinhua Computer Institute 長沙新華電腦學院	March 13, 2001 PRC	RMB2,200,000	100	100	100	100	Provision of internet technology related educational services
Zhengzhou City Omick Western Pastry Vocational Training School Co., Ltd. 鄭州市歐米奇西點職業培訓學校有限公司 (formerly known as Zhengzhou City Omick Western Pastry Vocational Training School 鄭州市歐米奇西點職業培訓學校)	March 4, 2016 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Zhengzhou City New East Culinary Vocational Skills Training School Co. Ltd. 鄭州市新東方烹飪職業技能培訓學校有限公司 (formerly known as Zheng Zhou City New East Culinary Vocational Training School 鄭州市新東方烹飪職業培訓學校)	December 26, 2008 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Zhengzhou Wontone Automobile Vocational Training School Co., Ltd. 鄭州萬通汽車職業培訓學校有限公司 (formerly known as Zhengzhou City Wontone Automobile Vocational Training School 鄭州萬通汽車職業培訓學校)	March 12, 2009 PRC	RMB2,000,000	100	100	100	100	Provision of automobile related educational services
Zhengzhou Xinhua Secondary Vocational School 鄭州新華中等專業學校	July 25, 2005 PRC	RMB500,000	100	100	100	100	Provision of internet technology related educational services
Chongqing Wisezone Technology Co., Ltd. 重慶華信智原科技有限公司	September 24, 2015 PRC	RMB500,000	100	100	100	100	Provision of data technology related educational services

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			2016	2017	2018		
%	%	%	%				
Chongqing City Omick Western Pastry & Cuisine Vocational Training School 重慶市歐米奇西點西餐職業培訓學校	September 28, 2015 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Chongqing City New East Culinary Vocational Training Institute 重慶市新東方烹飪職業培訓學院	March 12, 2008 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Chongqing City Xinhua Technical School 重慶市新華技工學校	June 29, 2011 PRC	RMB750,000	100	100	100	100	Provision of internet technology related educational services
Chongqing City Zhangzheng Culinary Vocational Training School 重慶市長徵烹飪職業培訓學校	November 3, 2009 PRC	RMB500,000	N/A	100	100	100	Provision of culinary related educational services
Chongqing Xinhua Computer Vocational Training School 重慶新華電腦職業培訓學校	August 16, 2004 PRC	RMB750,000	100	100	100	100	Provision of internet technology related educational services
Chongqing Xinhua Wontone Automobile Vocational Skills Training Co., Ltd. 重慶新華萬通汽車職業技能培訓有限公司	March 27, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of automobile related educational services
Anhui Simai'er Catering Co., Ltd. 安徽思麥爾餐飲有限公司	September 5, 2011 PRC	RMB10,000,000	100	100	100	100	Provision of catering services and sale of foodstuffs
Beijing Langjie Technology Co., Ltd. 北京朗傑科技有限公司	September 28, 2006 PRC	RMB20,000,000	100	100	100	100	Technology development, consulting, promotion and services
Beijing Tongzhou New District Wontone Automobile Repairing Vocational Skills Training School 北京通州新區萬通汽車修理職業技能培訓學校	April 8, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of automobile related educational services
Lanzhou Xinhua Internet Secondary Vocational School Co., Ltd. 蘭州新華互聯網中等職業學校有限公司	July 31, 2018 PRC	RMB5,000,000	N/A	N/A	100	100	Provision of internet technology related educational services
Nanjing Tasty Culinary Training Co., Ltd. 南京味美廚藝培訓有限公司	August 29, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of customized catering experience services
Taiyuan Yuxing Wontone Automobile Education Consultancy Co., Ltd. 太原宇星萬通汽車教育諮詢有限公司	June 6, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of automobile related educational services

Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities
			As at December 31,			Up to date of the report	
			2016	2017	2018		
%	%	%	%				
Changsha City Omick Western Pastry Vocational Training School 長沙市歐米奇西點職業培訓學校	December 22, 2016 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Chengdu Cuisine Lecture Culinary Vocational Skills Training School Co., Ltd. 成都美味講堂烹飪職業技能培訓學校有限公司	August 6, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of culinary related educational services
Dalian Cuisine East Educational Technology Co., Ltd. 大連美味東方教育科技有限公司	August 21, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Gansu Omick Western Pastry Vocational Training School 甘肅歐米奇西點職業培訓學校	May 16, 2016 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Hainan Omick Western Pastry & Cuisine Training Co., Ltd. 海南歐米奇西點西餐培訓有限公司	January 23, 2017 PRC	RMB1,000,000	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Hohhot City Omick Western Pastry Vocational Training School 呼和浩特市歐米奇西點職業培訓學校	July 20, 2015 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Hunan Wontone Automobile Technical School Co., Ltd. 湖南萬通汽車技工學校有限公司	August 10, 2018 PRC	RMB3,000,000	N/A	N/A	100	100	Provision of automobile related educational services
Ningbo New East Culinary Training School Co., Ltd. 寧波新東方烹飪培訓學校有限公司	September 4, 2018 PRC	RMB1,000,000	N/A	N/A	100	100	Provision of culinary related educational services
Shandong Omick Western Pastry Vocational Training Institute 山東歐米奇西點職業培訓學院	March 10, 2014 PRC	RMB1,000,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Shijiazhuang City Luancheng District Omick Western Pastry Vocational Training School 石家莊市樂城區歐米奇西點職業培訓學校	March 9, 2016 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Shijiazhuang Wontone Automobile Vocational Training School Co., Ltd. 石家莊萬通汽車職業培訓學校有限公司	April 13, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of automobile related educational services
Taiyuan Tasty Culinary Education Consultancy Co., Ltd. 太原味美廚藝教育諮詢有限公司	September 25, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of customized catering experience services

## APPENDIX I

## ACCOUNTANTS' REPORT OF THE GROUP

Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities
			As at December 31,			Up to date of the report	
			2016	2017	2018		
%	%	%	%				
Tianjin City Xiqing District Omick Culinary Vocational Training School Co., Ltd. 天津市西青區歐米奇烹飪職業技能培訓學校有限公司	October 30, 2018 PRC	RMB200,000	N/A	N/A	100	100	Provision of western cuisine and pastry related educational services
Zhuhai City New East Culinary Training Co., Ltd. 珠海市新東方烹飪培訓有限公司	September 21, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of culinary related educational services
Anhui Wontone Automobile Maintenance Institute Co., Ltd. 安徽萬通汽車專修學院有限公司	February 9, 2017 PRC	RMB30,000,000	N/A	100	100	100	Provision of automobile related educational services
Anhui New East Culinary Institute Co., Ltd. 安徽新東方烹飪專修學院有限公司	February 8, 2017 PRC	RMB40,000,000	N/A	100	100	100	Provision of culinary related educational services
Anhui Xinhua Computer Institute Co., Ltd. 安徽新華電腦專修學院有限公司	February 9, 2017 PRC	RMB5,000,000	N/A	100	100	100	Provision of internet technology related educational services
Guiyang Omick International Western Pastry Vocational Training School Co., Ltd. 貴陽歐米奇國際西點職業培訓學校有限公司	March 23, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Guiyang New East Culinary Institute Co., Ltd. 貴陽新東方烹飪學院有限公司	March 28, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of culinary related educational services
Guiyang Xinhua Internet Technical School Co., Ltd. 貴陽新華互聯網技工學校有限公司	March 27, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of internet technology related educational services
Guizhou Xinhua Computer Institute Co., Ltd. 貴州新華電腦學院有限公司	March 22, 2017 PRC	RMB1,000,000	N/A	100	100	100	Provision of internet technology related educational services
Hefei City Omick Western Pastry Vocational Training School Co., Ltd. 合肥市歐米奇西點職業培訓學校有限公司	September 30, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Hohhot City Omick Western Pastry Vocational Training School Co., Ltd. 呼和浩特市歐米奇西點職業培訓學校有限公司	March 15, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Hefei Yuxing Automobile Driver Training Co., Ltd. 合肥宇星機動車駕駛員培訓有限公司	August 21, 2015 PRC	RMB3,000,000	100	100	N/A	N/A	Provision of driving training educational services
Nanjing Yuxing Driver Training Co., Ltd. 南京宇星駕駛員培訓有限公司	June 24, 2011 PRC	RMB5,000,000	100	100	N/A	N/A	Provision of driving training educational services
Xi'an City Yuxing Driver Training Co., Ltd. 西安市宇星駕駛員培訓有限公司	December 6, 2010 PRC	RMB500,000	100	100	N/A	N/A	Provision of driving training educational services

Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities
			As at December 31,			Up to date of the report	
			2016	2017	2018		
			%	%	%	%	
Changsha City Yuxing Automobile Driver Training Co., Ltd. 長沙市宇星機動車駕駛員培訓有限公司	December 23, 2008 PRC	RMB260,000	100	100	N/A	N/A	Provision of driving training educational services
Chongqing Yuxing Xincheng Automobile Driving Training Co., Ltd. 重慶宇星新城汽車駕駛培訓有限公司	November 15, 2001 PRC	RMB300,000	100	100	N/A	N/A	Provision of driving training educational services
Beijing City Daxing District Omick Vocational Skills Training 北京市大興區歐米奇烹飪職業技能培訓學校 (formerly known as Beijing City Daxing District New East Culinary Vocational Skills Training School 北京市大興區新東方烹飪職業技能培訓學校)	December 13, 2011 PRC	RMB500,000	100	100	N/A	N/A	Provision of western cuisine and pastry related educational services
Jiangxi New East Gourmet Culinary Training Co., Ltd. 江西省新東方美食烹飪培訓有限公司	September 23, 2016 PRC	RMB2,000,000	100	100	N/A	N/A	Provision of culinary related educational services
Jinan City Tianqiao District Xinhua Jinbang Training School Co., Ltd. 濟南市天橋區新華金榜培訓學校有限公司	July 18, 2017 PRC	RMB100,000	N/A	100	100	N/A	Provision of internet technology related educational services
Beijing Miwei Technology Co., Ltd. 北京秘味科技有限公司	August 14, 2017 PRC	RMB1,000,000	N/A	100	N/A	N/A	Technology consulting and services; production of arts & culture; products design
Hefei Xin'an Automobile Driver Training School 合肥新安機動車駕駛員培訓學校	May 31, 2014 PRC	RMB3,500,000	100	100	N/A	N/A	Provision of driving training educational services
Guangzhou City Nansha District New east Culinary Vocational Training School 廣州市南沙區新東方烹飪職業培訓學校	December 12, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of culinary related educational services

The above table lists the subsidiaries of the Group which providing vocational education services, in the opinion of the Company's directors, principally affected the results or assets of the Group.

Each of the subsidiaries has adopted December 31 as their financial year end date.

The statutory financial statements of HK New Oriental Culinary Art Limited (香港新東方烹飪培訓有限公司) for the years ended December 31, 2016, 2017 and 2018 were audited by William Hon & Co. Certified Public Accountants (Practising). No statutory financial statements have been prepared for other subsidiaries, as there is no statutory audit requirement.

**36. RETIREMENT BENEFITS SCHEMES**

During the Track Record Period, the employees of the PRC subsidiaries are members of the state-management retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the Track Record Period are disclosed in notes 9 and 11.

**37. CONTINGENT LIABILITIES**

During the Track Record Period, certain subsidiaries of the Group failed to make full contributions to the housing provident fund for their employees in accordance with the relevant regulations and provisions. Based on the actual salaries of the employees of these group entities, the underprovision of the housing provident fund contributions are approximately RMB1,798,000, RMB1,748,000 and RMB3,207,000 for each of the years ended December 31, 2016, 2017 and 2018 respectively. The management of the Group has, taking into account the relevant facts and circumstances, and advice sought from the Group's PRC legal advisers, considered that it is not probable for the Company to be requested by the relevant authorities to pay such outstanding amounts, therefore, no provision has been made as at each reporting date and during the Track Record Period.

**38. EVENTS AFTER THE REPORTING PERIOD**

Subsequent to December 31, 2018, save for disclosed in other notes to the Historical Financial Information, pursuant to written resolutions of the Company's shareholders passed on May 21, 2019, conditional upon the crediting of the share premium account of the Company as a result of the issue of shares pursuant to the allotment set out in the section headed "Share Capital" in the Prospectus, the directors of the Company had authorised to allot and issue a total of 1,742,199,970 shares, by way of capitalisation of the sum of approximately HK\$174,220 standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders as appearing on the register of members of the Company ("Capitalisation Issue"), details are set out in Appendix IV to the Prospectus.

**39. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Group, the Company or any of the subsidiaries of the Company have been prepared in respect of any period subsequent to December 31, 2018.

The information set forth in this Appendix does not form part of the accountants' report on the historical financial information of the Group for the Track Record Period (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this Prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountants' Report set forth in Appendix I to this Prospectus.

#### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 as if the Global Offering had taken place on such date.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 following the Global Offering or as at any subsequent dates. It is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 as derived from the Accountants' Report set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at December 31, 2018	
				RMB	HK\$
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	(Note 3)	(Note 4)
Based on an Offer					
Price of HK\$9.80 per Offer Share . . .	872,631	3,647,448	4,520,079	2.07	2.36
Based on an Offer					
Price of HK\$12.26 per Offer Share . . .	872,631	4,570,771	5,443,402	2.50	2.84

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*Notes:*

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 is extracted from the Accountants' Report as set out in Appendix I to this Prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 435,800,000 Offer Shares at the indicative Offer Price of HK\$9.80 (equivalent to RMB8.61) and HK\$12.26 (equivalent to RMB10.78) per Offer Share, respectively, after deduction of underwriting fees and commissions and other listing related expenses paid/payable by the Company (excluding the listing expenses which has been charged to profit or loss up to December 31, 2018), and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under the Pre-IPO Share Option Scheme or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company. For the purpose of the estimated net proceeds from the Global Offering, the amount denominated in Hong Kong dollars has been converted into Renminbi at the rate of HK\$1 to RMB0.8789, which was the exchange rate prevailing on Latest Practicable Date with reference to the rate published by the People's Bank of China. No representation is made that the HK\$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis that 2,179,000,000 Shares were in issue assuming that the Global Offering had been completed on December 31, 2018 and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under the Pre-IPO Share Option Scheme or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company.
- (4) For the purpose of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share, the amount stated in RMB is converted into Hong Kong dollar at the rate of RMB0.8789 to HK\$1, which was the exchange rate prevailing on Latest Practicable Date with reference to the rate published by the People's Bank of China. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2018 to reflect any trading result or other transaction of the Group entered into subsequent to December 31, 2018.



**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this Prospectus.*

**Deloitte.****德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF CHINA EAST EDUCATION HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China East Education Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at December 31, 2018 and related notes, as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated May 30, 2019 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the global offering on the Group's financial position as at December 31, 2018 as if the global offering had taken place at December 31, 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for the three years ended December 31, 2018, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Unaudited Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") 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 behaviour.

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” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited 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 unaudited 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 unaudited 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 unaudited 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 unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at December 31, 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited 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 unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgement, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited 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 unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

May 30, 2019

*The following is the text of a letter, summary of valuations and valuation reports prepared for the purpose of incorporation in this Prospectus received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property interests of China East Education Holdings Limited as at 31 March 2019.*



16/F  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

May 30, 2019

The Directors  
China East Education Holdings Limited  
No. 1009 Xuelin Road  
Yaohai District  
Hefei  
Anhui Province  
the PRC

Dear Sirs,

#### **INSTRUCTIONS, PURPOSE & VALUATION DATE**

In accordance with your instructions for us to value the property interests of China East Education Holdings Limited (referred to as the “Company”) and its subsidiaries (together referred to as the “Group”) in the People’s Republic of China (the “PRC”) (as more particularly described in the attached valuation reports), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such property interests as at 31 March 2019.

#### **DEFINITION OF MARKET VALUE**

Our valuation of each of the properties represents its market value which in accordance with the HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyor 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”.

#### **VALUATION BASIS AND ASSUMPTIONS**

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited, and The HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors.

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the properties in the PRC, we have assumed that, unless otherwise stated, the transferable land use rights of the properties for their respective terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Company and its legal adviser, Haiwen & Partners (海問律師事務所) regarding the title to each of the properties and the interests of the Group in the properties. In valuing the properties, we have assumed that the Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licenses, in accordance with the information provided by the Group are set out in the notes of the respective valuation reports.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses 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.

#### **METHOD OF VALUATION**

In valuing properties in Group I, which are owned by the Group in the PRC, we have used Depreciated Replacement Costs (“DRC”) Approach, which requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence. The reported market value by Depreciated Replacement Cost Approach only applies to the whole of the property as a unique interest, and no piecemeal transaction of the property is assumed. The market value is subject to adequate potential profitability of the business from the use of the property as a whole.

In valuing the properties in Groups II and III, which are leased and occupied by the Group in Hong Kong and the PRC, we consider that the properties have no commercial value due mainly to the prohibition against assignment and subletting or otherwise to the lack of substantial profit rents.

#### **SOURCES OF INFORMATION**

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group regarding the title to each of the properties and the interests of the Group in the properties. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation reports are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

### **TITLE INVESTIGATION**

We have been provided with extracts of documents relating to the titles of the properties in the PRC, but no searches have been made in respect of the properties. We have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Group and its PRC Legal Advisors regarding the Group's interests in the PRC properties.

### **SITE INSPECTION**

Our valuers Mr. Zhengli Wang, Mr. Hui Huang and our valuation team in 15 Cities in PRC inspected the exterior and, whenever possible, the interior of the properties in September and October 2018. Mr. Zhengli Wang and Mr. Hui Huang have over 7 years experience in property valuation in PRC. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the area shown on the documents handed to us are correct.

### **CURRENCY**

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation reports.

Yours faithfully,  
for and on behalf of  
**Cushman & Wakefield Limited**  
**Andrew K.F. Chan**

Registered Professional Surveyor (General Practice)  
Registered China Real Estate Appraiser  
*MSc., M.R.I.C.S., M.H.K.I.S.*  
**Managing Director**  
**Greater China**  
**Valuation & Advisory Services**

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*Note:* Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has over 30 years of experience in the valuation of properties in the PRC.

## SUMMARY OF VALUATIONS

## Group I — Properties owned by the Group in the PRC

Property	Market value in existing state as at 31 March 2019	Interest attributable to the Group	Market value in existing state attributable to the Group as at 31 March 2019
	(RMB)	(%)	(RMB)
1. The campus of Sichuan New East Cuisine School, No. 172 Jinxiu Road, Longquanyi District, Chengdu, Sichuan Province, the PRC	17,300,000	100	17,300,000
2. The campus of Sichuan Wontone Automotive school, No. 6 Tongan Road, Longquanyi District, Chengdu, Sichuan Province, the PRC	No commercial value	100	No commercial value
3. The campus of Anhui Xinhua Computer Professional Institute, Junction of Xuelin Road and Wenzhong Road, Xinzhan District, Hefei, Anhui Province, the PRC	No commercial value	100	No commercial value
4. The campus of Anhui New East Culinary Professional Institute & Anhui New East Training School, Junction of Xuelin Road and Luban Road, Xinzhan District, Hefei, Anhui Province, the PRC	No commercial value	100	No commercial value
5. The campus of Anhui Wontone Automobile Vocational College, Junction of Xuelin Road and Cailun Road, Yaohai District, Hefei, Anhui Province, the PRC	No commercial value	100	No commercial value
6. The campus of Anhui Omick Pastry Institute, West of Xiangshan Road and North of Guanqing Road, Yaohai District, Hefei, Anhui Province, the PRC	No commercial value	100	No commercial value
<b>Sub-total of Group I :</b>	<b>17,300,000</b>		<b>17,300,000</b>

## SUMMARY OF VALUATIONS

## Group II — Properties leased and occupied by the Group in Hong Kong

Property	Market value in existing state as at 31 March 2019 <i>(RMB)</i>	Interest attributable to the Group <i>(%)</i>	Market value in existing state attributable to the Group as at 31 March 2019 <i>(RMB)</i>
7. Properties leased for HK New Oriental Culinary Art Limited 2nd Floor, KP Tower, No.93 King's Road, North Point, Hong Kong	No commercial value	100	No commercial value
8. Properties leased for HK New Oriental Culinary Art Limited Room 2601, 26th Floor, Kwai Hung Holdings Centre, No.89 King's Road, North Point, Hong Kong	No commercial value	100	No commercial value
<b>Sub-total of Group II :</b>	No commercial value		No commercial value



## SUMMARY OF VALUATIONS

## Group III — Properties leased and occupied by the Group in the PRC

Property	Market value in existing state as at 31 March 2019 <i>(RMB)</i>	Interest attributable to the Group <i>(%)</i>	Market value in existing state attributable to the Group as at 31 March 2019 <i>(RMB)</i>
176 leased properties in the PRC . . . . .	No commercial value	100	No commercial value
<b>Sub-total of Group III : . . . . .</b>	No commercial value		No commercial value
<b>Grand total of Groups I to III : . . . . .</b>	17,300,000		17,300,000

## VALUATION REPORT

## Group I — Properties owned by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2019								
1. The campus of Sichuan New East Cuisine School, No. 172 Jinxiu Road, Longquanyi District, Chengdu, Sichuan Province, the PRC  中國四川省成都市龍泉驛區錦繡路172號四川新東方烹飪學校	<p>The property is a campus developed on a parcel of land with a total gross site area of approximately 11,044.25 sq m.</p> <p>Completed in 2004, the property comprises various teaching buildings, dormitories and related ancillary facilities. The property has a total gross floor area of approximately 18,221.18 sq m.</p> <p>The details of the gross floor area are as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: right;">Approximate gross floor area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Teaching Buildings</td> <td style="text-align: right;">3,180.66</td> </tr> <tr> <td>Dormitories</td> <td style="text-align: right;">2,916.84</td> </tr> <tr> <td><b>Total:</b></td> <td style="text-align: right;"><b>6,097.50</b></td> </tr> </tbody> </table> <p>Real Estate Title Certificates have not been obtained for the remaining buildings with a total gross floor area of approximately 12,123.68 sq m.</p> <p>The property is held with land use rights for a term due to expire on 29 September 2053 for science and education use.</p>	Use	Approximate gross floor area (sq m)	Teaching Buildings	3,180.66	Dormitories	2,916.84	<b>Total:</b>	<b>6,097.50</b>	As at the valuation date, the property was occupied by the Group as a campus.	RMB17,300,000
Use	Approximate gross floor area (sq m)										
Teaching Buildings	3,180.66										
Dormitories	2,916.84										
<b>Total:</b>	<b>6,097.50</b>										

## Notes:

- (1) We have ascribed no commercial value to the portion of the property with a total gross floor area of approximately 12,123.68 sq m that relevant certificates and approval from the government in respect of the construction have not been obtained.

For illustrative purpose, had the Group obtained valid Real Estate Title Certificates (Land Transfer) of the property for education use, the market value of the property as at the valuation date would be RMB31,300,000.

- (2) According to two Real Estate Title Certificates issued by 成都市龍泉驛區國土資源局 (Bureau of Land Resources Longquanyi District, Chengdu) on 12 July 2018, the land use rights with a total site area of 11,044.25 sq m and building ownership of the property have been vested in 成都天極教育管理有限公司 (Chengdu Tianji Education Management Co., Ltd) for education use with salient details as follows:

No.	Certificate No.	Expiry date of land use term	Gross floor area (sq m)
1 . . .	(2018) 0045530	29 September 2053	3,180.66
2 . . .	(2018) 0045531	29 September 2053	2,916.84
<b>Total:</b>			<b>6,097.50</b>

Real Estate Title Certificates have not been obtained for portion of the property with a total gross floor area of 12,123.68 sq m.

- (3) According to Business License No. 510112000037701 dated 27 July 2010, 成都天極教育管理有限公司 (Chengdu Tianji Education Management Co., Ltd) was established with a registered capital of RMB600,000 with an operating period from 16 April 2001 to 16 April 2031.
- (4) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) The Stated-owned Land Use Rights Certificate and Real Estate Title Certificates of the property are legal and valid under the PRC laws;
  - (ii) The land use rights and building ownership of the property with title documents have been vested in 成都天極教育管理有限公司 (Chengdu Tianji Education Management Co., Ltd);
  - (iii) 成都天極教育管理有限公司 (Chengdu Tianji Education Management Co., Ltd) is the legal land user of the property with title documents;
  - (iv) 成都天極教育管理有限公司 (Chengdu Tianji Education Management Co., Ltd) has the right to occupy, use, transfer, mortgage and dispose of the land use rights and building ownership of the property in accordance with the PRC laws; and
  - (v) The application of the Real Estate Title Certificates for the buildings without title certificates are in progress.
- (5) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Real Estate Title Certificates . . . . .	Yes (portion)
Business License . . . . .	Yes

## VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2019														
2. The campus of Sichuan Wontone Automotive school, No. 6 Tongan Road, Longquanyi District, Chengdu, Sichuan Province, the PRC 中國四川省成都市龍泉驛區同安路6號四川萬通汽車學校	<p>The property is a campus developed on a parcel of land with a total gross site area of approximately 26,282.28 sq m.</p> <p>Completed in 2010, the property comprises various teaching buildings, dormitories and related ancillary facilities. The property has a total gross floor area of approximately 32,128.61 sq m.</p> <p>The details of the gross floor area are as follows:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: right;">Approximate gross floor area</th> </tr> <tr> <td></td> <td style="text-align: right;">(sq m)</td> </tr> </thead> <tbody> <tr> <td>Teaching Buildings</td> <td style="text-align: right;">18,757.44</td> </tr> <tr> <td>Dormitories</td> <td style="text-align: right;">9,924.60</td> </tr> <tr> <td>Office Buildings</td> <td style="text-align: right;">1,105.67</td> </tr> <tr> <td>Canteen</td> <td style="text-align: right;">2,340.90</td> </tr> <tr> <td><b>Total:</b></td> <td style="text-align: right;"><b>32,128.61</b></td> </tr> </tbody> </table> <p>Real Estate Title Certificates have not been obtained for the buildings with a total gross floor area of approximately 32,128.61 sq m.</p> <p>The property is held with allocated land use rights for education use.</p>	Use	Approximate gross floor area		(sq m)	Teaching Buildings	18,757.44	Dormitories	9,924.60	Office Buildings	1,105.67	Canteen	2,340.90	<b>Total:</b>	<b>32,128.61</b>	As at the valuation date, the property was occupied by the Group as a campus.	No commercial value
Use	Approximate gross floor area																
	(sq m)																
Teaching Buildings	18,757.44																
Dormitories	9,924.60																
Office Buildings	1,105.67																
Canteen	2,340.90																
<b>Total:</b>	<b>32,128.61</b>																

Notes:

- (1) The land use rights of the property are allocated in nature and cannot be freely transferred. We have therefore ascribed no commercial value to the property.

For illustrative purpose, had the Group obtained valid Real Estate Title Certificates (Land Transfer) of the property for education use, the market value of the property as at the valuation date would be RMB42,700,000.

- (2) According to Allocated Land Use Rights Certificate No. (2009)106904 issued by 成都市龍泉驛區國土資源局 (Bureau of Land Resources Longquanyi District, Chengdu) on 7 September 2009, the land use rights of the property with a total site area of 26,282.28 sq m have been allocated to 成都天極教育管理有限公司 (Chengdu Tianji Education Management Co., Ltd) for education use.
- (3) Real Estate Title Certificates have not been obtained for portion of the property with a total gross floor area of 32,128.61 sq m.

- (4) According to Business License No. 510112000037701 dated 27 July 2010, 成都天極教育管理有限公司 (Chengdu Tianji Education Management Co., Ltd) was established with a registered capital of RMB600,000 with an operating period from 16 April 2001 to 16 April 2031.
- (5) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) The Allocated-owned Land Use Rights Certificate of the property are legal and valid under the PRC laws;
  - (ii) The land use rights of the property have been vested in 成都天極教育管理有限公司 (Chengdu Tianji Education Management Co., Ltd);
  - (iii) 成都天極教育管理有限公司 (Chengdu Tianji Education Management Co., Ltd) is the legal land user of the property;
  - (iv) 成都天極教育管理有限公司 (Chengdu Tianji Education Management Co., Ltd) has the right to occupy and use of the land use rights and building ownership of the property in accordance with the PRC laws; and
  - (v) The application of the Real Estate Title Certificates for the buildings without title certificates are in progress.
- (6) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Allocated Land Use Rights Certificate . . . . .	Yes
Business License . . . . .	Yes

## VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2019						
3. The campus of Anhui Xinhua Computer Professional Institute, Junction of Xuelin Road and Wenzhong Road, Xinzhan District, Hefei, Anhui Province, the PRC  中國安徽省合肥市新站區學林路與文忠路交口安徽新華電腦專修學院	<p>The property is a campus developed on a parcel of land with a total gross site area of approximately 119,101.61 sq m.</p> <p>Completed in the period between 2009 and 2017, the property comprises various teaching buildings, dormitories and related ancillary facilities. The property has a total gross floor area of approximately 85,490.82 sq m.</p> <p>The details of the gross floor area are as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: right;">Approximate gross floor area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Office Building</td> <td style="text-align: right;">9,174.90</td> </tr> <tr> <td><b>Total:</b></td> <td style="text-align: right;"><b>9,174.90</b></td> </tr> </tbody> </table>	Use	Approximate gross floor area (sq m)	Office Building	9,174.90	<b>Total:</b>	<b>9,174.90</b>	As at the valuation date, the property was occupied by the Group as a campus.	No commercial value
Use	Approximate gross floor area (sq m)								
Office Building	9,174.90								
<b>Total:</b>	<b>9,174.90</b>								
	<p>Real Estate Title Certificates have not been obtained for the remaining buildings with a total gross floor area of approximately 76,315.92 sq m.</p> <p>The property is held with allocated land use rights for education use. (For details, please see Notes (2)).</p>								

## Notes :

- (1) The land use rights of the property are allocated in nature and cannot be freely transferred. We have therefore ascribed no commercial value to the property.

For illustrative purpose, had the Group obtained valid Real Estate Title Certificates (Land Transfer) of the property for education use, the market value of the property as at the valuation date would be RMB277,240,000.

- (2) According to two Allocated Land Use Rights Certificates issued by the Hefei Land Resources Bureau (合肥國土資源局), the land use rights of the property with a total site area of 119,101.61 sq m have been vested in Anhui Xinhua Computer Professional Institute with details as follows:

<u>Certificate No.</u>	<u>Date of issue</u>	<u>Use</u>	<u>Site area</u> (sq m)
(2010) 298 . . . . .	6 July 2010	Education	98,220.06
(2013) 013 . . . . .	25 June 2013	Public Service (Education)	20,881.55
<b>Total:</b>			<b>119,101.61</b>

- (3) According to Real Estate Title Certificate No.(2018)10059380 dated 30 August 2018 issued by the Hefei Land Resources Bureau (合肥國土資源局), the allocated land use rights with a total site area of 20,881.55 sq m and the building ownership of the property comprising a total gross floor area of 9,174.90 sq m has been vested in Anhui Xinhua Computer Professional Institute.

Real Estate Title Certificates have not been obtained for portion of the property with a total gross floor area of 76,315.92 sq m.

- (4) According to two Planning Permit for Construction Works issued by Hefei Municipal Planning Bureau, the construction works of the property, with a gross floor area of 27,541.92 sq.m., are in compliance with the construction works requirements and have been approved, with details as follows:

<u>Certificate No.</u>	<u>Date of issue</u>	<u>Project Name</u>	<u>Gross floor area</u> (sq m)
2011144 . . . . .	15 March 2011	Teaching Building Block 2,3	13,097.83
2011145 . . . . .	15 March 2011	Teaching Building Block 5,6	14,444.09
<b>Total:</b>			<b>27,541.92</b>

- (5) According to two Permits for Commencement of Construction Work issued by Hefei Xinzhan district Construction Development Bureau, the project with a gross floor area of 27,542.00 sq m have been permitted for commencement of construction, with details as follows:

<u>Certificate No.</u>	<u>Date of issue</u>	<u>Project Name</u>	<u>Gross floor area</u> (sq m)
010212030003 . . . . .	9 March 2012	Teaching Building Block 2, 3	13,098.00
010212030004 . . . . .	9 March 2012	Teaching Building Block 5,6	14,444.00
<b>Total:</b>			<b>27,542.00</b>

- (6) According to Business License No. 52340000769048783Y dated 10 July 2018, Anhui Xinhua Computer Professional Institute was established with a registered capital of RMB40,000,000 with an operating period from 24 April 2018 to 30 April 2021.

- (7) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:

- (i) The Allocated-owned Land Use Rights Certificate and Real Estate Title Certificates of the property are legal and valid under the PRC laws;
- (ii) The land use rights and building ownership of the property with title documents have been vested in 安徽新華電腦專修學院 (Anhui Xinhua Computer Professional Institute);

- (iii) 安徽新華電腦專修學院 (Anhui Xinhua Computer Professional Institute) is the legal land user of the property with title documents;
  - (iv) 安徽新華電腦專修學院 (Anhui Xinhua Computer Professional Institute) has the right to freely occupy and use of the land use rights and building ownership of the property in accordance with PRC laws;
  - (v) The application of the Real Estate Title Certificates for the buildings without title certificates are in progress; and
  - (vi) According to the PRC legal opinion, the legal advisor conducted interview between the relevant government department and it is orally confirmed that the Company can continue to use these buildings without being subject to any fines or penalties and without being ordered to stop using or demolish these buildings.
- (8) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Allocated Land Use Rights Certificates . . . . .	Yes
Real Estate Title Certificate . . . . .	Yes (portion)
Planning Permit for Construction Work . . . . .	Yes (portion)
Permit for Commencement of Construction Work . . . . .	Yes (portion)
Business License . . . . .	Yes



## VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2019								
4. The campus of Anhui New East Culinary Professional Institute & Anhui New East Training School, Junction of Xuelin Road and Luban Road, Xinzhan District, Hefei, Anhui Province, the PRC  中國安徽省合肥市新站區學林路與魯班路交口安徽新東方烹飪專修學院及安徽新東方技工學校	The property is a campus developed on a parcel of land with a total gross site area of approximately 94,382.9 sq m.  Completed in 2011, the property comprises various teaching buildings, dormitories and related ancillary facilities. The property has a total gross floor area of approximately 39,835.99 sq m.  The details of the gross floor area are as follows:	As at the valuation date, the property was occupied by the Group as a campus.	No commercial value								
	<table border="1"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: right;">Approximate gross floor area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Teaching Buildings</td> <td style="text-align: right;">11,088.51</td> </tr> <tr> <td>Dormitories</td> <td style="text-align: right;">17,030.90</td> </tr> <tr> <td><b>Total:</b></td> <td style="text-align: right;"><b>28,162.41</b></td> </tr> </tbody> </table>	Use	Approximate gross floor area (sq m)	Teaching Buildings	11,088.51	Dormitories	17,030.90	<b>Total:</b>	<b>28,162.41</b>		
Use	Approximate gross floor area (sq m)										
Teaching Buildings	11,088.51										
Dormitories	17,030.90										
<b>Total:</b>	<b>28,162.41</b>										
	Real Estate Title Certificates have not been obtained for the remaining buildings with a total gross floor area of approximately 11,673.58 sq m.  The property is held with allocated land use rights for education use. (For details, please see Notes (2)).										

## Notes :

- (1) The land use rights of the property are allocated in nature and cannot be freely transferred. We have therefore ascribed no commercial value to the property.

For illustrative purpose, had the Group obtained valid Real Estate Title Certificates (Land Transfer) of the property for education use, the market value of the property as at the valuation date would be RMB179,200,000.

- (2) According to three of Real Estate Title Certificates all issued by Hefei Housing Bureau, the allocated land use rights with a total site area of 94,382.9 sq m and the building ownership rights of the Property with a total gross floor area of 28,162.41 have been vested in Anhui New East Culinary Professional Institute for education use with salient details as follows:

<u>Certificate No.</u>	<u>Date of issue</u>	<u>Use</u>	<u>Gross floor area</u> (sq m)
(2018) 10034536 . . .	13 June 2018	Teaching Building	5,987.88
(2018) 10034541 . . .	13 June 2018	Teaching Building	5,100.63
(2018) 0025396 . . . .	5 February 2018	Student Dormitory	17,073.90
<b>Total:</b>			<b>28,162.41</b>

Real Estate Title Certificates have not been obtained for portion of the property with a total gross floor area of 11,673.58 sq m.

- (3) According to six Planning Permits for Construction Works issued by 合肥市規劃局(Construction Planning Bureau of Hefei), the construction works are in compliance with the urban planning requirements and have been approved with details as follows:

<u>Certificate No.</u>	<u>Date of Issue</u>	<u>Project Name</u>	<u>Gross floor area</u> (sq m)
2011-048 . . . . .	5 May 2011	Ancillary Facilities	822.46
2011-049 . . . . .	5 May 2011	Practical Training and Teaching Building 1	3,429.00
2011-050 . . . . .	5 May 2011	Student Dormitory 1, 2	17,133.40
2011-005 . . . . .	26 November 2011	Teaching Building 3	5,004.82
2011-006 . . . . .	26 November 2011	Teaching Building 6	5,828.29
2011-007 . . . . .	26 November 2011	Teaching Building 7	6,259.22
2013-102 . . . . .	28 November 2013	Practical Training and Teaching Building 2	1,162.9
<b>Total:</b>			<b>39,680.09</b>

- (4) According to four Permits for Commencement of Construction Works issued by 合肥市規劃局(Construction Planning Bureau of Hefei), the property is in compliance with the requirements for works commencement and have been permitted with details as follows:

<u>Certificate No.</u>	<u>Date of Issue</u>	<u>Project Name</u>	<u>Gross floor area</u> (sq m)
010211040003 . . . .	19 April 2011	Teaching Building 3, 6, 7	17,092.00
010211050006 . . . .	10 May 2011	Practical Training and Teaching Building 1, Associated Teaching Building	4,337.00
010211060001 . . . .	18 June 2011	Student Dormitory 1, 2	17,133.40
34013514031101S01.	17 April 2014	Practical Training and Teaching Building 2	1,162.9
<b>Total:</b>			<b>39,725.30</b>

- (5) According to Business License No. 52340100784946506P dated 24 April 2018, Anhui New East Culinary Professional Institute was established with a registered capital of RMB40,000,000 with an operating period from 24 April 2018 to 30 April 2021.

- (6) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) The Allocated-owned Land Use Rights Certificate and Real Estate Title Certificates of the property are legal and valid under the PRC laws;
  - (ii) The land use rights and building ownership of the property with title documents have been vested in 安徽新東方烹飪專修學院 (Anhui New East Culinary Professional Institute);
  - (iii) 安徽新東方烹飪專修學院 (Anhui New East Culinary Professional Institute) is the legal land user of the property with title documents;
  - (iv) 安徽新東方烹飪專修學院 (Anhui New East Culinary Professional Institute) has the right to freely occupy and use of the land use rights and building ownership of the property in accordance with PRC laws;
  - (v) The application of the Real Estate Title Certificates for the buildings without title certificates are in progress; and
  - (vi) According to the PRC legal opinion, the legal advisor conducted interview between the relevant government department and it is orally confirmed that the Company can continue to use these buildings without being subject to any fines or penalties and without being ordered to stop using or demolish these buildings.
- (7) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Real Estate Title Certificates . . . . .	Yes (portion)
Planning Permits for Construction Works . . . . .	Yes
Permits for Commencement of Construction Works . . . . .	Yes
Business License . . . . .	Yes

## VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2019										
5. The campus of Anhui Wontone Automobile Maintenance Institute, Junction of Xuelin Road and Cailun Road, Yaohai District, Hefei, Anhui Province, the PRC  中國安徽省合肥市 瑤海區學林路與蔡倫 路交口安徽萬通汽車 專修學院	<p>The property is a campus developed on a parcel of land with a total gross site area of approximately 90,600.36 sq m.</p> <p>Completed in the period between 2011 and 2018, the property comprises various teaching buildings, dormitories and related ancillary facilities. The property has a total gross floor area of approximately 49,308.31 sq m. The details of the gross floor area are as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: right;">Approximate gross floor area</th> </tr> <tr> <td></td> <td style="text-align: right;"><i>(sq m)</i></td> </tr> </thead> <tbody> <tr> <td>Teaching Buildings</td> <td style="text-align: right;">17,498.55</td> </tr> <tr> <td>Dormitories</td> <td style="text-align: right;">17,073.90</td> </tr> <tr> <td><b>Total:</b></td> <td style="text-align: right;"><b>34,572.45</b></td> </tr> </tbody> </table> <p>Real Estate Title Certificates have not been obtained for the remaining buildings with a total gross floor area of approximately 14,735.86 sq m.</p> <p>The property is held with allocated land use rights for education use. (For details, please see Notes (2)).</p>	Use	Approximate gross floor area		<i>(sq m)</i>	Teaching Buildings	17,498.55	Dormitories	17,073.90	<b>Total:</b>	<b>34,572.45</b>	As at the valuation date, the property was occupied by the Group as a campus.	No commercial value
Use	Approximate gross floor area												
	<i>(sq m)</i>												
Teaching Buildings	17,498.55												
Dormitories	17,073.90												
<b>Total:</b>	<b>34,572.45</b>												

## Notes:

- (1) The land use rights of the property are allocated in nature and cannot be freely transferred. We have therefore ascribed no commercial value to the property.

For illustrative purpose, had the Group obtained valid Real Estate Title Certificates (Land Transfer) of the property for education use, the market value of the property as at the valuation date would be RMB196,450,000.

- (2) According to 2 State-owned Land Use Rights Certificates issued by the Hefei Land Resources Bureau(合肥國土資源局), the land use rights of the property with a total site area of 90,600.36 sq m have been vested in Anhui Wontone Automobile Maintenance Institute with details as follows:

<u>Certificate No.</u>	<u>Date of Issue</u>	<u>Use</u>	<u>Site area</u> (sq m)
(2011) 6 . . . . .	14 March 2011	Education	52,643.03
(2016) 007 . . . . .	2 February 2016	Education	37,957.33
<b>Total:</b>			<b>90,600.36</b>

- (3) According to three Real Estate Title Certificates all issued by Hefei Housing Bureau, the allocated land use rights with a total site area of 52,643.03 sq m and the building ownership rights of the Property with a total gross floor area of 34,572.45 sq m have been vested in Anhui Wontone Automobile Maintenance Institute for education use with salient details as follows:

<u>Certificate No.</u>	<u>Use</u>	<u>Gross floor area</u> (sq m)
(2016) 0208854. . . .	Education	9,966.54
(2016) 0208845. . . .	Education	7,532.01
(2018) 0025376. . . .	Student Dormitory	17,073.90
<b>Total:</b>		<b>34,572.45</b>

Real Estate Title Certificates have not been obtained for portion of the property with a total gross floor area of 14,735.86 sq m.

- (4) According to five Planning Permits for Construction Works issued by 合肥市規劃局 (Construction Planning Bureau of Hefei), the construction works are in compliance with the urban planning requirements and have been approved with details as follows:

<u>Certificate No.</u>	<u>Date of Issue</u>	<u>Project Name</u>	<u>Gross floor area</u> (sq m)
2011-035 . . . . .	18 March 2011	Student Dormitory 6, 7	17,133.40
2011-051 . . . . .	5 May 2011	Practical Training and Teaching Building 1	3,590.00
2011-052 . . . . .	5 May 2011	Ancillary Facilities	822.46
340101201240122. . .	20 November 2012	Teaching Building 4	10,361.30
340101201240123. . .	20 November 2012	Teaching Building 5	7,377.00
2016-281 . . . . .	24 November 2016	Student Dormitory 2	6,231.50
<b>Total:</b>			<b>45,515.66</b>

- (5) According to three Permits for Commencement of Construction Works issued by 合肥市規劃局 (Construction Planning Bureau of Hefei), the property is in compliance with the requirements for works commencement and have been permitted with details as follows:

<u>Certificate No.</u>	<u>Date of Issue</u>	<u>Project Name</u>	<u>Gross floor area</u> (sq m)
010211030001 . . . . .	3 March 2011	Teaching Building 4, 5	17,917.00
010211050007 . . . . .	10 May 2011	Practical Training and Teaching Building 1, Associated Teaching Building	4,507.00
010211060002 . . . . .	18 June 2011	Student Dormitory 6, 7	17,133.40
3401001609120104- SX-001 . . . . .	28 March 2017	Student Dormitory 2	6,231.50
<b>Total:</b>			<b>45,788.90</b>

- (6) According to Business License No. 52340100799836967E dated 24 April 2018, Anhui Wontone Automobile Maintenance Institute was established with a registered capital of RMB30,000,000 with an operating period from 24 April 2018 to 30 April 2021.

- (7) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:

- (i) The Allocated-owned Land Use Rights Certificate and Real Estate Title Certificates of the property are legal and valid under the PRC laws;
- (ii) The land use rights and building ownership of the property with title documents have been vested in 安徽萬通汽車專修學院 (Anhui Wontone Automobile Maintenance Institute);
- (iii) 安徽萬通汽車專修學院 (Anhui Wontone Automobile Maintenance Institute) is the legal land user of the property with title documents;
- (iv) 安徽萬通汽車專修學院 (Anhui Wontone Automobile Maintenance Institute) has the right to freely occupy and use of the land use rights and building ownership of the property in accordance with PRC laws;
- (v) The application of the Real Estate Title Certificates for the buildings without title certificates are in progress; and
- (vi) According to the PRC legal opinion, the legal advisor conducted interview between the relevant government department and it is orally confirmed that the Company can continue to use these buildings without being subject to any fines or penalties and without being ordered to stop using or demolish these buildings.

- (8) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Allocated Land Use Rights Certificates . . . . .	Yes
Real Estate Title Certificates . . . . .	Yes (portion)
Planning Permits for Construction Works . . . . .	Yes (portion)
Permits for Commencement of Construction Works . . . . .	Yes (portion)
Business License . . . . .	Yes

## VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2019
6. The campus of Anhui Omick Pastry Institute, West of Xiangshan Road and North of Guanjing Road, Yaohai District, Hefei, Anhui Province, the PRC  中國安徽省合肥市 瑤海區相山路以西, 關井路以北安徽歐 米奇西點學院	The property is a campus developed on a parcel of land with a total gross site area of approximately 126,157.49 sq m.  Completed in 2018, the property comprises various teaching buildings, dormitories and related ancillary facilities. The property has a total gross floor area of approximately 35,641.77 sq m.  The property is held with allocated land use rights for education use. (For details, please see Notes (2)).	As at the valuation date, the property was occupied by the Group as a campus.	No commercial value

Notes :-

- (1) The land use rights of the property are allocated in nature and cannot be freely transferred. We have therefore ascribed no commercial value to the property.

For illustrative purpose, had the Group obtained valid Real Estate Title Certificates (Land Transfer) of the property for education use, the market value of the property as at the valuation date would be RMB351,330,000.

- (2) According to an Allocated Land Use Rights Certificate issued by the Hefei Land Resources Bureau (合肥國土資源局), the land use rights of the property with a total site area of 126,157.49 sq m have been vested in Anhui Xinhua Computer Professional Institute with details as follows:-

Certificate No.	Date of issue	Use	Site area (sq m)
(2016) 008 . . . . .	18 February 2016	Education	126,157.49
Total:			<u>126,157.49</u>

- (3) According to four Real Estate Title Certificates all issued by Hefei Housing Bureau, the allocated land use rights with a total site area of 126,157.49 sq m and the building ownership rights of the Property with a total gross floor area of 31,733.63 have been vested in Anhui New East Culinary Professional Institute for education use with salient details as follows:

Certificate No.	Use	Gross floor area (sq m)
(2019) 10130324 . . .	Collective Dormitory	6,222.09
(2019) 10130325 . . .	Education	12,678.32
(2019) 10130326 . . .	Collective Dormitory	6,222.09
(2019) 10130327 . . .	Education	6,611.13
<b>Total:</b>		<u><b>31,733.63</b></u>

- (4) According to four Planning Permit for Construction Works issued by Hefei Municipal Planning Bureau, the construction works of the property, with a gross floor area of 35,641.77 sq m, are in compliance with the construction works requirements and have been approved, with details as follows:–

<u>Certificate No.</u>	<u>Date of issue</u>	<u>Project Name</u>	<u>Gross floor area</u> (sq m)
2017-122 . . . . .	23 June 2017	1# Teaching Building	12,649.11
2017-081 . . . . .	11 May 2017	2# Dormitory	6,658.83
2017-082 . . . . .	11 May 2017	4# Dormitory	6,658.83
2017-121 . . . . .	22 June 2017	Canteen	9,675.00
		Total:	<u>35,641.77</u>

- (5) According to a Permit for Commencement of Construction Work No. 3401351703010101-SX-001 dated 11 August 2017 and issued by Hefei Xinzhan district Construction Development Bureau, the project with a gross floor area of 35,641.77 sq m have been permitted for commencement of construction.

- (6) According to Business License No. 52340100784946506P dated 24 April 2018, Anhui New East Culinary Professional Institute was established with a registered capital of RMB40,000,000 with an operating period from 24 April 2018 to 30 April 2021.

- (7) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

- (i) The Allocated-owned Land Use Rights Certificate and Real Estate Title Certificates of the property are legal and valid under the PRC laws;
- (ii) The land use rights and building ownership of the property have been vested in 安徽新東方烹飪專修學院 (Anhui New East Culinary Professional Institute);
- (iii) 安徽新東方烹飪專修學院 (Anhui New East Culinary Professional Institute) is the legal land user of the property;
- (iv) The design and construction of the property are in compliance with local planning regulations and have been approved by the relevant authorities; and
- (v) 安徽新東方烹飪專修學院 (Anhui New East Culinary Professional Institute) has the right to freely occupy and use of the land use rights and building ownership of the property.

- (8) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:–

Allocated Land Use Rights Certificates . . . . .	Yes
Real Estate Title Certificates . . . . .	Yes
Planning Permit for Construction Work . . . . .	Yes
Permit for Commencement of Construction Work . . . . .	Yes
Business License . . . . .	Yes



## VALUATION REPORT

## Group II — Properties leased and occupied by the Group in Hong Kong

Property	Description and particulars of tenancy	Market value in existing state as at 31 March 2019
7. 2nd Floor, KP Tower, No.93 King's Road, North Point, Hong Kong	<p>The property comprises a commercial unit of a commercial building with a gross floor area of approximately 300.73 sq m.</p> <p>The property is leased from an independent third party to 香港新東方烹飪培訓有限公司 (HK New Oriental Culinary Art Limited) from 1 December 2015 to 30 November 2020 at a prevailing monthly rent of HKD120,000.00.</p>	No commercial value
8. Room 2601, 26th Floor, Kwai Hung Holdings Centre, No.89 King's Road, North Point, Hong Kong	<p>The property comprises an office unit of a commercial building with a gross floor area of approximately 60.48 sq m.</p> <p>The property is leased from an independent third party to 香港新東方烹飪培訓有限公司 (HK New Oriental Culinary Art Limited) from 1 February 2018 to 31 January 2020 at a prevailing monthly rent of HKD18,603.00.</p>	No commercial value

## Group III — Properties leased and occupied by the Group in the PRC

Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 March 2019 (RMB)
9	Beijing Langjie Technology Co. Ltd	Unit 10, Level 17, Culture Mansion, No. 59 Zhongguancun Street, Haidian, Beijing, the PRC	Beijing Langjie Technology Co. Ltd	n/a	115.62	2018-04-15	2020-04-14	23,980.00	1,6	No commercial value
10	Beijing New East Cuisine Vocational Training School	South of Yujiawei Village, Dougezhuang town, Chaoyang, Beijing, the PRC	Beijing New East Cuisine Vocational Training School	8,043.00	12,467.00	2015-05-01	2030-04-30	416,666.67	2,3,6	No commercial value
11	Beijing New East Cuisine Vocational Training School	South of Yujiawei Village, Dougezhuang town, Chaoyang, Beijing, the PRC	Beijing New East Cuisine Vocational Training School	n/a	1,673.00	2015-10-01	2030-11-30	55,833.33	2,3,6	No commercial value
12	Beijing New East Cuisine Vocational Training School	Shuangqiao Middle Road, Chaoyang, Beijing, the PRC	Beijing New East Cuisine Vocational Training School	n/a	4,262.00	2017-08-10	2027-08-09	233,333.33	2,3,6	No commercial value
13	Chongqing New East Culinary Vocational Training Institute	No.1 Jinpo, Shijingpo Subdistrict Office, Shapingba, Chongqing, the PRC	Chongqing New East Culinary Vocational Training Institute	n/a	4,600.00	2017-03-01	2021-08-31	66,666.67	1,4,6	No commercial value
14	Chongqing New East Culinary Vocational Training Institute	NO.16 Jincui Lane, Huixing Road, Yubei, Chongqing, the PRC	Chongqing Changzheng Culinary Vocational Training Institute	26,380.00	19,046.75	2017-09-01	2028-02-29	375,000.00	1,4,6	No commercial value
15	Fujian New East Training School	Hangcheng Town, Changle, Fujian Province, the PRC	Fujian New East Training School	9,635.00	12,608.00	2017-01-01	2032-12-31	126,080.00	1,4,6	No commercial value
16	Fujian New East Culinary Vocational Training School	Hangcheng Town, Changle, Fujian Province, the PRC	Fujian New East Culinary Vocational Training School	5,724.00	5,542.00	2017-01-01	2032-12-31	55,420.00	1,4,6	No commercial value
17	Xiamen City Tong'an District New East Cuisine Vocational Training School	No.101 Ma'an Road, Tong'an Industrial Concentration Area, Tong'an, Xiamen, Fujian Province, the PRC	Xiamen City Tong'an District New East Cuisine Vocational Training School	n/a	14,689.50	2014-06-01	2024-05-31	226,756.00	1,4,6	No commercial value

Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 March 2019 (RMB)
18	Guangzhou City Nansha District New East Cuisine Vocational Training School	Luoshan Avenue, Luobian Village, Nancun Town, Panyu District, Guangzhou, Guangdong Province, the PRC	Guangzhou City Panyu District New East Cuisine Vocational Training School	14,000.00	24,223.00	2010-08-18	2019-08-17	274,758.00	1,4	No commercial value
19	Guangzhou City Panyu District New East Cuisine Vocational Training School	No.47 Taian Road, Xinqiao Village, Shiqi Town, Panyu District, Guangzhou, Guangdong Province, the PRC	Guangzhou City Panyu District New East Cuisine Vocational Training School	7,200.00	9,234.00	2018-08-01	2023-07-31	177,815.00	2,3	No commercial value
20	Shenzhen New East Cuisine Vocational Training School	No. 52 Baozizhong Road, Pingshan New District, Shenzhen, Guangdong Province, the PRC	Shenzhen New East Cuisine Vocational Training School	7,749.00	11,978.00	2015-01-01	2020-12-30	95,824.00	1,4	No commercial value
21	Gansu New East Cuisine Vocational Training School	Heping Economic Development Zone, Lanzhou, Gansu Province, the PRC	Gansu New East Cuisine Vocational Training School	62,751.91	20,195.91	2016-08-01	2030-07-31	275,000.00	1	No commercial value
22	Guiyang New East Culinary Institute	Guiyang Construction Engineering School, Ganyintang Archway, Nanning District, Guiyang, Guizhou Province, the PRC	Guiyang New East Culinary Institute	34,171.86	5,054.68	2018-01-01	2019-12-31	78,333.33	1,4,6	No commercial value
23	Guiyang New East Culinary Institute	Gaimao Village, Mengguan township, Huaxi District, Guiyang, Guizhou Province, the PRC	Guiyang New East Culinary Institute	27,972.00	34,542.68	2018-04-01	2030-09-30	525,000.00	1,4,6	No commercial value
24	Zhengzhou New East Culinary Vocational Skill Training School Co., Ltd	Xueyuan Road, Ma Zhai town, Er Qi district, Zhengzhou, Henan Province, the PRC	Zhengzhou New East Culinary Vocational Training School	n/a	16,525.10	2014-01-01	2021-12-31	374,040.00	2,3,6	No commercial value
25	Hubei New East Culinary Vocational Training School	Botian Road, Shenbaolong Street, Sunshine Avenue, Jiangxia Economic Development Zone, Wuhan, Hubei Province, the PRC	Hubei New East Culinary Vocational Training School	11,129.50	9,341.26	2014-05-21	2023-05-20	111,583.33	1,4,6	No commercial value

Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 March 2019 (RMB)
26	Shijiazhuang Luancheng New East Culinary Vocational Skill Training School Co., Ltd	West Fuguang Road, Luancheng District, Shijiazhuang, Hebei Province, the PRC	Shijiazhuang Luancheng New East Culinary Vocational Skill Training School Co., Ltd	36,473.00	24,055.00	2019-01-01	2026-12-31	153,333.33	2,6	No commercial value
27	Shijiazhuang New East Secondary Vocational School	West Fuguang Road, Luancheng District, Shijiazhuang, Hebei Province, the PRC	Shijiazhuang New East Secondary Vocational School	800.00	2,320.00	2019-01-01	2026-12-31	12,500.00	2,3,6	No commercial value
28	Hainan New East Culinary Vocational Training School and Hainan New East Culinary Training School	Xingye Road, Hong Kong and Macao Development Zone, Haikou, Hainan Province, the PRC	Hainan New East Culinary Vocational Training School and Hainan New East Culinary Training School	8,500.00	9,000.00	2014-05-01	2022-04-30	124,458.33	2,4	No commercial value
29	Haerbin New East Cuisine School	No.253 Pioneer Road, Daowai District, Harbin, Heilongjiang Province, the PRC	Haerbin New East Cuisine School	2,031.00	4,300.00	2018-10-01	2023-09-30	25,000.00	2,6	No commercial value
30	Haerbin New East Cuisine School	No.77 Qianhong Road, Qianjin Village, Chaoyang Town, Xiangfang District, Harbin, Heilongjiang Province, the PRC	Haerbin New East Cuisine School	10,445.00	7,877.23	2015-01-01	2024-12-31	690,000.00	1,4,6	No commercial value
31	Changsha New East Culinary Institute	Mao Tong Industrial Park Changsha economic and Technological Development Zone, Changsha, Hunan Province, the PRC	Changsha New East Culinary Institute	33,333.34	40,000.00	2011-04-01	2021-06-30	77,777.00	2,6	No commercial value
32	Changchun Kuancheng New East Culinary Vocational Training School Co., Ltd and Changchun New East Cuisine Technical School Co., Ltd	No. 12888 Qingnian Road (east of 302 National Road), Kuancheng District, Changchun, Jilin Province, the PRC	Anhui New East Cuisine School	8,534.75	11,598.30	2013-07-16	2023-07-15	171,808.33	1,4,6	No commercial value

Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 March 2019 (RMB)
33	Jiangsu New East Cuisine School & Nanjing Culinary Technical School	No.52 Dianjiangtai Road, Pukou District, Nanjing, Jiangsu Province, the PRC	Jiangsu New East Cuisine School & Nanjing Culinary Technical School	n/a	14,963.00	2015-07-01	2020-06-30	169,166.67	5	No commercial value
34	Suzhou New East Cuisine School	No. 28 Fengyang Rd, Yangchenghu Town, Xiangcheng District, Jiangsu Province the PRC	Suzhou New East Cuisine School	27,514.90	13,139.60	2014-08-08	2029-08-07	183,333.33	1,4,6	No commercial value
35	Xuzhou New East Cuisine School	West of Liangku North Rd, Yicheng Village, Tongshan District, Jiangsu Province the PRC	Xuzhou New East Cuisine School	13,334.00	16,807.22	2017-12-05	2027-12-04	175,000.00	1,4	No commercial value
36	Jiangxi Nanchang New East Culinary Institute	No.279 Jinggangshan Road, Qingyunpu District, Nanchang, Jiangxi Province, the PRC	Jiangxi Nanchang New East Culinary Secondary Vocational School	10,402.00	10,438.05	2011-03-01	2023-02-28	91,666.67	3,6	No commercial value
37	Jiangxi Nanchang New East Culinary Institute	No. 377 Jinggangshan Road, Qingyunpu District, Nanchang, Jiangxi Province, the PRC	Jiangxi Nanchang New East Culinary Secondary Vocational School	1,332.00	130.00	2015-08-20	2020-08-31	3,900.00	2,6	No commercial value
38	Jiangxi Nanchang New East Culinary Institute	Yingbin Mid-Road & No.98 Xiaolan Road, Xiaolan Industrial Area, Nanchang, Jiangxi province, the PRC	Jiangxi Nanchang New East Culinary Secondary Vocational School	n/a	11,097.13	2019-03-01	2025-02-28	129,637.3	1,4,6	No commercial value
39	Dalian Jinzhou New East Cuisine Vocational Training School	No.28, No.3 Digital Road, Dalian Development Area, Dalian, Liaoning Province, the PRC	Anhui New East Cuisine School	13,000.00	9,319.03	2015-01-01	2024-12-31	116,666.67	1,4,6	No commercial value
40	Shenyang New East Cuisine School Co., Ltd	Lanshengtai Village, Shaling Town, Yuhong District, Shenyang, Liaoning Province, the PRC	Shenyang New East Cuisine School	10,543.00	17,600.00	2016-05-01	2021-04-30	83,333.33	3,6	No commercial value

Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Area		Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent	Notes of property legal opinion	Market value as at 31 March 2019
				(sq m)	Floor Area (sq m)					
41	Dongshi Campus of Shenyang New East Cuisine School Co., Ltd	No.173 Shaling Road, Yuhong District, Shenyang, Liaoning Province, the PRC	Shenyang New East Cuisine School	11,405.60	13,814.11	2018-07-01	2028-06-30	183,333.33	1,4	No commercial value
42	Hohhot New East Training School	East of Dawayao Village, Taigemu Town, Tumotezuo Qi, Hohhot, Inner Mongolia, the PRC	Hohhot New East Training School	6,768.70	2,800.00	2016-07-21	2023-07-20	37,500.00	1,4,6	No commercial value
43	Hohhot New East Culinary Vocational Training School	East of Dawayao Village, Taigemu Town, Tumotezuo Qi, Hohhot, Inner Mongolia, the PRC	Hohhot New East Culinary Vocational Training School	8,925.10	8,898.56	2013-04-16	2023-04-15	120,000.00	1,4,6	No commercial value
44	Ningxia New East Vocational Training School	National Highway 109 North, Wangyuan Town, Ningyuan County, Yinchuan, Ningxia Province, the PRC	Ningxia New East Vocational Training School	n/a	14,374.76	2018-01-01	2024-12-31	31,583.16	1,6	No commercial value
45	Qinghai New East Culinary Vocational Training School Limited	No. 92 Chuangye Road, Nanxin District, Xining, Qinghai Province, the PRC	Qinghai New East Culinary Vocational Training School Limited	19,000	23,215.00	2016-08-01	2024-07-31	32,600.00	2,6	No commercial value
46	Chengdu New East Cuisine Vocational Skill Training School Co., Ltd	Block 10, High Tech Avenue, Jiaolong Industrial Port, Shuangliu District, Chengdu, Sichuan, the PRC	Chengdu New East Cuisine School	17,316	30,000.00	2008-12-30	2058-12-30	207,900.00	2,3,4,6	No commercial value
47	Chengdu New East Cuisine Vocational Skill Training School Co., Ltd	No.133 Luohan Road, Peng Town, Shuangliu District, Chengdu, Sichuan, the PRC	Chengdu New East Cuisine School	21,978.00	21,432.00	2013-08-23	2028-11-22	210,000.00	2,4,6	No commercial value
48	Chengdu New East Cuisine Vocational Skill Training School Co., Ltd	No. 626 Jinzhou Road, Jinniu District, Chengdu, Sichuan, the PRC	Chengdu New East Cuisine School	n/a	18,000.00	2017-06-26	2022-06-25	166,666.67	2,3,4,6	No commercial value

Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 March 2019 (RMB)
49	Nanchong New East Culinary Vocational Training School	No.2 Yunlu Community, No. 98 Wansou East Road, Shunqing District, Nanchong, Sichuan, the PRC	Nanchong New East Culinary Vocational Training School	1,284.25	4,090.99	2017-11-11	2023-11-10	108,333.33	2,4,6	No commercial value
50	Qingdao Chengyang New East Culinary Vocational Training School	The rear of the Wangjia nvgu village, Liuting street, Chengyang District Qingdao, the PRC	Qingdao Chengyang New East Culinary Vocational Training School	15,776.95	13,650.00	2014-01-01	2024-01-01	137,592.00	2,3,6	No commercial value
51	Zhonggong Campus of Shandong New East Culinary Vocational Training Institute	The middle section of Zhonggong Culture and Art road, Licheng District Jinan, Shandong Province, the PRC	Shandong New East Culinary Vocational Training Institute	18,418.00	18,112.00	2016-01-10	2024-01-09	433,333.33	2,4,6	No commercial value
52	Ping'an Campus of Shandong New East Culinary Vocational Training Institute	Pingan Villa inside, Changqing District, Jinan, Shandong Province, the PRC	Shandong New East Culinary Vocational Training Institute	n/a	19,865.69	2017-01-01	2026-12-31	329,166.67	2,6	No commercial value
53	Shanghai Xinman Culinary Training Co., Ltd	No. 1915 Tingfeng Road, Jinshan District, Shanghai, the PRC	Shanghai Xinman Culinary Training Co., Ltd	21,009.00	14,982.15	2013-05-15	2023-05-14	265,000.00	1,6	No commercial value
54	Shanghai Xinman Culinary Training Co., Ltd, Zhujing Branch	Workshop 7&8, No. 369 Zhongda Road, Zhujing Town, Jinshan District, Shanghai, the PRC	Shanghai Xinman Culinary Training Co., Ltd	10,000.00	16,607.58	2017-01-16	2025-04-15	265,000.00	1,4,6	No commercial value
55	Shaanxi New East Culinary Training School Co., Ltd	No.256 Yudou Road, YuhuaZhai, Xi'an, Shaanxi Province, the PRC	Shaanxi New East Culinary School	31,600.00	30,302.00	2016-07-01	2031-11-14	291,666.67	2,6	No commercial value
56	Jinci campus of Shanxi New East Culinary Vocational Training School	No.5 of Dongmenwai, Jinci Town, Jinyuan District, Taiyuan, Shanxi Province, the PRC	Shanxi New East Culinary Vocational Training School	n/a	11,000.00	2010-09-10	2020-09-10	83,333.33	1,6	No commercial value
57	Xiaodian campus of Shanxi New East Culinary Vocational Training School	No.8 Dayun Road, Xiaodian District, Taiyuan, Shanxi Province, the PRC	Shanxi New East Culinary Vocational Training School	10,540.00	14,000.00	2015-07-01	2025-06-30	231,875.00	3,6	No commercial value

Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Area		Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 March 2019 (RMB)
				Land Area (sq m)	Floor Area (sq m)						
58	Tianjin Jinghai New East Culinary Vocational Training School Co., Ltd	No. 6, No.1 road, Jinghai Economic Development Zone, Jinghai Town, Jinghai District, Tianjin, the PRC	Tianjin Jinghai New East Culinary Vocational Training School	n/a	11,777.40	2014-07-15	2024-07-14	175,000.00	1.6	No commercial value	
59	Xinjiang New East Cuisine College	No. 19 Jintun Road, Toutunhe District, Urumqi, Xinjiang Province, the PRC	Xinjiang New East Cuisine College	15,417.60	21,518.25	2018-04-01	2033-08-31	61,767.67	2,4,6	No commercial value	
60	Yunnan New East Culinary School and Yunnan New East Culinary Vocational Training School	Chejiabi, Xishan District, Kunming, Yunnan Province, the PRC	Yunnan New East Culinary School	31,836.58	17,248.92	2017-04-01	2027-06-30	275,000.00	1,4,6	No commercial value	
61	Hangzhou Yuhang New East Culinary School (Liangzhu Campus)	No 6, Fuhao Road, Pingyao Town, Yuhang District, Hangzhou, Zhejiang Province, the PRC	Hangzhou Yuhang New East Culinary School	10,000.00	10,459.95	2014-03-01	2024-05-31	148,750.00	1	No commercial value	
62	Hangzhou Yuhang New East Culinary School (Yuhang Campus)	No 46, Shanghuxi, Shanghu Village, Yuhang District, Hangzhou, Zhejiang Province, the PRC	Hangzhou Yuhang New East Culinary School	28,897.33	25,698.78	2017-03-01	2027-02-28	383,333.30	1	No commercial value	
63	Ningbo New East Culinary Training School	Dasong Salt Pond, Zhanqi Village, Yinzhou District, Ningbo, Zhejiang Province, the PRC	Ningbo New East Culinary Training School	16,000.00	15,041.76	2017-02-01	2027-01-31	162,451.00	1,4,6	No commercial value	
64	Shaanxi New East Culinary School	No.256, Yudou road, Yuhazhai, Xi'an, Shaanxi Province, the PRC	Shaanxi New East Culinary School	n/a	2,628.00	2014-02-01	2022-08-10	21,667.00	2,6	No commercial value	
65	Beijing Daxing District Xinhua Computer Vocational Skills Training School	100 meters south of Sanshui Qingqing Manor, Shahe town, Changping District, Beijing, the PRC	Beijing Daxing District Xinhua Computer Vocational Skills Training School	n/a	11,500.00	2014-11-01	2024-10-31	333,333.33	2,6	No commercial value	



Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 March 2019 (RMB)
66	Chongqing Xinhua Computer Vocational Training School & Chongqing Xinhua Technical School	No. 26 Longfeng Three Village, Longfeng Bridge, Beibei District, Chongqing, the PRC	Chongqing Xinhua Computer Vocational Training School	46,000.00	23,000.00	2017-02-01	2027-01-31	206,666.67	2.6	No commercial value
67	Guizhou Xinhua Computer Institute	No. 67 Taoyuan Road, Wuyangqiao, Guiyang, Guizhou Province, the PRC	Guizhou Xinhua Computer Institute	n/a	20,373.25	2018-07-01	2019-06-30	154,812.00	1.6	No commercial value
68	Henan Xinhua Computer School	Zhengshang Road, Xushui Industry and Trade Garden, Zhongyuan district, Zhengzhou, Henan Province, the PRC	Henan Xinhua Computer School	n/a	23,333.33	2012-01-01	2021-12-31	333,333.33	2.6	No commercial value
69	Wuhan Xinhua Computer Vocational Training School	No.180 Yejin Avenue, Qingshan District, Wuhan, Hubei Province, the PRC	Wuhan Xinhua Computer Vocational Training School	11,844.41	9,836.22	2017-03-01	2025-02-28	175,000.00	1.4	No commercial value
70	Shijiazhuang Xinhua Computer School	No. 199 Nanerhuan West Road, Shijiazhuang, Hebei Province, the PRC	Shijiazhuang Xinhua Computer School	n/a	28,001.00	2015-12-15	2027-12-14	416,667.00	3.6	No commercial value
71	Changsha Xinhua Computer Institute	Niujiatong Village, Daduo Town, Tianxin District, Changsha, the PRC	Changsha Xinhua Computer Institute	11,219.00	15,404.21	2015-04-16	2025-04-15	225,736.83	1.4	No commercial value
72	Nanjing Xinhua Computer Institute	No.88 Jiuzhu Road, Moling street, Jiangning District, Nanjing, Jiangsu Province the PRC	Nanjing Xinhua Computer Institute	n/a	23,540.00	2016-10-01	2026-09-30	388,410.00	2	No commercial value
73	Nanchang Xinhua Computer Technical School	No.1228 Shunwai Road Qingshanhu District, Jiangxi Province, the PRC	Nanchang Xinhua Computer Technical School	73,333.33	28,806.00	2016-08-01	2019-07-31	280,000.00	2.6	No commercial value

Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 March 2019 (RMB)
74	Sichuan Xinhua Computer School	Block 1, Xinhua Avenue, Jiaolong Industrial Port, Shuangliu District, Chengdu, Sichuan Province, the PRC	Sichuan Xinhua Computer School	n/a	35,000.00	2006-03-08	2057-03-08	385,000.00	2, 4, 6	No commercial value
75	West Campus of Shandong Xinhua Computer Institute	No.123 Wuying Mountain Middle Street, Tianqiao District Jinan, Shandong Province, the PRC	Shandong Xinhua Computer Institute	40,000.20	18,979.40	2006-03-01	2021-02-28	221,987.08	3, 6	No commercial value
76	East Campus of Shandong Xinhua Computer Institute	No. 55 East Culture Road Lixia District Jinan, Shandong Province, the PRC	Shandong Xinhua Computer Institute	n/a	8,138.86	2019-02-01	2024-01-31	139,734.50	1, 6	No commercial value
77	Shanxi Xinhua Computer Vocational Training School	No.8-2 of Dayun Road, Xiaodian District, Taiyuan, Shanxi Province, the PRC	Shanxi Xinhua Computer Vocational Training School	11,700.00	13,550.00	2018-01-01	2033-09-30	214,090.00	3, 6	No commercial value
78	Urumqi Xinhua Computer Internet Technology Co.,Ltd.	Half of the 3rd Floor Area of Building B1, Including Room T313, T314, T315, T316, C309, C310, C311, C312 and all the public area and spare area within the specific half area, Xinjiang Software Park Practice Base, Urumqi, Xinjiang Province, the PRC	Urumqi Xinhua Computer Internet Technology Co.,Ltd.	n/a	1,841.40	2018-01-01	2020-12-31	84,486.05	2, 6	No commercial value
79	Yunnan Xinhua Computer Vocational Training School and Yunnan Xinhua Computer Secondary Vocational School	Xishan District, Kunming, Yunnan Province, the PRC	Yunnan Xinhua Computer Vocational Training School and Yunnan Xinhua Computer Secondary Vocational School	n/a	22,346.22	2017-09-01	2020-09-31	112,500.00	2, 6	No commercial value

Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 March 2019 (RMB)
80	Lanzhou Xinhua Internet Secondary Vocational School	No.008, No.010, Level 5, Wanshang International Mall, Donggang East Road, Lanzhou, Gansu Provinces, the PRC	Lanzhou Xinhua Internet Secondary Vocational School	24,570	14,013.49	2017-09-28	2025-12-31	199,166.67	2, 4, 6	No commercial value
81	Beijing Daxing District Wontone Automobile Repair School	Yard No. 6 and Level 1 and 2 of the Buildings on both sides of Xiaozhouyi Village, Majuqiao town, Tongzhou District, Beijing, the PRC	Beijing Daxing District Wontone Automobile Repair School	9,333.33	18,000.00	2016-07-08	2024-07-07	606,666.67	3, 6	No commercial value
82	Chongqing Xinhua Wontone Automobile Vocational Skills Training Co., Ltd.	No.1 Jade Road, Cai Jia Town, Beibei District, Chongqing, the PRC	Anhui Xinhua Education Group Co., Ltd.	4,000.00	21,000.00	2016-12-06	2026-12-05	266,280.00	1, 4	No commercial value
83	Guangzhou Panyu District Wontone Automobile Vocational Training School	Tianjingang, Panyu District, Guangzhou, Guangdong Province, the PRC	Guangzhou Panyu District Wontone Automobile Vocational Training School	6,847.00	12,158.00	2015-02-08	2020-02-07	172,207.62	3, 6	No commercial value
84	Guangzhou Panyu District Wontone Automobile Vocational Training School	Xiaoluo Village, Lianhua Avenue, Panyu District, Guangzhou, Guangdong Province, the PRC	Guangzhou Panyu District Wontone Automobile Vocational Training School	n/a	2,130.00	2015-02-09	2019-12-31	53,250.00	2, 6	No commercial value
85	Guangzhou Panyu District Wontone Automobile Vocational Training School	Daluotang Yunteng Ludian, Qiao Village, Panyu District, Guangzhou, Guangdong Province, the PRC	Guangzhou Panyu District Wontone Automobile Vocational Training School	n/a	3,298.00	2018-08-20	2019-06-20	103,000.00	1, 6	No commercial value
86	Guangzhou Panyu District Wontone Automobile Vocational Training School	Nos. 5 and 6 of Block 3 Industrial Complex Jincun South Street, Shaotou Street Xiaoluo Village Industrial Zone, Panyu District, Guangzhou, Guangdong Province, the PRC	Guangzhou Panyu District Wontone Automobile Vocational Training School	n/a	800.00	2017-05-09	2025-05-31	22,000.00	3, 6	No commercial value

Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 March 2019 (RMB)
87	Gansu Wontone Automobile Vocational Training School	Sany Heavy Industrial Park, Lanzhou New District, Lanzhou, Gansu Province, the PRC	Hefei Xinhua East Education Investment Co. Ltd.	23,150.70	11,772.22	2016-12-01	2027-02-28	164,666.67	2, 4, 6	No commercial value
88	Guizhou Wontone Automobile Education Training Co., Ltd.	No. 315 Huandong Road, Baiyun District, Guiyang, Guizhou Province, the PRC	Guizhou Wontone Automobile Education Training Co., Ltd.	n/a	19,648.00	2017-04-06	2027-04-05	252,692.00	1, 6	No commercial value
89	Zhengzhou Wontone Automobile College	No. 315 Middle Section of Li Han Road, Xinyang, Zhengzhou, Henan Province, the PRC	Zhengzhou Wontone Automobile College	28,000	30,000.00	2011-07-16	2021-07-15	320,833.33	3, 6	No commercial value
90	Wuhan Wontone Yuxing Automobile Training Co., Ltd.	The inside part of Wuhan Hexin Packaging & Printing Co., Ltd, No. 5 Qingfeng Road, East Lake High-tech Development Zone, Wuhan, Hubei Province, the PRC	Wuhan Wontone Yuxing Automobile Training Co., Ltd.	10,000.00	16,027.00	2017-01-01	2024-12-31	200,000.00	1, 4	No commercial value
91	Shijiazhuang Wontone Automobile Vocational Training School	Datong Village, Gangshang Town, Gaocheng District, Shijiazhuang, Hebei Province, the PRC	Shijiazhuang Wontone Automobile Vocational Training School	19,900.00	19,132.50	2019-04-04	2029-04-03	225,000.00	2, 4, 6	No commercial value
92	Hunan Wontone Automobile College	Changsha economic and Technological Development Zone, Changsha, Hunan Province, the PRC	Hunan Wontone Automobile College	30,000.00	25,104.00	2016-06-06	2026-06-05	326,357.00	1, 4	No commercial value
93	Changchun Wontone Education Consulting Co., Ltd.	No. 127 and 128, comprehensive commercial building, maple leaf royal court, No. 7 Yanshou Street, Luyuan District, Changchun, Jilin Province, the PRC	Changchun Wontone Education Consulting Co., Ltd.	n/a	415.74	2017-10-01	2025-09-30	29,166.67	1, 6	No commercial value

Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Area		Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent	Notes of property legal opinion	Market value as at 31 March 2019
				(sq m)	Floor Area (sq m)					
94	Changchun Wontone Education Consulting Co., Ltd.	8 kilometres of Changbai Road, Hexin Town, Lvyan District, Changchun, Jilin Province, the PRC	Changchun Wontone Education Consulting Co., Ltd.	4,452.6	14,354.40	2017-07-01	2025-06-30	191,666.67	1, 4, 6	No commercial value
95	Nanjing Wontone Automobile Vocational Training School & Nanjing Wontone Automobile Technical School	No.168 Suyuan Avenue, Moling Street, Jiangning District Nanjing, Jiangsu Province the PRC	Nanjing Wontone Automobile Mechanic School	n/a	29,286.11	2018-05-11	2028-05-10	556,433.33	1, 6	No commercial value
96	Nanchang Wontone Automobile Education Training Co., Ltd.	Yingbin Mid-Road & No.98 Xiaolan Road, Xiaolan Industrial area, Nanchang, Jiangxi Province, the PRC	Nanchang Wontone Automobile Education Training Co., Ltd.	22,331.00	23,987.48	2025-04-01	2019-05-31	220,833.33	1, 6	No commercial value
97	Shenyang City Wontone Automobile Vocational Training School Co., Ltd	Shenyang Economic and Technological Development District, Shenyang, Liaoning Province, the PRC	Shenyang City Wontone Automobile Vocational Training School	19,352.00	12,600.00	2017-01-01	2026-12-31	179,167.00	1, 4	No commercial value
98	Hohhot Wontone Automobile Vocational Training School	No.3 of Jinwu East Road, Huimin District, Hohhot, Inner Mongolia, the PRC	Hefei Xinhua East Education Investment Co. Ltd.	5,134.87	14,000.00	2017-05-01	2027-04-30	141,666.67	1, 4	No commercial value
99	Shandong Wontone Automobile Repair Vocational Training School	No. 267 Xinhuang road, Tianqiao District, Jinan, Shandong Province, the PRC	Shandong Wontone Automobile Repair Vocational Training School	40,000.00	26,230.00	2019-01-01	2021-12-31	250,000.00	3, 6	No commercial value

Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 March 2019 (RMB)
101	Xinjiang Production and Construction Corps Twelfth Division Xinjiang Production and Construction Corps Twelfth Division Wontone Automobile Specialized School	No. 1009 Pingnan Road, Toutunhe District Urumqi Xinjiang Province, the PRC	Xinjiang Production and Construction Corps Twelfth Division Xinjiang Production and Construction Corps Twelfth Division Wontone Automobile Specialized School	31,830.00	9,090.00	2016-10-01	2026-10-01	54,547.50	2, 6	No commercial value
102	Kunming Wontone Automobile Education Training Co., Ltd.	No.1580 Wenbo Road, Dabanqiao Airport Economic Zone District, Kunming, Yunnan Province, the PRC	Kunming Wontone Automobile Education Training Co., Ltd.	21,819.52	27,162.46	2017-09-01	2025-08-31	441,666.00	1, 4, 6	No commercial value
103	Hangzhou Wontone Automobile Vocational Skills Training School	No.127 Zhangjiadun Road, Tangxi Town, Yuhang District, Hangzhou, Zhejiang Province, the PRC	Hangzhou Wontone Automobile Vocational Skills Training School	11,694.50	15,928.30	2017-06-01	2027-05-31	233,333.30	1, 4, 6	No commercial value
104	Beijing Wisezone Education Technology Co., Ltd. Anhui Branch	Room 1401-1422, Block 25, Huameida Square, Shushan district, Hefei, Anhui Province, the PRC	Beijing Wisezone Education Technology Co., Ltd. Anhui Branch	n/a	1,025.54	2016-07-25	2021-07-24	48,563.30	1, 4, 6	No commercial value
105	Beijing Wisezone Education Technology Co., Ltd.	Level 1 to 3 of No. 3-7, and Level 3 of Nos. 3-8 to 3-12, Building 3, No. 44, North Third Ring Road, Haidian District, Beijing, the PRC	Beijing Wisezone Education Technology Co., Ltd.	n/a	1,217.00	2017-12-20	2022-12-19	173,980.00	1, 6	No commercial value

Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 March 2019 (RMB)
106	Chongqing Wisezone Technology Co., Ltd.	Level 3, Building 4B, No.16 Huashan South Road, Liangjiang New Area District, Chongqing, the PRC	Beijing Wisezone Technology Co., Ltd.	n/a	774.15	2017-09-01	2020-08-31	23,225.00	2, 6	No commercial value
107	Chongqing Wisezone Technology Co., Ltd.	Level 6, Building 18, No. 174 Zhongshan Two Road, Yuzhong District, Chongqing, the PRC	Beijing Wisezone Technology Co., Ltd.	n/a	2,039.60	2015-06-01	2020-09-07	61,509.20	1, 6	No commercial value
108	Beijing Huaxin Zhiyuan Educational Technology Co. Ltd. Fujian Branch	Units A, B, C3, D2 and C4, Level 7, Word Jinlong Edifice, No. 159 Wusi Road, Gulou District, Fuzhou, Fujian Province, the PRC	Beijing Huaxin Zhiyuan Educational Technology Co. Ltd. Fujian Branch	n/a	1,488.00	2018-01-01	2024-12-31	40,176.00	1, 6	No commercial value
109	Beijing Wisezone Education Technology Co., Ltd. Guangzhou Branch	Units 2F010 to 2F013, 2F015 and 2F016, Building No.1, No.5 Space Creative Park, No.5 Taozhuang, Tianpingjia, Tianhe District, Guangzhou, Guangdong Province, the PRC	Beijing Wisezone Education Technology Co., Ltd. Guangzhou Branch	n/a	1,052.00	2016-02-20	2021-02-19	76,832.00	1	No commercial value
110	Lanzhou Wisezone Information Technology Co., Ltd.	No.301-304, No.312 of Floor 3, F-region No.704 Park, Duanjiantan Road, Chengguan District, Lanzhou, Gansu Province, the PRC	Beijing Wisezone Education Technology Co., Ltd.	n/a	708.33	2017-12-20	2019-12-19	48,527.20	2, 6	No commercial value
111	Guizhou Wisezone Technology Co., Ltd	532 Huaxi Avenue, National Economic and Technological Development Zone, Guiyang, Guizhou Province, the PRC	Guizhou Wisezone Technology Co., Ltd	n/a	1,000.00	2018-06-01	2019-05-31	—	2, 6	No commercial value

Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 March 2019 (RMB)
112	Wiszone Education Technology Co., Ltd. Henan Branch	Level 13, East 8, National University Science Park, High and New Technology Development Zone, Zhengzhou, Henan Province, the PRC	Wiszone Education Technology Co., Ltd. Henan Branch	n/a	1,358.70	2018-04-01	2019-03-31	73,372.30	2, 6	No commercial value
113	Wuhan East Lake Development District Wiszone Skill Training School Co., Ltd	Level 2, Building A8, Central China Shuguang Software Park, No.1 Guanshan 1st Road, Wuhan, Hubei Province, the PRC	Wuhan Wiszone Technology Co., Ltd	n/a	976.73	2015-11-16	2019-11-15	64,610.69	1, 6	No commercial value
114	Beijing Wiszone Education and Technology Co.,Ltd.	Room 01, 02, 03, 04, 05, 06, 07, 08, 09, 10, Level 17, Ximei Huajie Building, No. 8 Hui Feng Road, Qiaoxi District, Shijiazhuang, Hebei Province, the PRC	Beijing Wiszone Education and Technology Co.,Ltd.	n/a	1,501.28	2018-04-10	2024-04-09	59,363.11	2, 6	No commercial value
115	Hunan Wiszone Science and Technology Ltd.	Level 7, Ping an Building No.458 2nd Block Mid-Furong Road, Kai fu District, Hunan Changsha, the PRC	Hunan Wiszone Science and Technology Ltd.	n/a	728.90	2016-04-01	2023-03-31	28,000.00	1, 6	No commercial value
116	Nanjing Wiszone Education Technology Co., Ltd.	Portion of Block 2, 5 and 7 No.6 Xiaohang Road, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	Nanjing Wiszone Education Technology Co., Ltd.	n/a	1,437.60	2015-10-11	2025-03-20	93,127.30	1, 6	No commercial value
117	Nanchang Wiszone Technology Co., Ltd.	Ziyang Road, Hi-tech zone, Nanchang, Jiangxi Province, the PRC	Nanchang Wiszone Technology Co., Ltd.	n/a	1,102.80	2015-11-18	2023-02-17	38,598.00	1, 6	No commercial value
118	Dalian Wiszone Education Technology Co.,Ltd.	No.12, Liaohe East Road, Dalian Development Area, Dalian, Liaoning Province, the PRC	Dalian Wiszone Education Technology Co.,Ltd.	n/a	2,525.36	2017-05-01	2020-04-30	30,725.21	1	No commercial value



Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 March 2019 (RMB)
119	Chengdu Wisezone Technology Co., Ltd.	Room 701, 702, 705, 707 to 712, 717, Golden Block Building, 63 Xi'an South Road, Jinniu District, Chengdu, Sichuan Province, the PRC	Chengdu Wisezone Technology Co., Ltd.	n/a	1,131.69	2016-01-01	2021-01-31	58,991.75	1	No commercial value
120	Jinan Huaxin Zhiyuan education technology Co., Ltd.	No. 55-1 East Culture road, Lixia District, Jinan, Shandong Province, the PRC	Jinan Huaxin Zhiyuan education technology Co., Ltd.	n/a	1,010.00	2017-09-01	2024-01-31	30,000.00	2, 6	No commercial value
121	Beijing Wisezone Education and Technology Co., Ltd. Shaanxi Branch	No.33 BeiGuan street LianHu District Xi'an, Shaanxi Province, the PRC	Shaanxi Xinhua Computer Software School	n/a	694.32	2015-06-15	2020-06-15	25,000.00	1, 6	No commercial value
122	Taiyuan Branch of Beijing Wisezone Education Technology Co., Ltd.	No.01-09, No.12-14 of Level 17, and No.06-07 of Level 18, Second Phase of E-Commerce Industrial Park No.9 Changzhi West Lane, Taiyuan, Shanxi Province, the PRC	Taiyuan Branch of Beijing Wisezone Education Technology Co., Ltd.	n/a	1,491.00	2016-09-20	2019-09-29	58,692.00	2, 6	No commercial value
123	Tianjin Wisezone Technology Co., Ltd.	Room 2502 to 2506, 2511, Level 25, Smart Valley Building, Northwest of the intersection of Hongqi Road and Tiantuo North Road, Nankai District, Tianjin, The PRC	Tianjin Wisezone Technology Co., Ltd.	n/a	486.88	2016-12-01	2019-11-30	23,326.42	1	No commercial value
124	Tianjin Xiqing District Co. Ltd. Omick Western Pastry Vocational Training School	Level 4, Tian Shui Jie Project, Houtai Bishui Homeland, Zhongbeizhen, Xiqing District, Tianjin, the PRC	Tianjin Xiqing District Omick Co. Ltd.	n/a	2,672.00	2018-10-10	2030-10-09	89,400.67	2, 6	No commercial value

Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 March 2019 (RMB)
125	Hangzhou Wisezone Education Technology Co., Ltd.	Rooms 14-26, Level 6, Block 4, No.2 Science & Technology Park Road, Baiyang District, Hangzhou Economic & Technology Development Zone, Hangzhou, Zhejiang Province, the PRC	Hangzhou Wisezone Education Technology Co., Ltd.	n/a	1,541.76	2016-12-01	2021-11-30	81,096.58	1	No commercial value
126	Yiwu Wisezone Education Technology Co., Ltd	No.407 Yongjun Road, Yiwu, Jinhua, Zhejiang Province, the PRC	Anhui Wisezone Education Technology Co., Ltd., Yiwu Wisezone Education Technology Co., Ltd	n/a	1,765.70	2016-10-10	2019-10-25	12,500.00	1	No commercial value
127	Beijing Wisezone Education Technology Co., Ltd. Kunming Branch	Level 2, 3 and portion of Level 1, Guangfa Garden, No. 193 Wujing Road, Guandu District, Kunming, Yunnan Province, the PRC	Beijing Wisezone Education Technology Co., Ltd. Kunming Branch	n/a	2,158.53	2018-03-03	2024-04-17	118,719.17	2, 6	No commercial value
128	Beijing Omick Education Technology Co. Ltd	B217 and B222, Level 2, Block B of Building No. 9, Caoqiaoxinyuan, Fengtai District, Beijing, the PRC	Beijing Omick Education Technology Co. Ltd	n/a	1,389.00	2016-06-30	2026-06-29	164,648.70	3	No commercial value
129	Chongqing Omick Western Pastry and Western Food Vocational Training School	No.10 Huang Ge new village Jiangbei District, Chongqing, the PRC	Hefei Xinhua Oriental Education Investment Co., Ltd.	6,666.67	6,000.00	2017-08-31	2020-01-18	148,333.00	2, 6	No commercial value
130	Xiamen Omick Western Pastry and Western Food Co., Ltd.	Level 6, 134 Hua Chang Road, Huli District, Xiamen, Fujian Province, the PRC	Xiamen Omick Western Pastry and Western Food Co., Ltd.	n/a	3,080.00	2017-03-25	2027-03-24	141,666.67	1, 6	No commercial value
131	Guangzhou Omick Western Pastry Vocational Training School	Portion of Level 1 and 2, Block A, Junfu Creative Park, Huihua Street, Xicha Road, Baiyun District, Guangzhou, Guangdong Province, the PRC	Guangzhou Omick Western Pastry Vocational Training School	n/a	3,811.00	2017-03-30	2027-03-29	164,064.00	3	No commercial value

Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 March 2019 (RMB)
132	Gansu Omick Western Pastry Vocational Training School	No.19 Hongshangren West Road, Chengguan District, Lanzhou, Gansu Province, the PRC	Gansu Omick Western Pastry Vocational Training School	n/a	1,600.00	2018-07-12	2024-07-12	66,666.67	2, 6	No commercial value
133	Guiyang Omick International Western Pastry Vocational Training School	Shunxin Road, Shunhai Village, Wudang District, Guiyang, Guizhou Province, the PRC	Guiyang Omick International Western Pastry Vocational Training School	n/a	4,500.00	2017-10-01	2023-12-31	99,000.00	1	No commercial value
134	Zhengzhou Omick Western Pastry Vocational Training School	Level 3, Longhui Yaju mall, No.16 Yulan Street, New and high-tech Zones, Zhengzhou, Henan Province, the PRC	Zhengzhou Omick Western Pastry Vocational Training School	n/a	2,949.71	2017-09-29	2027-06-28	138,000.00	1, 6	No commercial value
135	Wuhan Omick Western Pastry and Western Food Vocational Training School	Fengmao Road, Gutian 2nd Road, Qiaokou District, Wuhan, Hubei Province, the PRC	Wuhan Omick Western Pastry and Western Food Vocational Training School	n/a	9,000.00	2016-11-30	2034-11-29	200,000.00	1, 4	No commercial value
136	Shijiazhuang Omick Western Pastry Vocational Training School	Room 401 and Room 501, Building 2, Northeast Corner of Zhitongyaogu, Taihang Street and Xiangjiang Road Junction, Luancheng District Shijiazhuang, Hebei Province, the PRC	Shijiazhuang Omick Western Pastry Vocational Training School	n/a	2,021.10	2018-06-08	2028-12-07	80,641.92	1, 6	No commercial value
137	Haerbin Omick Omick Western Pastry School	Crossing of Qinghai Road and Laoshan Road, Daoli District, Harbin, Heilongjiang Province, the PRC	Haerbin Omick Omick Western Pastry School	n/a	4,665.77	2018-07-15	2028-07-15	145,833.00	2	No commercial value
138	Changsha Omick Western Pastry Vocational Training School	Level 3 and 4, 2nd Building of Desheng Happy Square, No.177 of Zhongyier Road, Tianxin District, Changsha, Hunan Province, the PRC	Changsha Omick Western Pastry Vocational Training School	n/a	2,762.07	2018-05-29	2026-05-28	85,624.00	2	No commercial value

Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Area		Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent	Notes of property legal opinion	Market value as at 31 March 2019
				(sq m)	Floor Area (sq m)					
139	Nanjing Omick Western Pastry School	West portion of Level 1 and whole floor of Level 2, Block 1, No.1788 Chengxin Avenue, Jiangning District, Nanjing, Jiangsu Province the PRC	Nanjing Omick Western Pastry School	n/a	3,400.00	2017-04-01	2027-03-31	138,474.92	1	No commercial value
140	Suzhou Omick Western Pastry and Western Food School	Mudu Town, Suzhou, Jiangsu Province the PRC	Suzhou Omick Western Pastry and Western Food School	10,435.80	9,034.37	2016-12-08	2026-12-07	144,166.67	1, 6	No commercial value
141	Nanchang Omick International Western Pastry Vocational Training School	No.1088 Yingbin North Road Qingyunpu District, Nanchang, Jiangxi Province, the PRC	Nanchang Omick International Western Pastry Vocational Training School	n/a	4,633.00	2017-04-01	2027-03-31	129,724.00	1, 6	No commercial value
142	Shenyang Omick Western Pastry Training School	No. 6-1 Wulih Xie Road, Hunnan District (Dongling District), Shenyang, Liaoning Province, the PRC	Shenyang Omick Western Pastry Training School	n/a	2,505.79	2016-09-01	2026-08-31	29,668.00	1	No commercial value
143	Shenyang Omick Western Pastry Training School	No. 6-2 Wulih Xie Road, Hunnan District (Dongling District) Shenyang, Liaoning Province, the PRC	Shenyang Omick Western Pastry Training School	n/a	432.00	2016-09-15	2026-09-14	5,000.00	1	No commercial value
144	Shenyang Omick Western Pastry Training School	No. 6-5 Wulih Xie Road, Hunnan District (Dongling District) Shenyang, Liaoning Province, the PRC	Shenyang Omick Western Pastry Training School	6,800.00	8,411.05	2016-09-01	2026-08-31	120,332.00	1	No commercial value
145	Hohhot Omick Western Pastry Vocational Training School	Room 110 and 301, No.27 of Wangdijiahua, Jinqiao Development District, Hohhot, Inner Mongolia, the PRC	Hohhot Omick Western Pastry Vocational Training School	n/a	1,483.01	2018-08-25	2028-12-24	56,833.33	2, 6	No commercial value

Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Area		Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent	Notes of property legal opinion	Market value as at 31 March 2019
				(sq m)	(sq m)					
146	Chengdu Omick Western Pastry Vocational Training School	Room 101, 201 and 301 on Unit 1 of Block 2, and Room 102, 202 and 302 on Unit 2 of Block, Level 1 to 3, No.3 and 5 Yingbin Avenue, Jimniu District, Chengdu, Sichuan, the PRC	Chengdu Omick Western Pastry Vocational Training School	n/a	4,370.40	2017-10-30	2025-10-29	91,669.14	1	No commercial value
147	Omick Western Pastry Training (Shanghai) Co., Ltd	No.598-604 West Xinjian Road, Fengxian District, Shanghai, the PRC	Omick Western Pastry Training (Shanghai) Co., Ltd	n/a	2,275.09	2014-11-12	2023-11-11	141,750.00	1	No commercial value
148	Omick Western Pastry Training (Shanghai) Co., Ltd	Block 7, No.377 Chengpu Road, Fengxian District, Shanghai, the PRC	Omick Western Pastry Training (Shanghai) Co., Ltd	n/a	145.85	2017-08-01	2025-07-31	138,333.00	1	No commercial value
149	Omick Western Pastry and Western Food School	No.12 of Hanyuan Road, Xincheng District, Xi'an, Shaanxi Province, the PRC	Omick Western Pastry and Western Food School	n/a	2,912.48	2017-02-13	2027-06-12	116,499.20	2, 6	No commercial value
150	Shanxi Omick Western Pastry and Western Food Vocational Training School	No.190 Longxing Street, High-tech District, Taiyuan, Shanxi Province, the PRC	Shanxi Omick Western Pastry and Western Food Vocational Training School	n/a	2,809.29	2017-08-01	2027-07-31	117,990.18	2, 6	No commercial value
151	Kunming Omick International Western Pastry Vocational Training School	Level 1 to 3, Podium Block 1, City Construction Building, 2nd Ring Road West, Xishan District, Kunming, Yunnan Province, the PRC	Kunming Omick International Western Pastry Vocational Training School	n/a	2,638.01	2017-07-01	2023-09-30	92,330.35	1	No commercial value
152	Hangzhou Omick Western Pastry School	Room B102 and Level 2, Block 1, Songthe Times Mall, No.1712 Xuelin Street, Hangzhou Economic & Technology Development Zone, Hangzhou, Zhejiang Province, the PRC	Hangzhou Omick Western Pastry School	n/a	2,570.00	2017-06-01	2025-05-31	106,666.67	1, 6	No commercial value

Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 March 2019 (RMB)
153	Hefei Cuisine Course Catering Training Co., Ltd.	Room 702, Hefei Huigang Square Northeast corner of Wangjiang road and Qianshan Road, Shushan district, Hefei, Anhui Province, the PRC	Hefei Cuisine Course Catering Training Co., Ltd.	n/a	873.23	2017-08-01	2025-11-30	39,295.35	1, 6	No commercial value
154	Beijing Cuisine East Education Technology Co., Ltd.	2-7, Level 2, Building No.1, Yard No.4, Leyuan Road, Daxing District, Beijing the PRC	Beijing Cuisine East Education Technology Co., Ltd.	n/a	760.00	2017-09-23	2025-09-22	92,466.67	1, 6	No commercial value
155	Beijing New East Culinary Vocational Training School	Level 2, Building No.1, Yard No.4, Leyuan Road, Daxing District, Beijing the PRC	Beijing New East Culinary Vocational Training School	n/a	1,203.00	2017-09-23	2025-09-22	146,365.00	2, 6	No commercial value
156	Xiamen Cuisine East Education Co., Ltd.	Unit 221 and 222 (Wenchuang Port 1#), Huli Avenue, China (Xiamen) Pilot Free Trade Zone, Huli District, Xiamen, Fujian Province, the PRC	Xiamen Cuisine East Education Co., Ltd.	n/a	780.34	2017-08-01	2022-10-15	46,820.40	1, 6	No commercial value
157	Guangzhou Cuisine Classroom Training Co., Ltd.	Unit 401-415, Zhongxin Tower, No.268 Baogang Avenue, Haizhu District, Guangzhou, Guangdong Province, the PRC	Guangzhou Cuisine Classroom Training Co., Ltd.	n/a	904.54	2017-06-28	2026-06-27	67,840.50	1	No commercial value
158	Shenzhen Cuisine East Academy Training Co., Ltd.	No. 4060C, Level 4, Songbai Rainbow Market, Longgang District, Shenzhen, Guangdong Province, the PRC	Shenzhen Cuisine East Academy Training Co., Ltd.	n/a	896.00	2017-12-01	2022-04-30	36,750.00	1, 6	No commercial value
159	Lanzhou Cuisine Academy Education Consultancy Co., Ltd.	No.008, No.010 of Floor 5, Wanshang International Mall, Donggang East Road, Lanzhou, Gansu Province, the PRC	Lanzhou Cuisine Academy Education Consultancy Co., Ltd.	n/a	630.00	2017-10-15	2025-10-14	58,333.33	2, 6	No commercial value

Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 March 2019 (RMB)
160	Guizhou Cuisine Academy Education Training Co., Ltd.	T1, Jimbiwan, Nanhuan Road, Economic Development Zone, Guiyang, Guizhou Province, the PRC	Guizhou Cuisine Academy Education Training Co., Ltd.	n/a	1,340.00	2017-07-28	2023-09-27	67,000.00	1, 6	No commercial value
161	Henan Cuisine Academy Education Consultancy Co., Ltd.	Level 3, Building 7, No. 129 Changjiang Road, Er Qi Area, Zhengzhou, Henan Province, the PRC	Henan Cuisine Academy Education Consultancy Co., Ltd.	n/a	1,406.28	2018-01-05	2026-01-04	59,063.76	1	No commercial value
162	Hubei Cuisine Academy Education Training Co., Ltd.	Level 2, Office Building B, No.2 Wudayuan Road, East Lake High-tech Development Zone Wuhan, Hubei Province, The PRC	Hubei Cuisine Academy Education Training Co., Ltd.	n/a	1,090.05	2017-09-19	2023-09-18	22,891.05	2, 6	No commercial value
163	Jilin Province Cuisine Academy Vocational Technical Consultancy Co., Ltd.	Room 101, Jinyu Garden, No. 7 Triumphant Road, Kuancheng District, Changchun, Jilin Province, the PRC	Jilin Province Cuisine Academy Vocational Technical Consultancy Co., Ltd.	n/a	566.26	2017-10-19	2027-10-18	35,000.00	1, 6	No commercial value
164	Nanjing Cuisine Culinary Training Co., Ltd.	Level 2, Phase 4, No.63 Heyan Road, Gulou District, Nanjing, Jiangsu Province, the PRC	Nanjing Cuisine Culinary Training Co., Ltd.	n/a	830.00	2017-11-01	2023-10-31	42,330.00	1, 6	No commercial value
165	Shenyang Cuisine Academy Vocational Technical Training Co., Ltd.	Shifu road 211-1, Shenhe District, Shenyang, Liaoning Province, the PRC	Shenyang Cuisine Academy Vocational Technical Training Co., Ltd.	n/a	1,300.00	2017-10-18	2027-10-17	79,166.70	1, 6	No commercial value
166	Jinan Cuisine Course Catering Management Consultancy Co., Ltd.	Level 3 (c) — I3-3003-1, K88 Mingquan Square project, No. 68 Dikou road Tranqiao District Jinan, Shandong Province, the PRC	Jinan Cuisine Course Catering Management Consultancy Co., Ltd.	n/a	640.00	2018-06-01	2023-05-31	24,000.00	1, 6	No commercial value

Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 March 2019 (RMB)
167	Qingdao Cuisine Course Education Training Co., Ltd.	Antai square, No. 76 Lianyunqiang Road, Shibei District, Qingdao, the PRC	Qingdao Cuisine Course Education Training Co., Ltd.	n/a	773.81	2018-02-01	2029-01-31	45,028.00	1, 6	No commercial value
168	Xi'an Cuisine East Catering Technical Training Co., Ltd.	Level 5, A bite of Southgate Xi'an, Nan Shao Men, Xi'an, Shaanxi Province, the PRC	Xi'an Cuisine East Catering Technical Training Co., Ltd.	n/a	730.60	2017-05-01	2022-04-30	25,571.00	2, 6	No commercial value
169	Tianjin Cuisine Education Technology Co., Ltd.	No. 586 and 588, Hongqi South Road, Nankai District, Tianjin, the PRC	Tianjin Cuisine Education Technology Co., Ltd.	n/a	665.24	2017-11-01	2023-10-31	49,166.67	1	No commercial value
170	Kunming Cuisine Academy Education Training Co., Ltd.	No. 301, Block E1, Harmony Homeland, Jiangdong Road, Wuhua District, Kunming, Yunnan Province, the PRC	Kunming Cuisine Academy Education Training Co., Ltd.	n/a	1,131.06	2017-09-10	2025-09-09	79,174.20	1, 6	No commercial value
171	Hangzhou Cuisine Consultancy Service Co., Ltd.	Southern Portion of Level 2, Block 3, Fengyuan International Mansion, No.430 Fengtan Road, Gongshu District, Hangzhou, Zhejiang Province, the PRC	Hangzhou Cuisine Consultancy Service Co., Ltd.	n/a	630.00	2017-07-23	2025-07-22	51,666.67	1	No commercial value
172	Chongqing New East Culinary Vocational Training Institute	L2010 and L201, Sun Moon & Light Central Plaza, No.89 Minquan Road, Yuzhong District, Chongqing, the PRC	Chongqing New East Culinary Vocational Training Institute	n/a	678.00	2017-10-25	2022-10-25	17,618.35	2, 6	No commercial value
173	Shijiazhuang New East Culinary Secondary Vocational School	Opposite of No.43 Zhangju Road, Luancheng District, Shijiazhuang, Hebei Province, the PRC	Shijiazhuang New East Culinary Secondary Vocational School	n/a	3,420.00	2017-09-05	2026-12-31	27,676.35	2, 6	No commercial value
174	Shanxi New East Culinary Vocational Training School	No.173 Pingyang Road, Xiaodian District, Taiyuan, Shanxi Province, the PRC	Shanxi New East Culinary Vocational Training School	n/a	1,000.00	2017-09-21	2027-09-20	64,660.40	2, 6	No commercial value



Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 March 2019 (RMB)
175	Hubei New East Culinary Vocational Training School	No.25 Sunshine Avenue, Jiangxia Economic Development Zone, Wuhan, Hubei Province, the PRC	Hubei New East Culinary Vocational Training School	n/a	12,668.00	2017-09-01	2020-08-31	183,241.67	2, 6	No commercial value
176	Urumqi Omick Culinary Vocational Training School Co., Ltd.	No.555 Xuanwuhu Road, Economic and Technological Development District, Urumqi, Xinjiang Province, the PRC	Hefei Xinhua Education Group Co., Ltd	n/a	940.00	2018-11-23	2025-01-22	39,060.04	2, 6	No commercial value
177	Ningbo Omick	Hengye Building, No.158 Taianzhong Road, Yinzhou District, Ningbo, Zhejiang Province, the PRC	Hefei Xinhua East Education Investment Co. Ltd.	n/a	1,996.45	2018-12-26	2028-12-25	88,926.81	2, 6	No commercial value
178	Hefei Omick Western Pastry Vocational Training School	Level 4 and 5, Block A, Baoye East City Plaza, Yaihai District, Hefei, Anhui Province, the PRC	Hefei Omick Western Pastry Vocational Training School	n/a	1,140.00	2018-10-01	2026-09-30	62,316.71	2, 6	No commercial value
179	Hohot Xinhua Internet Technology School	South of Jinsi Road, Jinchuan Development Zone, Hohhot, Inner Mongolia, the PRC	Hefei Xinhua Wisezone Education Investment Co. Ltd.	n/a	5,487.38	2018-08-07	2029-11-30	94,288.72	2, 6	No commercial value
180	Guangzhou Panyu District Wontone Automobile Vocational Training School	No. 48 Yinjian Road, Shatou Street, Daluocun, Panyu District, Guangzhou, Guangdong Province, the PRC	Guangzhou Panyu District Wontone Automobile Vocational Training School	n/a	3,350.00	2017-07-01	2019-09-30	125,207.09	2, 6	No commercial value
181	Fujian Wontone	Fuzhou Tengqing Industrial Park, Yingqian Residential District, Changle District, Fuzhou, Fujian Province, the PRC	Hefei Xinhua Xueli Education Investment Co., Ltd.	n/a	13,398.70	2019-01-01	2028-12-31	223,410.92	2, 6	No commercial value

Property No.	The school occupying the leased property	Address of the property leased from the lessor or the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 March 2019 (RMB)
182	Chongqing Wisezone Technology Co., Ltd.	Unit 306, Building 1, No. 16 Huashan South Road, Liangjiang New Area District, Chongqing, the PRC	Chongqing Wisezone Technology Co., Ltd. & Chongqing Xinhua Computer Vocational Training School	n/a	116.13	2017-09-01	2020-08-31	3,483.90	2, 6	No commercial value
183	Zhuhai New East School	3 Blocks of Building in Yuntai Science and Technology Park, No.6 Xiawan 1st Road, Xiangzhou District, Zhuhai, Guangdong Province, the PRC	Hefei Xinhua East Education Investment Co. Ltd.	8,208.86	12,350.94	2017-09-21	2025-09-20	222,316.92	2, 6	No commercial value
184	Taiyuan Tasty Culinary Education Consultancy Co., Ltd.	Portion of Level 2 of Commercial portion of Milan Holiday, No.173 Pingyang Road, Xiaodian District, Taiyuan, Shanxi Province, the PRC	Shanxi New East Culinary Vocational Training School	n/a	1,000.00	2017-09-21	2027-09-20	58,333.33	2, 6	No commercial value
<b>Sub-total of Group III</b>				<b>1,379,722.83</b>	<b>1,635,333.42</b>			<b>25,623,133.12</b>		<b>No commercial value</b>

\* Notes of property legal opinion for the 176 leased properties in the PRC, ie. Property Nos. 9 to 184:

1. According to the PRC legal opinion, the lessor or sub-lessor has provided the title documents or the power of attorney and is entitled to lease the property and the lease agreement is valid.
2. According to the PRC legal opinion, the lessor or sub-lessor has not provided the title documents or the power of attorney and is not certain that is entitled to lease the property.
3. According to the PRC legal opinion, the Property is located on collective land, the right to use collectively owned land is not allowed to be transferred or leased for non-agricultural construction.
4. According to the PRC legal opinion, the legal land use of the Property is not for education purpose and the lessee may not be able to continue to use the property.
5. According to the PRC legal opinion, the Property is owned by the PRC military, the lessee may not continue to use the property if the PRC military terminates the lease agreement pursuant to the relevant military regulations.
6. According to the PRC legal opinion, the lease agreement was not registered with the relevant PRC government authorities and the non-registration of such lease agreement would not affect the lease's validity.

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## APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 October, 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its Memorandum of Association (the “Memorandum”) and its Amended and Restated Articles of Association (the “Articles”).

### 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

### 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on May 21, 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

#### (a) Shares

##### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

##### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(iii) Alteration of capital**

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

**(iv) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

***(v) Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

***(vi) Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

***(vii) Calls on shares and forfeiture of shares***

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(b) Directors*****(i) Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

***(iii) Power to dispose of the assets of the Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

***(iv) Borrowing powers***

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.



(v) *Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

***(vi) Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

***(vii) Loans and provision of security for loans to Directors***

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

***(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries***

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(e) Meetings of members**

***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

***(ii) Voting rights and right to demand a poll***

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

***(iii) Annual general meetings and extraordinary general meetings***

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

***(iv) Notices of meetings and business to be conducted***

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

**(v) *Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

**(vi) *Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.



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All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Company operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

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The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

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Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

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Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 11 October, 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

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There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

**(p) Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

**(q) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

**(r) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(s) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(t) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).



**(u) Economic Substance Requirements**

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands (“ES Law”) that came into force on 1 January 2019, a “relevant entity” is required to satisfy the economic substance test set out in the ES Law. A “relevant entity” includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

**4. GENERAL**

Conyers Dill & Pearman, the Company’s special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed “Documents available for inspection” in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on October 4, 2018. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on January 11, 2019 and our Company's principal place of business in Hong Kong is at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Ms. Leung Suet Wing of 31/F Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, a Hong Kong resident, has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant law of the Cayman Islands and its constitution which comprises a memorandum of association and the articles of association. A summary of the relevant aspects of the Companies Law and certain provisions of Articles of Association is set out in Appendix IV to this prospectus.

**2. Changes in share capital of our Company**

As at the date of the incorporation of our Company, the authorized share capital of our Company was HK\$380,000 divided into 3,800,000,000 Shares with a par value of HK\$0.0001 each. On the date of incorporation, the initial subscriber subscribed for, and our Company issued and allotted, the one subscriber Share. On the same date, the one initial Share was transferred from the initial subscriber to Wu Wei Education for a consideration at par value, and our Company then issued and allotted 426,667 Shares, 292,221 Shares and 281,111 Shares to Wu Junbao Education, Wu Wei Education and Xiao Guoqing Education, respectively, for cash at par. Our Company is the listing vehicle.

On October 26, 2018, our Company issued and allotted 30 Shares to Lu Lu Education for a consideration at HK\$600,000.

Immediately following completion of the Capitalization Issue and the Global Offering and assuming no exercise of the Over-allotment Option or any options that may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, the authorized share capital of our Company will be HK\$380,000 divided into 3,800,000,000 Shares, of which 2,179,000,000 Shares will be issued fully paid or credited as fully paid, and 1,621,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "— A. Further Information about Our Company — 4. Written resolutions of the then Shareholders passed on May 21, 2019" in this Appendix, the Directors do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meetings, no issue of Shares will be made which would effectively alter the control of our Company.

### **3. Changes in share capital of our subsidiaries and PRC Consolidated Affiliated Entities**

A summary of the corporate information and the particulars of our principal subsidiaries and PRC Consolidated Affiliated Entities are set out in Note 31 to the Accountant's Report as set out in Appendix I.

Save as disclosed in the section headed "History and Corporate Structure", there has been no alteration in the share capital or registered capital of our material subsidiaries and material PRC Consolidated Affiliated Entities within the two years preceding the date of this prospectus.

### **4. Written resolutions of the then Shareholders passed on May 21, 2019**

Pursuant to the written resolutions of the then Shareholders entitled to vote at general meetings of our Company, which were passed on May 21, 2019, conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, on the Main Board, our Shares in issue and to be issued (pursuant to the Capitalization Issue, the Global Offering, the Over-allotment Option and the Share Option Scheme) as mentioned in this prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) by the Joint Global Coordinators (on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise:

- (i) our Company approved and adopted the Articles of Association;
- (ii) conditional on the share premium account of our Company being credited as a result of the Global Offering, the sum of HK\$174,219,997 be capitalized and applied in paying up in full at par value 1,742,199,970 Shares for allotment and issue to our Shareholders whose names were on the register of members of our Company immediately prior to the Global Offering and such Shares (or as they may direct) to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respect with the existing issued Shares;
- (iii) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus and in the relevant application forms;

- (iv) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorized, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;
- (v) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of options granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to Directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by our Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the total number of Shares 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 total number of Shares in issue immediately following completion of the Capitalization Issue and the Global Offering but before the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within which the next annual general meeting of our Company is required by the Article of Association of our Company or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in a general meeting of our Company varying or revoking the authority given to the Directors, whichever occurs first;
  
- (vii) the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (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 (vi) above, provided that such extended amount shall not exceed 10% of the total number of Shares 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 (v), (vi) and (vii) above will remain in effect until whichever is the earliest of:

- (1) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- (2) the expiration of the period within which our Company is required by any applicable or the Articles of Association to hold our next annual general meeting; or
- (3) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

## 5. Repurchase of our Shares

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

### **(a) Provisions of the Listing Rules**

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarized below:

#### *(i) Shareholders' approval*

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions of the then Shareholders passed on May 21, 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 total number of Shares in issue or to be issued immediately following completion of the Global Offering (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), further details of which have been described above in the paragraph headed "— A. Further Information about Our Company — 4. Written resolutions of the then Shareholders passed on May 21, 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 Companies Law. We are not permitted to repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

#### *(iii) Shares to be repurchased*

The Listing Rules provide that the Shares which are proposed to be repurchased by us must be fully-paid up.

### **(b) Reasons for repurchases**

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

**(c) *Funding of repurchases***

In repurchasing Shares, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account its current working capital position, our Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as it would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

**(d) *General***

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

We have not made any repurchases of our own securities in the past six months.

No core connected person has notified us that he/she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

**B. CORPORATE REORGANIZATION**

In order to streamline the corporate structure and rationalize our corporate structure for the Listing, our Group underwent the Corporate Reorganization. Please see the sub-section headed "History and Corporate Structure — Corporate Reorganization" in this prospectus for details.

**C. FURTHER INFORMATION ABOUT OUR BUSINESS****1. Summary of the material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus and are or may be material:

1. the transfer agreement dated September 5, 2018 entered into between Anhui Xinhua Education Group Co., Ltd.\* (安徽新華教育集團有限公司) and Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) in relation to the acquisition of the equity interests of Beijing Langjie Technology Co., Ltd.\* (北京朗傑科技有限公司) from Anhui Xinhua Education Group Co., Ltd.\* (安徽新華教育集團有限公司) by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司);
2. the equity transfer agreement dated September 5, 2018 entered into between Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) and Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) in relation to the acquisition of the entire equity interests of Hangzhou Cuisine Consultancy Service Co., Ltd.\* (杭州美味諮詢服務有限公司) from Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) at a consideration of RMB500,000;
3. the equity transfer agreement dated September 5, 2018 entered into between Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) and Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) in relation to the acquisition of the entire equity interests of Hubei Cuisine Academy Training Co., Ltd.\* (湖北美味學院培訓有限公司) from Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) at a consideration of RMB2,000,000;
4. the equity transfer agreement dated September 5, 2018 entered into between Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) and Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) in relation to the acquisition of the entire equity interests of Shenyang Cuisine Academy Vocational Skills Training Co., Ltd.\* (沈陽美味學院職業技能培訓有限公司) from Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) at a consideration of RMB500,000;
5. the equity transfer agreement dated September 5, 2018 entered into between Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) and Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) in relation to the acquisition of the entire equity interests of Dalian Cuisine East Education Technology Co., Ltd.\* (大連美味東方教育科技有限公司) from Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) at a consideration of RMB500,000;



6. the transfer agreement dated September 11, 2018 entered into between Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) and Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) in relation to the acquisition of the equity interests of Beijing Cuisine East Education Technology Co., Ltd.\* (北京美味東方教育科技有限公司) from Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司);
7. the equity transfer agreement dated September 14, 2018 entered into between Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) and Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) in relation to the acquisition of the entire equity interests of Tianjin Cuisine Education Technology Co., Ltd.\* (天津美味教育科技有限公司) from Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司);
8. the equity transfer agreement dated September 25, 2018 entered into between Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) and Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) in relation to the acquisition of the entire equity interests of Jilin Province Cuisine Classroom Vocational Skills Consultancy Co., Ltd.\* (吉林省美味課堂職業技能諮詢有限公司) from Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) at a consideration of RMB2,000,000;
9. the equity transfer agreement dated September 26, 2018 entered into between Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) and Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) in relation to the acquisition of the entire equity interests of Lanzhou Cuisine Academy Education Consultancy Co., Ltd.\* (蘭州美味學院教育諮詢有限公司) from Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司);
10. the equity transfer agreement dated September 27, 2018 entered into between Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) and Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) in relation to the acquisition of the entire equity interests of Henan Cuisine Academy Education Consultancy Co., Ltd.\* (河南美味學院教育諮詢有限公司) from Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) at a consideration of RMB1,000,000;
11. the equity transfer agreement dated September 27, 2018 entered into between Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) and Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) in relation to the acquisition of the entire equity interests of Nanjing Cuisine Culinary Training Co., Ltd.\* (南京味美廚藝培訓有限公司) from Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) at a consideration of RMB500,000;

12. the equity transfer agreement dated September 27, 2018 entered into between Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) and Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) in relation to the acquisition of the entire equity interests of Shenzhen Cuisine East Academy Training Co., Ltd.\* (深圳美味東方學院培訓有限公司) from Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) at a consideration of RMB500,000;
13. the driving school transfer agreement dated September 27, 2018 entered into between Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院) and Hou Xiaoming (侯曉明) in relation to the acquisition of Nanjing Yuxing Driver Training Co., Ltd.\* (南京宇星駕駛員培訓有限公司) from Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院) by Hou Xiaoming (侯曉明) at a consideration of RMB1,000,000;
14. the equity transfer agreement dated September 28, 2018 entered into between Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) and Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) in relation to the acquisition of the entire equity interests of Xiamen Cuisine East Education Co., Ltd.\* (廈門美味東方教育有限公司) from Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司);
15. the equity transfer agreement dated September 29, 2018 entered into between Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) and Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) in relation to the acquisition of the entire equity interests of Qingdao Cuisine Classroom Education and Training Co., Ltd.\* (青島美味課堂教育培訓有限公司) from Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司);
16. the equity transfer agreement dated September 28, 2018 entered into between Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) and Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) in relation to the acquisition of the entire equity interests of Xi'an Cuisine East Catering Technical Training Co., Ltd.\* (西安美味東方餐飲技能培訓有限公司) from Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) at a consideration of RMB500,000;
17. the equity transfer agreement dated September 30, 2018 entered into between Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) and Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) in relation to the acquisition of the equity interests of Jinan Cuisine Classroom Catering Management Consultancy Co., Ltd.\* (濟南美味課堂餐飲管理諮詢有限公司) from Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) at a consideration of RMB500,000;

18. the equity transfer agreement dated October 8, 2018 entered into between Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) and Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) in relation to the acquisition of the entire equity interests of Guizhou Cuisine Academy Education Training Co., Ltd.\* (貴州美味學院教育培訓有限公司) from Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) at a consideration of RMB500,000;
19. the equity transfer agreement dated October 8, 2018 entered into between Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院) and Anhui Xinhua Investment Group Co., Ltd.\* (安徽新華投資集團有限公司) in relation to the acquisition of 41.8% of the equity interests of Xi'an Yuxing Driver Training Co., Ltd.\* (西安市宇星駕駛員培訓有限公司) from Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院) by Anhui Xinhua Investment Group Co., Ltd.\* (安徽新華投資集團有限公司) at a consideration of RMB4,180;
20. the equity transfer agreement dated October 8, 2018 entered into between Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院) and Anhui Xinhua Real Estate Co. Ltd\* (安徽新華房地產有限公司) in relation to the acquisition of 29.6% of the equity interests of Xi'an Yuxing Driver Training Co., Ltd.\* (西安市宇星駕駛員培訓有限公司) from Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院) by Anhui Xinhua Real Estate Co. Ltd\* (安徽新華房地產有限公司) at a consideration of RMB2,960;
21. the equity transfer agreement dated October 8, 2018 entered into between Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院) and Anhui Huadi Rongxin Real Estate Co., Ltd.\* (安徽華地融信房地產有限公司) in relation to the acquisition of 28.6% of the equity interests of Xi'an Yuxing Driver Training Co., Ltd.\* (西安市宇星駕駛員培訓有限公司) from Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院) by Anhui Huadi Rongxin Real Estate Co., Ltd.\* (安徽華地融信房地產有限公司) at a consideration of RMB2,860;
22. the equity transfer agreement dated October 10, 2018 entered into between Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院) and Anhui Xinhua Investment Group Co., Ltd.\* (安徽新華投資集團有限公司) in relation to the acquisition of the equity interests of Chongqing Yuxing Xincheng Automobile Driving Training Co., Ltd.\* (重慶宇星新城汽車駕駛培訓有限公司) from Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院) by Anhui Xinhua Investment Group Co., Ltd.\* (安徽新華投資集團有限公司) at a consideration of RMB4,180;
23. the equity transfer agreement dated October 10, 2018 entered into between Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院) and Anhui Xinhua Real Estate Co. Ltd\* (安徽新華房地產有限公司) in relation to the acquisition of the equity interests of Chongqing Yuxing Xincheng Automobile Driving Training Co., Ltd.\* (重慶宇星新城汽車駕駛培訓有限公司) from Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院) by Anhui Xinhua Real Estate Co. Ltd\* (安徽新華房地產有限公司) at a consideration of RMB2,960;

24. the equity transfer agreement dated October 10, 2018 entered into between Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院) and Anhui Huadi Rongxin Real Estate Co., Ltd.\* (安徽華地融信房地產有限公司) in relation to the acquisition of the equity interests of Chongqing Yuxing Xincheng Automobile Driving Training Co., Ltd.\* (重慶宇星新城汽車駕駛培訓有限公司) from Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院) by Anhui Huadi Rongxin Real Estate Co., Ltd.\* (安徽華地融信房地產有限公司) at a consideration of RMB2,860;
25. the equity transfer agreement dated October 11, 2018 entered into between Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) and Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) in relation to the acquisition of the entire equity interests of Hefei Cuisine Course Catering Training Co., Ltd.\* (合肥美味課堂餐飲培訓有限公司) from Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司);
26. the shareholder's contribution transfer agreement dated October 12, 2018 entered into between Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) and Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) in relation to the acquisition of the entire equity interests of Guangzhou Cuisine Course Training Co., Ltd.\* (廣州美味課堂培訓有限公司) from Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) at a consideration of RMB500,000;
27. the contribution transfer agreement dated October 15, 2018 entered into between Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院), Anhui Xinhua Investment Group Co., Ltd.\* (安徽新華投資集團有限公司), Anhui Xinhua Real Estate Co. Ltd\* (安徽新華房地產有限公司), and Anhui Huadi Rongxin Real Estate Co., Ltd.\* (安徽華地融信房地產有限公司) in relation to the acquisition of the school sponsor's interests of Hefei Xin'an Automobile Driver Training School\* (合肥新安機動車駕駛員培訓學校) from Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院) by Anhui Xinhua Investment Group Co., Ltd.\* (安徽新華投資集團有限公司) as to 41.8% at a consideration of RMB4,180, Anhui Xinhua Real Estate Co. Ltd\* (安徽新華房地產有限公司) as to 29.6% at a consideration of RMB2,960, and Anhui Huadi Rongxin Real Estate Co., Ltd.\* (安徽華地融信房地產有限公司) as to 28.6% at a consideration of RMB2,860;
28. the equity transfer agreement dated October 23, 2018 entered into between Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) and Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) in relation to the acquisition of the equity interests of Kunming Cuisine Academy Education Training Co., Ltd.\* (昆明美味學院教育培訓有限公司) from Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司);

29. the equity transfer agreement dated October 30, 2018 entered into between Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院), Anhui Xinhua Investment Group Co., Ltd.\* (安徽新華投資集團有限公司), Anhui Xinhua Real Estate Co. Ltd.\* (安徽新華房地產有限公司), and Anhui Huadi Rongxin Real Estate Co., Ltd.\* (安徽華地融信房地產有限公司) in relation to the acquisition of the entire equity interests of Hefei Yuxing Automobile Driver Training Co., Ltd.\* (合肥宇星機動車駕駛員培訓有限公司) from Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院) by Anhui Xinhua Investment Group Co., Ltd.\* (安徽新華投資集團有限公司) as to 41.8% at a consideration of RMB4,180, Anhui Xinhua Real Estate Co. Ltd.\* (安徽新華房地產有限公司) as to 29.6% at a consideration of RMB2,960, and Anhui Huadi Rongxin Real Estate Co., Ltd.\* (安徽華地融信房地產有限公司) as to 28.6% at a consideration of RMB2,860;
30. the transfer agreement dated November 13, 2018 entered into between Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) and Wu Junbao (吳俊保) in relation to the acquisition of the equity interests of Beijing Miwei Technology Co., Ltd.\* (北京秘味科技有限公司) from Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) by Wu Junbao (吳俊保);
31. the transfer agreement dated November 13, 2018 entered into between Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) and Wu Wei (吳偉) in relation to the acquisition of the equity interests of Beijing Miwei Technology Co., Ltd.\* (北京秘味科技有限公司) from Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) by Wu Wei (吳偉);
32. the transfer agreement dated November 13, 2018 entered into between Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) and Xiao Guoqing (肖國慶) in relation to the acquisition of the equity interests of Beijing Miwei Technology Co., Ltd.\* (北京秘味科技有限公司) from Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司) by Xiao Guoqing (肖國慶);
33. the equity transfer agreement dated November 21, 2018 entered into between Hunan Wontone Automobile Repair Vocational Training School\* (湖南萬通汽修職業培訓學校) and Anhui Xinhua Investment Group Co., Ltd.\* (安徽新華投資集團有限公司) in relation to the acquisition of 41.8% of the entire equity interests of Changsha Yuxing Automobile Driver Training Co., Ltd.\* (長沙市宇星機動車駕駛員培訓有限公司) from Hunan Wontone Automobile Repair Vocational Training School\* (湖南萬通汽修職業培訓學校) by Anhui Xinhua Investment Group Co., Ltd.\* (安徽新華投資集團有限公司);
34. the equity transfer agreement dated November 21, 2018 entered into between Hunan Wontone Automobile Repair Vocational Training School\* (湖南萬通汽修職業培訓學校) and Anhui Xinhua Real Estate Co. Ltd.\* (安徽新華房地產有限公司) in relation to the acquisition of 29.6% of the entire equity interests of Changsha Yuxing Automobile Driver Training Co., Ltd.\* (長沙市宇星機動車駕駛員培訓有限公司) from Hunan Wontone Automobile Repair Vocational Training School\* (湖南萬通汽修職業培訓學校) by Anhui Xinhua Real Estate Co., Ltd.\* (安徽新華房地產有限公司);

35. the equity transfer agreement dated November 21, 2018 entered into between Hunan Wontone Automobile Repair Vocational Training School\* (湖南萬通汽修職業培訓學校) and Anhui Huadi Rongxin Real Estate Co., Ltd.\* (安徽華地融信房地產有限公司) in relation to the acquisition of 28.6% of the entire equity interests of Changsha Yuxing Automobile Driver Training Co., Ltd.\* (長沙市宇星機動車駕駛員培訓有限公司) from Hunan Wontone Automobile Repair Vocational Training School\* (湖南萬通汽修職業培訓學校) by Anhui Huadi Rongxin Real Estate Co., Ltd.\* (安徽華地融信房地產有限公司);
36. an exclusive management consultancy and business cooperation agreement dated November 30, 2018 entered into by and among Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司), Anhui Xinhua Education Group Co., Ltd.\* (安徽新華教育集團有限公司) and its subsidiary entities, Wu Junbao (吳俊保), Wu Wei (吳偉) and Xiao Guoqing (肖國慶), pursuant to which Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) agreed to provide, or designate any third party to provide comprehensive corporate management consultancy and education management consultancy, intellectual property licensing services and technical and business support services;
37. an exclusive management consultancy and business cooperation agreement dated November 30, 2018 entered into by and among Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司), Nanjing Culinary Technical School\* (南京烹飪技工學校), Xiao Guoqing (肖國慶) and Ge Xiaoliang (葛孝良), pursuant to which Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) agreed to provide, or designate any third party to provide comprehensive corporate management consultancy and education management consultancy, intellectual property licensing services and technical and business support;
38. an exclusive call option agreement dated November 30, 2018 entered into by and among Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司), Wu Junbao (吳俊保), Wu Wei (吳偉), Xiao Guoqing (肖國慶), Anhui Xinhua Education Group Co., Ltd.\* (安徽新華教育集團有限公司) and its subsidiary entities, pursuant to which Wu Junbao (吳俊保), Wu Wei (吳偉) and Xiao Guoqing (肖國慶) agreed to grant Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) an exclusive, unconditional and irrevocable option for Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司), its subsidiary entities or designated third party to purchase all or part of (i) the equity interests held by Wu Junbao (吳俊保), Wu Wei (吳偉) and Xiao Guoqing (肖國慶) in Anhui Xinhua Education Group Co., Ltd.\* (安徽新華教育集團有限公司), (ii) the interests of the school sponsors or shareholders of such subsidiary entities of Anhui Xinhua Education Group Co., Ltd.\* (安徽新華教育集團有限公司), and/or (iii) assets owned by Anhui Xinhua Education Group Co., Ltd.\* (安徽新華教育集團有限公司), at nil consideration or at lowest price permitted under the PRC laws and regulations;

39. an exclusive call option agreement dated November 30, 2018 entered into by and among Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司), Nanjing Culinary Technical School\* (南京烹飪技工學校), Xiao Guoqing (肖國慶) and Ge Xiaoliang (葛孝良), pursuant to which Xiao Guoqing (肖國慶) and Ge Xiaoliang (葛孝良) agreed to grant Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) an exclusive, unconditional and irrevocable option for Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司), its subsidiary entities or its designated third party to purchase all or part of (i) the school sponsor's interest in Nanjing Culinary Technical School\* (南京烹飪技工學校), and/or (ii) assets owned by Nanjing Culinary Technical School\* (南京烹飪技工學校), at nil consideration or at lowest price permitted under the PRC laws and regulations;
40. an irrevocable power of attorney dated November 30, 2018 executed by Wu Junbao (吳俊保), pursuant to which Wu Junbao (吳俊保) irrevocably and exclusively appointed Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司), or any person designated by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司), as his attorney-in-fact to, among others, exercise all the rights as shareholder of Anhui Xinhua Education Group Co., Ltd.\* (安徽新華教育集團有限公司) according to the relevant PRC laws and regulations and its articles of associations;
41. an irrevocable power of attorney dated November 30, 2018 executed by Wu Wei (吳偉), pursuant to which Wu Wei (吳偉) irrevocably and exclusively appointed Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司), or any person designated by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司), as his attorney-in-fact to, among others, exercise all the rights as shareholder of Anhui Xinhua Education Group Co., Ltd.\* (安徽新華教育集團有限公司) according to the relevant PRC laws and regulations and its articles of associations;
42. an irrevocable power of attorney dated November 30, 2018 executed by Xiao Guoqing (肖國慶), pursuant to which Xiao Guoqing (肖國慶) irrevocably and exclusively appointed Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司), or any person designated by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司), as his attorney-in-fact to, among others, exercise all the rights as shareholder of Anhui Xinhua Education Group Co., Ltd.\* (安徽新華教育集團有限公司) according to the relevant PRC laws and regulations and its articles of associations;

43. an equity pledge agreement dated November 30, 2018 entered into by and among Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司), Wu Junbao (吳俊保), Wu Wei (吳偉), Xiao Guoqing (肖國慶) and Anhui Xinhua Education Group Co., Ltd.\* (安徽新華教育集團有限公司), pursuant to which Wu Junbao (吳俊保), Wu Wei (吳偉) and Xiao Guoqing (肖國慶) unconditionally and irrevocably pledged all of their equity interests in Anhui Xinhua Education Group Co., Ltd.\* (安徽新華教育集團有限公司) to Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) to guarantee performance of the obligations of Wu Junbao (吳俊保), Wu Wei (吳偉) and Xiao Guoqing (肖國慶) and/or Anhui Xinhua Education Group Co., Ltd.\* (安徽新華教育集團有限公司) and its subsidiary entities under the relevant exclusive management consultancy and business corporation agreement;
44. an accounts receivable pledge agreement dated November 30, 2018 entered into by and among Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司), Nanjing Culinary Technical School\* (南京烹飪技工學校), Xiao Guoqing (肖國慶) and Ge Xiaoliang (葛孝良), pursuant to which Nanjing Culinary Technical School\* (南京烹飪技工學校) unconditionally and irrevocably pledged and granted first priority security interests over all of its interest in (i) receivables from fees of including but not limited to those relating to tuition, boarding, and examination tutoring, (ii) rent from the lease of the school's movable or immovable properties, and (iii) receivables for providing services, to Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) as security for performance of the Structured Contracts and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) as a result of any event of default on the part of Nanjing Culinary Technical School\* (南京烹飪技工學校) or its school sponsors and all expenses incurred by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) as a result of enforcement of the obligations of Nanjing Culinary Technical School\* (南京烹飪技工學校) or its school sponsors under the Structured Contracts;
45. a school sponsors' or capital contributors' rights entrustment agreement dated November 30, 2018 entered into by and among Xiao Guoqing (肖國慶), Ge Xiaoliang (葛孝良) and Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司), pursuant to which Xiao Guoqing (肖國慶) and Ge Xiaoliang (葛孝良), unconditionally and irrevocably authorised and entrusted Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司), its subsidiary entities or any person designated by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司) to exercise all their rights as school sponsors or capital contributors of Nanjing Culinary Technical School\* (南京烹飪技工學校) to the extent permitted by the PRC laws;



46. an irrevocable school sponsors' or capital contributors' powers of attorney dated November 30, 2018 executed by Xiao Guoqing (肖國慶), pursuant to which Xiao Guoqing (肖國慶) has appointed Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司), its subsidiary entities or any person designated by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司), as his agents to act on his behalf to exercise or delegate the exercise of all his rights as school sponsors or capital contributors of Nanjing Culinary Technical School\* (南京烹飪技工學校);
47. an irrevocable school sponsors' or capital contributors' powers of attorney dated November 30, 2018 executed by Ge Xiaoliang (葛孝良), pursuant to which Ge Xiaoliang (葛孝良) has appointed Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司), its subsidiary entities or any person designated by Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司), as his agents to act on his behalf to exercise or delegate the exercise of all his rights as school sponsors or capital contributors of Nanjing Culinary Technical School\* (南京烹飪技工學校);
48. the Deed of Non-competition;
49. the Deed of Indemnity;
50. a cornerstone investment agreement dated May 24, 2019 entered into by and among our Company, Anatole Investment Management Limited, the Sole Sponsor and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Anatole Investment Management Limited agreed to subscribe for our Shares in an aggregate amount of the Hong Kong dollar equivalent of US\$35 million at the Offer Price; and
51. the Hong Kong Underwriting Agreement.

## 2. Intellectual property rights of our Group

*Trademarks*

As at the Latest Practicable Date, we have registered 135 trademarks in the PRC which, in the opinion of our Directors, are material to our business:

No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
1.	 (in colour)	Anhui Xinhua Education	PRC	41	8670746	July 27, 2024
2.		Anhui Xinhua Education	PRC	41	8670749	July 27, 2024
3.	万通教育	Anhui Xinhua Education	PRC	41	5166451	June 27, 2019
4.	新华万通教育	Anhui Xinhua Education	PRC	41	13705257	February 20, 2025
5.	万通汽车	Anhui Xinhua Education	PRC	37	18618284	April 13, 2027
6.	万通汽车	Anhui Xinhua Education	PRC	41	18618385	February 6, 2028
7.		Anhui Xinhua Education	PRC	35	20853024	September 27, 2027
8.		Anhui Xinhua Education	PRC	37	20853033	September 27, 2027
9.		Anhui Xinhua Education	PRC	41	20853118	September 27, 2027
10.	 欧米奇西点学院	Anhui Xinhua Education	PRC	41	13441462	January 20, 2025
11.	 欧米奇	Anhui Xinhua Education	PRC	35	13945522	August 20, 2025

No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
12.	 欧米奇	Anhui Xinhua Education	PRC	41	13441486	January 20, 2025
13.		Anhui Xinhua Education	PRC	30	13945541	April 13, 2025
14.		Anhui Xinhua Education	PRC	35	13945559	August 27, 2025
15.		Anhui Xinhua Education	PRC	41	13945581	April 13, 2025
16.		Anhui Xinhua Education	PRC	43	13945596	April 13, 2025
17.		Anhui Xinhua Education	PRC	9	11286383	December 27, 2023
18.		Anhui Xinhua Education	PRC	16	11286339	December 27, 2023
19.		Anhui Xinhua Education	PRC	41	11286194	December 27, 2023
20.	思味特	Anhui Xinhua Education	PRC	41	13448758	February 13, 2025
21.	新华东方	Anhui Xinhua Education	PRC	30	14083370	July 13, 2025
22.	新华东方	Anhui Xinhua Education	PRC	35	14083348	May 6, 2025
23.	新华东方	Anhui Xinhua Education	PRC	43	14083314	April 20, 2025
24.	东方创新	Anhui Xinhua Education	PRC	41	10501923	October 13, 2023
25.	新安	Anhui Xinhua Education	PRC	35	10116466	July 6, 2023
26.	新安地产	Anhui Xinhua Education	PRC	36	10118263	January 27, 2023

No.	Trademark	Registered Owner	Place of registration	Class	Registration	
					number	Expiry date
27.	新安投资	Anhui Xinhua Education	PRC	36	10116515	September 6, 2023
28.	新安商贸	Anhui Xinhua Education	PRC	35	10116418	September 13, 2024
29.	职话大数据	Anhui Xinhua Education	PRC	41	21664656	December 6, 2027
30.		Anhui Xinhua Education	PRC	41	21664523	February 6, 2028
31.		Anhui New East Culinary Professional Institute	PRC	16	3659005	January 6, 2026
32.		Anhui New East Culinary Professional Institute	PRC	30	3659004	February 6, 2025
33.		Anhui New East Culinary Professional Institute	PRC	32	3659003	February 6, 2025
34.		Anhui New East Culinary Professional Institute	PRC	33	3659002	April 6, 2025
35.		Anhui New East Culinary Professional Institute	PRC	41	3659001	March 13, 2026
36.		Anhui New East Culinary Professional Institute	PRC	42	3659000	December 13, 2025
37.		Anhui New East Culinary Professional Institute	PRC	43	3658999	November 20, 2025

No.	Trademark	Registered Owner	Place of registration	Class	Registration	
					number	Expiry date
38.		Anhui New East Culinary Professional Institute	PRC	41	18274709	April 20, 2027
39.		Anhui New East Culinary Professional Institute	PRC	41	18274710	April 20, 2027
40.		Anhui New East Culinary Professional Institute	PRC	35	20012175	July 6, 2027
41.		Anhui New East Culinary Professional Institute	PRC	41	20012756	July 6, 2027
42.		Anhui New East Culinary Professional Institute	PRC	43	20013164	July 6, 2027
43.		Anhui New East Culinary Professional Institute	PRC	35	20012325	July 6, 2027
44.		Anhui New East Culinary Professional Institute	PRC	41	20012906	July 6, 2027
45.		Anhui New East Culinary Professional Institute	PRC	43	20013112	July 6, 2027

No.	Trademark	Registered Owner	Place of registration	Class	Registration	
					number	Expiry date
46.	厨宝宝	Anhui New East Culinary Professional Institute	PRC	41	20013013	July 6, 2027
47.	金牌大厨	Anhui New East Culinary Professional Institute	PRC	35	20012497	October 13, 2027
48.	金牌大厨	Anhui New East Culinary Professional Institute	PRC	43	20013478	October 13, 2027
49.	 金鼎大厨 JINDING CHEF	Anhui New East Culinary Professional Institute	PRC	41	25555641	August 13, 2028
50.	 金鼎总厨 JINDING CHEF	Anhui New East Culinary Professional Institute	PRC	41	25548608	August 13, 2028
51.	南京烹饪技工学校	Nanjing Culinary Vocational School	PRC	41	8139988	March 27, 2021
52.	云南新东方烹饪学校职业培训站	Yunnan New East Culinary Vocational Training Station* (雲南新東方烹飪職業培訓站)	PRC	41	8121156	August 20, 2022
53.	江西新东方烹饪职业技能培训学院	Jiangxi New East Vocational Technical Training Institute	PRC	41	8046713	January 6, 2024
54.	广州市番禺区新东方烹饪职业培训学校	Guangzhou Panyu New East Culinary Vocational Training School	PRC	41	8115797	January 6, 2024
55.	 川蜀天下 SZECHUAN CUISINE WORLD	Chengdu New East Culinary School* (成都新东方烹飪學校)	PRC	35	14226680	July 13, 2025

No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
56.		Chengdu New East Culinary School* (成都新东方烹饪学校)	PRC	41	14226666	May 6, 2025
57.	安徽新华电脑专修学院	Anhui Xinhua Computer Institute	PRC	41	8054271	June 6, 2023
58.	山东新华电脑学院	Shandong Xinhua Computer Institute* (山东新华电脑学院)	PRC	41	8136499	December 6, 2022
59.	四川新华电脑学校	Sichuan Xinhua Computer Institute* (四川新华电脑学校)	PRC	41	8136510	February 6, 2023
60.	长沙新华电脑学院	Changsha Xinhua Computer Institute* (长沙新华电脑学院)	PRC	41	8274271	December 6, 2021
61.	安徽万通汽车专修学院	Anhui Wontone Automobile Maintenance Institute	PRC	41	8054228	June 6, 2023
62.		Anhui Xinhua Education	PRC	41	17091040	September 6, 2027
63.	华信智原	Beijing Wisezone Education Technology Co., Ltd	PRC	35	16577235	May 13, 2026
64.	华信智原	Beijing Wisezone Education Technology Co., Ltd	PRC	41	16577420	May 13, 2026
65.	华信智原	Beijing Wisezone Education Technology Co., Ltd	PRC	42	16577494	May 13, 2026
66.		Beijing Wisezone Education Technology Co., Ltd	PRC	35	16737090	June 27, 2026



No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
67.		Beijing Wisezone Education Technology Co., Ltd	PRC	41	16737082	July 13, 2026
68.		Beijing Wisezone Education Technology Co., Ltd	PRC	42	16737104	July 13, 2026
69.		Anhui Simai'er	PRC	28	12130942	March 20, 2025
70.		Anhui Simai'er	PRC	29	12130922	March 20, 2025
71.		Anhui Simai'er	PRC	36	12130879	August 6, 2024
72.		Anhui Simai'er	PRC	41	12130859	March 20, 2025
73.		Anhui Simai'er	PRC	44	12130841	March 20, 2025
74.		Anhui Simai'er	PRC	18	12130322	July 20, 2024
75.		Anhui Simai'er	PRC	24	12130288	March 20, 2025
76.		Anhui Simai'er	PRC	25	12130046	July 20, 2024



No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
77.		Anhui Simai'er	PRC	28	12130337	July 20, 2024
78.		Anhui Simai'er	PRC	29	12130390	July 20, 2024
79.		Anhui Simai'er	PRC	30	12130020	July 20, 2024
80.		Anhui Simai'er	PRC	32	12129992	July 20, 2024
81.		Anhui Simai'er	PRC	35	12129963	August 20, 2024
82.		Anhui Simai'er	PRC	36	12130744	July 20, 2024
83.		Anhui Simai'er	PRC	41	12130781	July 20, 2024
84.		Anhui Simai'er	PRC	43	12129935	July 20, 2024
85.		Anhui Simai'er	PRC	44	12130817	August 6, 2024
86.	御金香	Anhui Simai'er	PRC	43	4032562	April 20, 2027
87.		Anhui Simai'er	PRC	35	10743082	June 13, 2023
88.		Anhui Simai'er	PRC	36	10743089	June 13, 2023
89.		Anhui Simai'er	PRC	41	10743104	June 13, 2023

No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
90.		Anhui Simai'er	PRC	43	10743116	March 20, 2024
91.		Anhui Simai'er	PRC	44	10743127	January 13, 2024
92.		Anhui Simai'er	PRC	35	10734325	June 13, 2023
93.		Anhui Simai'er	PRC	36	10734421	December 6, 2023
94.		Anhui Simai'er	PRC	41	10734436	June 13, 2023
95.		Anhui Simai'er	PRC	43	10734460	April 6, 2025
96.		Anhui Simai'er	PRC	44	10734599	May 13, 2024
97.	福来佳	Anhui Simai'er	PRC	35	5808412	March 27, 2020
98.		Anhui Simai'er	PRC	18	10748640	September 13, 2023
99.		Anhui Simai'er	PRC	24	10748649	June 20, 2023
100.		Anhui Simai'er	PRC	28	10748669	December 6, 2023
101.		Anhui Simai'er	PRC	30	10748690	November 27, 2023
102.		Anhui Simai'er	PRC	18	10729453	August 6, 2023

No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
103.		Anhui Simai'er	PRC	24	10729459	September 6, 2023
104.		Anhui Simai'er	PRC	28	10729471	September 27, 2023
105.		Anhui Simai'er	PRC	29	10729476	June 13, 2023
106.	魅厨	Anhui Xinhua Education	PRC	41	22845581	February 20, 2028
107.	秘味	Anhui Xinhua Education	PRC	41	22845629	February 20, 2028
108.		Anhui Xinhua Education	PRC	43	24726205	June 20, 2028
109.		Anhui Xinhua Education	PRC	41	24722645	June 21, 2028
110.	美味学院	Anhui Xinhua Education	PRC	41	24721147	August 28, 2028
111.	 CUISINE ACADEMY 美味学院	Anhui Xinhua Education	PRC	41	24717322	August 27, 2028
112.	华信智原	Beijing Wisezone Education Technology Co., Ltd* (北京華信智原教育技術有限公司)	PRC	35	26366814	August 27, 2028
113.	华信智原	Beijing Wisezone Education Technology Co., Ltd* (北京華信智原教育技術有限公司)	PRC	41	26365624	August 27, 2028
114.	华信智原	Beijing Wisezone Education Technology Co., Ltd* (北京華信智原教育技術有限公司)	PRC	42	26357616	August 27, 2028

No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
115.	<b>WISEZONE</b> 华信智原	Beijing Wisezone Education Technology Co., Ltd* (北京華信智原教育技術有限公司)	PRC	35	26371838	August 27, 2028
116.	<b>WISEZONE</b> 华信智原	Beijing Wisezone Education Technology Co., Ltd* (北京華信智原教育技術有限公司)	PRC	41	26358984	August 27, 2028
117.	<b>WISEZONE</b> 华信智原	Beijing Wisezone Education Technology Co., Ltd* (北京華信智原教育技術有限公司)	PRC	42	26366648	August 27, 2028
118.	秘味	Anhui Xinhua Education	PRC	9	25525092	July 27, 2028
119.	秘味	Anhui Xinhua Education	PRC	41	25535616	July 27, 2028
120.	秘味	Anhui Xinhua Education	PRC	42	25528619	July 27, 2028
121.	秘味 SECRET TASTE	Anhui Xinhua Education	PRC	9	25523453	July 27, 2028
122.	秘味 SECRET TASTE	Anhui Xinhua Education	PRC	41	25539991	July 27, 2028
123.	秘味 SECRET TASTE	Anhui Xinhua Education	PRC	42	25538212	July 27, 2028
124.		Nanjing Xinhua Computer Institute* (南京新華電腦專修學院)	PRC	41	25563552	July 27, 2028
125.		Nanjing Xinhua Computer Institute* (南京新華電腦專修學院)	PRC	35	25557923	July 27, 2028

No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
126.		Nanjing Xinhua Computer Institute* (南京新華電腦專修學院)	PRC	41	25544726	July 27, 2028
127.		Nanjing Xinhua Computer Institute* (南京新華電腦專修學院)	PRC	35	25555601	July 27, 2028
128.		Anhui New East Culinary Professional Institute	PRC	41	25551119	March 27, 2029
129.		Anhui New East Culinary Professional Institute	PRC	41	25554354	March 27, 2029
130.		Anhui New East Culinary Professional Institute	PRC	41	25551179	March 27, 2029
131.		Anhui Xinhua Education	PRC	35	25909443	March 27, 2029
132.		Anhui Xinhua Education	PRC	41	25929254	March 27, 2029
133.		Anhui Xinhua Education	PRC	41	32925370	May 6, 2029
134.		Anhui Xinhua Education	PRC	44	32934592	May 6, 2029
135.		Anhui Xinhua Education	PRC	8	32941394	May 13, 2029

As at the Latest Practicable Date, we have registered one trademark in Hong Kong which, in the opinion of our Directors, is material to our business:

Trademark	Registered Owner	Place of registration	Class	Registration number	Date of registration
	Anhui Xinhua Education	Hong Kong	30, 35, 41, 43	304736953	November 16, 2018

As at the Latest Practicable Date, 55 applications had been made in PRC or Hong Kong for the registrations of the following trademarks:

No.	Trademark	Applicant	Place of registration	Class	Application number	Application date
1.		Anhui Xinhua Education	PRC	35	25529326	July 26, 2017
2.		Anhui Xinhua Education	PRC	35	25527706	July 26, 2017
3.		Anhui Xinhua Education	PRC	3	32936633	August 16, 2018
4.		Anhui Xinhua Education	PRC	9	32941437	August 16, 2018
5.		Anhui Xinhua Education	Hong Kong	16, 30, 32, 33, 41, 42, 43	304736944	November 16, 2018
6.		Anhui Xinhua Education	PRC	41	34942484	November 27, 2018
7.		Anhui Xinhua Education	PRC	41	34949135	November 27, 2018
8.		Anhui Xinhua Education	PRC	41	34936548	November 27, 2018
9.		Anhui Xinhua Education	PRC	41	34926424	November 27, 2018
10.		Anhui Xinhua Education	PRC	41	34926260	November 27, 2018

No.	Trademark	Applicant	Place of registration	Class	Application number	Application date
11.	 欧曼蒂 on-mind	Anhui Xinhua Education	PRC	41	34926250	November 27, 2018
12.	 欧曼蒂教育 on-mind education	Anhui Xinhua Education	PRC	41	34949272	November 27, 2018
13.	 欧曼蒂美业教育 on-mind beauty education	Anhui Xinhua Education	PRC	41	34940904	November 27, 2018
14.	 欧曼蒂时尚美业教育 on-mind fashion & beauty education	Anhui Xinhua Education	PRC	41	34943322	November 27, 2018
15.	 欧曼蒂美业学校 on-mind beauty educational institution	Anhui Xinhua Education	PRC	41	34940911	November 27, 2018
16.	 欧曼蒂时尚美业学校 on-mind fashion & beauty educational institution	Anhui Xinhua Education	PRC	41	34926358	November 27, 2018
17.	 欧曼蒂美业学院 on-mind beauty institute	Anhui Xinhua Education	PRC	41	34929347	November 27, 2018
18.	 欧曼蒂时尚美业学院 on-mind fashion & beauty institute	Anhui Xinhua Education	PRC	41	34950830	November 27, 2018
19.	 欧曼蒂美业研究院 on-mind beauty academy	Anhui Xinhua Education	PRC	41	34940934	November 27, 2018
20.	 欧曼蒂时尚美业研究院 on-mind fashion & beauty academy	Anhui Xinhua Education	PRC	41	34926390	November 27, 2018
21.	欧曼蒂	Anhui Xinhua Education	PRC	35	34937289	November 27, 2018
22.	欧曼蒂	Anhui Xinhua Education	PRC	35	34936641	November 27, 2018
23.	欧曼蒂	Anhui Xinhua Education	PRC	35	34940971	November 27, 2018
24.		Anhui Xinhua Education	PRC	35	34940980	November 27, 2018
25.	 欧曼蒂 on-mind	Anhui Xinhua Education	PRC	35	34948880	November 27, 2018
26.	 欧曼蒂 on-mind	Anhui Xinhua Education	PRC	35	34927602	November 27, 2018

No.	Trademark	Applicant	Place of registration	Class	Application number	Application date
27.	 欧曼谛教育 on-mind education	Anhui Xinhua Education	PRC	35	34931262	November 27, 2018
28.	 欧曼谛美业教育 on-mind beauty education	Anhui Xinhua Education	PRC	35	34936608	November 27, 2018
29.	 欧曼谛美业学院 on-mind beauty institute	Anhui Xinhua Education	PRC	35	34928982	November 27, 2018
30.	 欧曼谛时尚美业学校 on-mind fashion beauty education school	Anhui Xinhua Education	PRC	35	34936633	November 27, 2018
31.	 欧曼谛时尚美业教育 on-mind fashion & beauty education	Anhui Xinhua Education	PRC	35	34945711	November 27, 2018
32.	欧曼帝	Anhui Xinhua Education	PRC	3	34936037	November 27, 2018
33.	欧曼蒂	Anhui Xinhua Education	PRC	3	34927717	November 27, 2018
34.	欧曼缔	Anhui Xinhua Education	PRC	3	34943435	November 27, 2018
35.		Anhui Xinhua Education	PRC	3	34938965	November 27, 2018
36.	 欧曼谛 on-mind	Anhui Xinhua Education	PRC	3	34932888	November 27, 2018
37.	 欧曼谛 on-mind	Anhui Xinhua Education	PRC	3	34949064	November 27, 2018
38.	欧曼帝	Anhui Xinhua Education	PRC	8	34943802	November 27, 2018
39.	欧曼蒂	Anhui Xinhua Education	PRC	8	34927358	November 27, 2018
40.	欧曼缔	Anhui Xinhua Education	PRC	8	34943777	November 27, 2018
41.		Anhui Xinhua Education	PRC	8	34945341	November 27, 2018



No.	Trademark	Applicant	Place of registration	Class	Application number	Application date
42.		Anhui Xinhua Education	PRC	8	34938602	November 27, 2018
43.		Anhui Xinhua Education	PRC	8	34929414	November 27, 2018
44.	欧曼蒂	Anhui Xinhua Education	PRC	9	34937827	November 27, 2018
45.	欧曼蒂	Anhui Xinhua Education	PRC	9	34936237	November 27, 2018
46.	欧曼蒂	Anhui Xinhua Education	PRC	9	34951733	November 27, 2018
47.		Anhui Xinhua Education	PRC	9	34927753	November 27, 2018
48.		Anhui Xinhua Education	PRC	9	34930962	November 27, 2018
49.		Anhui Xinhua Education	PRC	9	34941057	November 27, 2018
50.	欧曼蒂	Anhui Xinhua Education	PRC	44	34936297	November 27, 2018
51.	欧曼蒂	Anhui Xinhua Education	PRC	44	34948392	November 27, 2018
52.	欧曼蒂	Anhui Xinhua Education	PRC	44	34934923	November 27, 2018
53.		Anhui Xinhua Education	PRC	44	34939393	November 27, 2018
54.		Anhui Xinhua Education	PRC	44	34943854	November 27, 2018
55.		Anhui Xinhua Education	PRC	44	34931373	November 27, 2018

**Domain Names**

As at the Latest Practicable Date, we have registered the following domain name which, in the opinion of our Directors, are material to our business:

<u>Registrant</u>	<u>Domain name</u>	<u>Date of registration</u>	<u>Expiration date</u>
Anhui Xinhua Education	xhe.cn	March 3, 2011	December 14, 2026
Anhui Xinhua Computer Institute	ahxh.com	March 19, 2009	October 24, 2025
Anhui New East Culinary Professional Institute	xdfpr.com	July 18, 2002	July 18, 2019
Chengdu New East Culinary School	scxdf.com	September 22, 2004	September 22, 2019
Anhui Wontone Automobile Maintenance Institute	ahwtqx.com	January 10, 2011	August 31, 2020
Chengdu Wontone Automobile Vocational Training School Co., Ltd.	scwtqx.com	June 2, 2009	June 2, 2020
Omick Western Catering Training (Shanghai) Co., Ltd.	shomick.com	August 27, 2014	August 27, 2025
Beijing Wisezone Education Technology Co., Ltd.	hxzy.cn	April 13, 2013	April 13, 2020
Xinhua Chuangzhi	chinaeastedu.com	November 26, 2018	November 27, 2019

**Patents**

As at the Latest Practicable Date, we have registered the following registered patents which, in the opinion of our Directors, are material to our business:

No.	Owner of the Patent	Name of the Patent	Patent No.	Application Date	Patent Category
1.	Anhui Wontone Automobile Maintenance Institute	一種多功能螺栓拆裝訓練台 (A kind of multifunctional bolt disassembly training platform)	ZL201520175608.8	March 26, 2015	Utility models (實用新型)
2.	Anhui Wontone Automobile Maintenance Institute	一種遮蓋練槍台架 (A kind of covered platform for practising gunmanship)	ZL201520873753.3	November 2, 2015	Utility models
3.	Anhui Wontone Automobile Maintenance Institute	一種便攜式四輪定位裝置 (A kind of portable four wheel positioning device)	ZL201520973506.0	November 26, 2015	Utility models
4.	Anhui Wontone Automobile Maintenance Institute	一種自動變速器360度教學演示台架 (A kind of 360 degrees teaching demonstration stand regarding automatic transmission)	ZL201520973480.X	November 26, 2015	Utility models
5.	Anhui Wontone Automobile Maintenance Institute	一種多功能汽車教學台架 (A kind of multifunctional automobile teaching platform)	ZL201720220068.X	March 7, 2017	Utility models
6.	Anhui Wontone Automobile Maintenance Institute	一種燃油直噴式發動機教學演示台架 (A kind of direct injection fuel engine teaching demonstration bench)	ZL201621333048.5	December 7, 2016	Utility models

No.	Owner of the Patent	Name of the Patent	Patent No.	Application Date	Patent Category
7.	Anhui Wontone Automobile Maintenance Institute	一種無級變速器動態演示操作台 (A kind of dynamic demonstration console regarding continuously variable transmission)	ZL201720217457.7	March 7, 2017	Utility models
8.	Anhui Wontone Automobile Maintenance Institute	一種用於整車鍍金教學的掛架 (A kind of rack for teaching treatment of sheet metals for automobiles)	ZL201720141755.2	February 16, 2017	Utility models
9.	Anhui Wontone Automobile Maintenance Institute	一種車輛底盤展示架 (A kind of vehicle chassis display stand)	ZL201720365316.X	April 7, 2017	Utility models
10.	Anhui Wontone Automobile Maintenance Institute	折疊式四門貼膜實訓台 (Folding four-door film training platform)	ZL201820737465.9	May 17, 2018	Utility models
11.	Anhui New East Culinary Technical School* (安徽新東方烹飪技工學校)	工具箱 (Toolbox)	ZL201730487351.4	October 13, 2017	Designs (外觀設計)
12.	Nanjing Wontone Automobile Vocational Training Institute	用於汽車教學的實驗箱 (Experiment box for use in automobiles teaching)	ZL201621430689.2	December 25, 2016	Utility models
13.	Shandong Wontone Automobile Vocational Training Institute	一種變速器解剖教學實訓台架 (A kind of training platform for teaching anatomy of a transmission)	ZL201621048080.9	September 9, 2016	Utility models

No.	Owner of the Patent	Name of the Patent	Patent No.	Application Date	Patent Category
14.	Shandong Wontone Automobile Vocational Training Institute	一種柴油機燃料供給實訓台架 (A kind of training platform on provision of diesel)	ZL201621051021.7	September 9, 2016	Utility models
15.	Shandong Wontone Automobile Vocational Training Institute	一種離合器與變速箱實訓台架 (Clutch and gearbox training gantry)	ZL201621048064.X	September 9, 2016	Utility models
16.	Shandong Wontone Automobile Vocational Training Institute	一種汽車故障設置教學實訓系統 (A kind of teaching and training system for automobile fault reset)	ZL201621050707.4	September 9, 2016	Utility models
17.	Shandong Wontone Automobile Vocational Training Institute	一種用於汽車玻璃大燈的修復台架 (A kind of repair gantry for automotive glass headlights)	ZL201720981682.8	August 7, 2017	Utility models
18.	Shandong Wontone Automobile Vocational Training Institute Co., Ltd.	一種用於汽車設備學習的實訓台架 (A type of training platform for use in automotive equipment learning)	ZL201820580958.6	April 23, 2018	Utility models
19.	Shandong Wontone Automobile Vocational Training Institute Co., Ltd.	一種擋風玻璃拆裝實訓台架 (A type of windshield disassembly training platform)	ZL201820582338.6	April 23, 2018	Utility models
20.	Shandong Wontone Automobile Vocational Training Institute	一種便拆式渦輪增壓器演示台架 (A kind of detachable turbocharger demonstration stand)	ZL201820582336.7	April 23, 2017	Utility models
21.	Yunnan Wontone Automobile Vocational Training Institute	汽車 (Automobile)	ZL201830019742.8	January 16, 2018	Designs

No.	Owner of the Patent	Name of the Patent	Patent No.	Application Date	Patent Category
22.	Yunnan Wontone Automobile Vocational Training Institute	油電混合動力蓄電池散熱系統 (Hybrid battery cooling system)	ZL201820071277.7	January 16, 2018	Utility models
23.	Zhengzhou Wontone Automobile-Maintenance Vocational Training Institute	一種汽車電工實訓台 (A kind of automobile electrician training platform)	ZL201720521466.5	May 11, 2017	Utility models
24.	Zhengzhou Wontone Automobile-Maintenance Vocational Training Institute	一種汽車電路模擬展示架 (A kind of automobile circuit simulation display stand)	ZL201720521458.0	May 11, 2017	Utility models
25.	Zhengzhou Wontone Automobile-Maintenance Vocational Training Institute	一種汽車發動機結構和驅動原理演示台 (A kind of demonstration platform on automobile engine structure and propulsion principle)	ZL201720520999.1	May 11, 2017	Utility models
26.	Sichuan Wontone Automobile Vocational Training School	一種新型灰刀擺放展示架 (A new type of grey knife display stand)	ZL201721487196.7	November 9, 2017	Utility models
27.	Sichuan Wontone Automobile Vocational Training School	一種簡易車身結構強度教學模型 (A simplified car body structure strength teaching model)	ZL201721487186.3	November 9, 2017	Utility models
28.	Hunan Wontone Automobile Repair Vocational Training School	一種汽車美容拋光貼膜教學設備 (A type of automobile beauty polishing film teaching equipment)	ZL201721629107.8	November 29, 2017	Utility models

**Copyrights**

As at the Latest Practicable Date, we have registered the following registered copyrights which, in the opinion of our Directors, are material to our business:

*(i) Works (excluding softwares)*

No.	Owner of the Copyright	Name of the Copyright	Registration No.	Registration Date
1.	Langjie Technology	汽車板件拆裝技術專業教學視頻 (Automotive panel disassembly technology professional teaching video)	國作登字-2017-I-00361522	March 1, 2017
2.	Langjie Technology	汽車切割與焊接技術專業教學視頻 (Automotive separation and welding technology professional teaching video)	國作登字-2017-I-00361523	March 1, 2017
3.	Langjie Technology	汽車塗裝技術規範及工藝流程專業教學視頻 (Automotive painting techniques standardisation and workmanship procedures professional teaching video)	國作登字-2017-I-00381438	April 27, 2017
4.	Langjie Technology	汽車微鈹金技術專業教學視頻 (Automotive micro-sheet metal technology professional teaching video)	國作登字-2017-I-00361524	March 1, 2017
5.	Langjie Technology	萬通汽車教育視頻—學生管理 (Wontone Automobile educational video — student management)	國作登字-2017-I-00398764	November 7, 2017
6.	Langjie Technology	萬通汽車教育視頻—教學方法 (Wontone Automobile educational video — teaching methods)	國作登字-2017-I-00428999	October 31, 2017
7.	Langjie Technology	萬通汽車教育視頻—教學管理 (Wontone Automobile educational video — teaching management)	國作登字-2017-I-00428998	October 31, 2017

No.	Owner of the Copyright	Name of the Copyright	Registration No.	Registration Date
8.	Beijing Xinhua Langjie Education Technology Co., Ltd.* (北京新華朗傑教育科技有限公司) (former name of Langjie Technology)	《新華電腦教育標準化課程體系數字藝術系列教材》(共45冊) ("Xinhua Computer Education Standardisation Course System Art of Numbers Series Materials" (45 volumes in total))	2008-A-014455	December 5, 2008
9.	Beijing Xinhua Langjie Education Technology Co., Ltd.	《新華電腦教育標準化課程體系電子商務系列教材》(共13冊) ("Xinhua Computer Education Standardisation Course System E-Commerce Series Materials" (13 volumes in total))	2008-A-014456	December 5, 2008
10.	Beijing Xinhua Langjie Education Technology Co., Ltd.	《新華電腦教育標準化課程體系網站開發系列教材》(共8冊) ("Xinhua Computer Education Standardisation Course System Website Development Series Materials" (8 volumes in total))	2008-A-014457	December 5, 2008
11.	Beijing Xinhua Langjie Education Technology Co., Ltd.	《新華電腦教育標準化課程體系網絡技術系列教材》(共19冊) ("Xinhua Computer Education Standardisation Course System Network Technology Series Materials" (19 volumes in total))	2008-A-014458	December 5, 2008
12.	Beijing Xinhua Langjie Education Technology Co., Ltd.	《新華電腦教育標準化課程體系電腦全能系列教材》(共13冊) ("Xinhua Computer Education Standardisation Course System Computer All-rounded Series Materials" (13 volumes in total))	2008-A-014459	December 5, 2008



No.	Owner of the Copyright	Name of the Copyright	Registration No.	Registration Date
13.	Beijing Xinhua Langjie Education Technology Co., Ltd.	《新東方烹飪教育標準化課程體系系列教材》(共26冊) ("New East Culinary Education Standardisation Course System Series Materials" (26 volumes in total))	2008-A-014460	December 5, 2008
14.	Beijing Xinhua Langjie Education Technology Co., Ltd.	《新華電腦教育標準化課程體系嵌入式技術系列教材》(共27冊) ("Xinhua Computer Education Standardisation Course System Embedded Technology Series Materials" (27 volumes in total))	2008-A-014461	December 5, 2008
15.	Beijing Xinhua Langjie Education Technology Co., Ltd.	《新華電腦教育標準化課程體系嵌入式技術系列教學視頻》(共2部) ("Xinhua Computer Education Standardisation Course System Embedded Technology Series Teaching Video" (2 parts in total))	2009-V-015701	February 18, 2009
16.	Beijing Xinhua Langjie Education Technology Co., Ltd.	《新華電腦教育標準化課程體系系列教學視頻》(共6部) ("Xinhua Computer Education Standardisation Course System Series Teaching Video" (6 parts in total))	2009-V-015702	February 18, 2009
17.	Beijing Xinhua Langjie Education Technology Co., Ltd.	《新東方烹飪教育標準化課程體系系列教學視頻》(共12部) ("New East Culinary Education Standardisation Course System Series Teaching Video" (12 parts in total))	2009-V-015703	February 18, 2009

## (ii) Softwares

No.	Owner of the Copyright	Name of the Copyright	Registration No.	Registration Date
1.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++網站內容管理系統 V1.0 [簡稱:3++WCMS] (Xinhua Education 3++ Website Content Management System V1.0 [abbreviated as: 3++WCMS])	2008SR23592	October 10, 2008
2.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++網校信息系統 V1.0 [簡稱:3++ELS] (Xinhua Education 3++ Network School Information System V1.0 [abbreviated as: 3++ELS])	2008SR23593	October 10, 2008
3.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++招生諮詢信息管理系統 V1.0 [簡稱:3++AIMS] (Xinhua Education 3++ Admissions Advisory Information Management System V1.0 [abbreviated as: 3++AIMS])	2008SR23594	October 10, 2008
4.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++學生電子檔案系統 [簡稱:3++SEFS] V1.0 (Xinhua Education 3++ Student Electronic File System [abbreviated as: 3++SEFS] V1.0)	2008SR32514	December 8, 2008
5.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++教學資源管理系統 [簡稱:3++LRMS] V1.0 (Xinhua Education 3++ Teaching Resources Management System [referred to as: 3++LRMS] V1.0)	2008SR32515	December 8, 2008
6.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++學生能力測評和技能發展規劃預測系統 [簡稱:3++ESP] V1.0 (Xinhua Education 3++ Student Ability Assessment and Skill Development Planning Forecast System [abbreviated as: 3++ESP] V1.0)	2008SR32825	December 8, 2008

No.	Owner of the Copyright	Name of the Copyright	Registration No.	Registration Date
7.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++院校計劃管理監控系統 V1.0 [簡稱:3++SCC] (Xinhua Education 3++ College Program Management Monitoring System V1.0 [abbreviated as: 3++SCC])	2008SR32827	December 8, 2008
8.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++學生考試系統 [簡稱:3++SES] V1.0 (Xinhua Education 3++ Student Examination System [abbreviated as: 3++SES] V1.0)	2010SR055695	October 22, 2010
9.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++學生就業管理與發佈系統 [簡稱:3++XHJOB] V1.0 (Xinhua Education 3++ Student Employment Management and Announcement System [abbreviated as: 3++XHJOB] V1.0)	2010SR055688	October 22, 2010
10.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++學生電子檔案管理系統 [簡稱:3++SEFS] V2.0 (Xinhua Education 3++ Student Electronic File Management System [abbreviated as: 3++SEFS] V2.0)	2010SR055836	October 22, 2010
11.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++網站內容管理系統 V2.0 [簡稱:3++WCMS] (Xinhua Education 3++ Website Content Management System V2.0 [abbreviated as: 3++WCMS])	2010SR055690	October 22, 2010
12.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++招生諮詢信息管理系統 [簡稱:3++AIMS] V2.0 (Xinhua Education 3++ Admissions Advisory Information Management System [abbreviated as: 3++AIMS] V2.0)	2010SR055835	October 22, 2010

No.	Owner of the Copyright	Name of the Copyright	Registration No.	Registration Date
13.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++學生能力測評和技能發展規劃預測系統 [簡稱:3++ESP] V2.0 (Xinhua Education 3++ Student Ability Assessment and Skill Development Planning Forecast System [abbreviated as: 3++ESP] V2.0)	2010SR055693	October 22, 2010
14.	Langjie Technology	3++學生就業管理與發佈系統 [簡稱:3++XHJOB] V2.0 (3++ Student Employment Management and Announcement System [abbreviated as: 3++XHJOB] V2.0)	2013SR080500	August 5, 2013
15.	Langjie Technology	3++學生考試系統 [簡稱:3++SES] V2.0 (3++ Student Examination System [abbreviated as: 3++SES] V2.0)	2013SR080663	August 5, 2013
16.	Langjie Technology	3++學生電子檔案管理系統 [簡稱:3++SEFS] V3.0 (3++ Student Electronic File Management System [abbreviated as: 3++SEFS] V3.0)	2013SR080673	August 5, 2013
17.	Langjie Technology	3++網校系統 [簡稱:3++ELS] V3.0 (3++ Internet School System [abbreviated as: 3++ELS] V3.0)	2013SR081124	August 6, 2013
18.	Langjie Technology	3++學生收費管理系統 [簡稱:3++SFMS] V2.0 (3++ Student Fees Management System [abbreviated as: 3++SFMS] V2.0)	2013SR080866	August 6, 2013
19.	Langjie Technology	3++招生諮詢信息管理系統 [簡稱:3++AIMS] V4.0 (3++ Admissions Advisory Information Management System [abbreviated as: 3++AIMS] V4.0)	2013SR081446	August 7, 2013
20.	Langjie Technology	3++學生證書管理與發佈系統 [簡稱:3++XHZS] V1.0 (3++ Student Certificate Management and Announcement System [abbreviated as: 3++XHZS] V1.0)	2013SR082009	August 7, 2013

**D. FURTHER INFORMATION ABOUT OUR DIRECTORS****1. Directors' service contracts and letters of appointment**

Each of our executive Directors has entered into a service contract and each of our non-executive Directors has entered into a letter of appointment 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 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 one month's notice in writing by served by the independent non-executive Director to our Company or with immediate effect following the notice in writing served by our Company to the independent non-executive Director.

The current basic annual salaries of our Directors are as follows:

Mr. Wu Wei . . . . .	HK\$360,000
Mr. Xiao Guoqing. . . . .	HK\$360,000
Mr. Wu Junbao. . . . .	HK\$360,000
Mr. Lu Zhen . . . . .	HK\$360,000
Mr. Hung Ka Hai, Clement . . . . .	HK\$360,000
Mr. Cheung Tsun Yung, Thomas . . . . .	HK\$360,000
Dr. Zhu Guobin . . . . .	HK\$360,000

Save as aforesaid, none of our Directors has or is proposed to have a service contract with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

**2. Directors' remuneration during the Track Record Period**

For the three years ended December 31, 2016, 2017 and 2018, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was RMB229,000, RMB285,000 and RMB338,000, respectively.

No other emoluments have been paid or are payable, in respect of the three years ended December 31, 2016, 2017 and 2018 by us to our Directors.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending December 31, 2019 would be approximately HK\$1,470,000.

## E. DISCLOSURE OF INTERESTS

## 1. Disclosure of interests

**(a) Interests and short positions of our Directors in our share capital and our associated corporations as of the Latest Practicable Date and following the Capitalization Issue and the Global Offering**

Immediately following completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the Pre-IPO Share Option Scheme, Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of our Directors and the chief executive of our Company in our Shares, underlying Shares and debentures of our associated corporations, within the meaning of Part XV of the SFO which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Interests and short positions in the shares, underlying shares and debentures and associated corporations:

*(i) Long position in our Company*

Name of Director	Capacity/Nature of interest	Immediately after the Global Offering and the Capitalization Issue <sup>(4)</sup>	
		Number of Shares	Approximate Number of percentage of Shares shareholding
Mr. Wu Junbao <sup>(1)</sup>	Interest in a controlled corporation	743,743,602	34.1323%
Mr. Wu Wei <sup>(2)</sup>	Interest in a controlled corporation	509,386,109	23.3771%
Mr. Xiao Guoqing <sup>(3)</sup>	Interest in a controlled corporation	490,017,995	22.4882%

*Notes:*

- (1) Mr. Wu Junbao holds the entire issued share capital of Wu Junbao Education and he is therefore deemed to be interested in the 743,743,602 Shares held by Wu Junbao Education under the SFO.
- (2) Mr. Wu Wei holds the entire issued share capital of Wu Wei Education and he is therefore deemed to be interested in the 509,386,109 Shares held by Wu Wei Education under the SFO.
- (3) Mr. Xiao Guoqing holds the entire issued share capital of Xiao Guoqing Education and he is therefore deemed to be interested in the 490,017,995 Shares held by Xiao Guoqing Education under the SFO.
- (4) Assuming the Over-allotment Option is not exercised and no shares are issued under the Pre-IPO Share Option Scheme and the Share Option Scheme.

## (ii) Long position in associated corporations

Anhui Xinhua Education

Name	Capacity/Nature of interest	Immediately after the Global Offering and the Capitalization Issue <sup>(1)</sup>	
		Amount of registered capital (RMB)	Approximate percentage of shareholding
Mr. Wu Junbao . . .	Beneficial owner	42,666,700	42.6667%
Mr. Wu Wei . . . . .	Beneficial owner	29,222,200	29.2222%
Mr. Xiao Guoqing . .	Beneficial owner	28,111,100	28.1111%

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Note:

(1) Assuming no exercise of the Over-allotment Option or any options that may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme.

**(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO**

Immediately following completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the Pre-IPO Share Option Scheme, Share Option Scheme or the exercise of the Over-allotment Option, so far as our Directors are aware, the following persons (not being a Director or chief executive of our Company) are expected to have interests or short positions in our Shares or underlying Shares which are required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

## (i) Interests and short positions in our Company

Long position in our Shares

Name	Capacity/Nature of interest	Immediately after the Global Offering and the Capitalization Issue <sup>(7)</sup>	
		Number of Shares	Approximate percentage of shareholding
Mr. Wu Junbao <sup>(1)</sup> . .	Interest in a controlled corporation	743,743,602	34.1323%
Wu Junbao Education <sup>(1)</sup> . . . . .	Beneficial owner	743,743,602	34.1323%
Ms. Zhou Jiaju (周家菊) <sup>(1)(2)</sup> . . . . .	Spousal interest	743,743,602	34.1323%
Mr. Wu Wei <sup>(3)</sup> . . . . .	Interest in a controlled corporation	509,386,109	23.3771%

Name	Capacity/Nature of interest	Immediately after the Global Offering and the Capitalization Issue <sup>(7)</sup>	
		Number of Shares	Approximate percentage of shareholding
Wu Wei Education <sup>(3)</sup> . . . . .	Beneficial owner	509,386,109	23.3771%
Ms. Cheng Jing (程靜) <sup>(3)(4)</sup> . . . . .	Spousal interest	509,386,109	23.3771%
Mr. Xiao Guoqing <sup>(5)</sup> . . . . .	Interest in a controlled corporation	490,017,995	22.4882%
Xiao Guoqing Education <sup>(5)</sup> . . . . .	Beneficial owner	490,017,995	22.4882%
Ms. Wei Zhiling (衛志玲) <sup>(5)(6)</sup> . . . . .	Spousal interest	490,017,995	22.4882%

Notes:

- (1) Wu Junbao Education, which is wholly-owned by Mr. Wu Junbao, is the beneficial owner of approximately 34.1323% of the shareholding in our Company. By virtue of the SFO, Mr. Wu Junbao and Ms. Zhou Jiaju (spouse of Mr. Wu Junbao) are deemed to be interested in all of the Shares held by Wu Junbao Education.
- (2) Ms. Zhou Jiaju (周家菊), the spouse of Mr. Wu Junbao, is deemed under the SFO to be interested in the interests held by Mr. Wu Junbao.
- (3) Wu Wei Education, which is wholly-owned by Mr. Wu Wei, is the beneficial owner of approximately 23.3771% of the shareholdings in our Company. By virtue of the SFO, Mr. Wu Wei and Ms. Cheng Jing (spouse of Mr. Wu Wei) are deemed to be interested in all of the Shares held by Wu Wei Education.
- (4) Ms. Cheng Jing (程靜), the spouse of Mr. Wu Wei, is deemed under the SFO to be interested in the interests held by Mr. Wu Wei.
- (5) Xiao Guoqing Education, which is wholly-owned by Mr. Xiao Guoqing, is the beneficial owner of approximately 22.4882% of the shareholdings in our Company. By virtue of the SFO, Mr. Xiao Guoqing and Ms. Wei Zhiling (spouse of Mr. Xiao Guoqing) are deemed to be interested in all of the Shares held by Xiao Guoqing Education.
- (6) Ms. Wei Zhiling (衛志玲), the spouse of Mr. Xiao Guoqing, is deemed under the SFO to be interested in the interests held by Mr. Xiao Guoqing.
- (7) Assuming no exercise of the Over-allotment Option or any options that may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme.



## 2. Disclaimers

Save as disclosed above:

- (a) our Directors are not aware of any person (not being our Director or chief executive) who will, immediately after completion of the Capitalization Issue and the Global Offering (without taking into account Shares which may be issued upon the exercise of the Over-allotment Option or the Shares which may be issued upon the exercise of options granted under the Share Option Scheme and the Capitalization Issue), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group;
- (b) none of our Directors has any interest or short position in any of our Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once our Shares are listed;
- (c) none of our Directors nor any of the parties listed in the section headed “— G. Other Information — 10. Consents of experts” in this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;
- (d) none of our Directors nor any of the parties listed in the section headed “— G. Other Information — 10. Consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed “— G. Other Information — 10. Consents of experts” in this Appendix:
  - (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or
  - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;
- (f) none of our Directors or their close associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

**F. PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME****1. Pre-IPO Share Option Scheme**

The following is a summary of principal terms of the Pre-IPO Share Option Scheme conditionally approved by a resolution of the then Shareholders passed on December 7, 2018 and adopted by a resolution of the Board on December 7, 2018 (the “Pre-IPO Share Option Scheme Adoption Date”). The terms of the Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-IPO Share Option Scheme will not involve the grant of options by us to subscribe for Shares after the Listing.

We have applied to the Stock Exchange and the SFC, respectively for, (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) an exemption under section 342A of the Companies (WUMP) Ordinance from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies (WUMP) Ordinance. See the section headed “Waivers from Compliance with the Listing Rules and Exemption from the Companies (WUMP) Ordinance — Waiver and Exemption in relation to the Pre-IPO Share Option Scheme” in this prospectus for more information.

**(a) Purpose**

The purpose of the Pre-IPO Share Option Scheme is to give eligible participants an opportunity to have a personal stake in our Company and help motivate them to optimise their future performance and efficiency to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group.

**(b) Eligible persons**

Subject to the terms of the Pre-IPO Share Option Scheme, our Board shall be entitled to offer the grant of any option to subscribe for Shares granted pursuant to the Pre-IPO Share Option Scheme for the time being subsisting (“Option”) to any persons who satisfy the following eligibility criteria (“Eligible Person(s)”) as our Board may in its absolute discretion select:

- (a) any current or former executive director of, manager of, headmaster of, dean of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (an “Executive”), any current or former full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (an “Employee”);
- (b) a current or former director or proposed director (including an independent non-executive director) or current or former manager of any member of our Group; and
- (c) an associate (which shall have the same meaning ascribed to it under the Listing Rules) of any of the persons referred to in (a) to (b) above.

The basis of eligibility shall be determined by our Board from time to time.

***(c) Duration and Administration***

The Pre-IPO Share Option Scheme shall come into effect upon the approval and adoption of the Pre-IPO Share Option Scheme by all the shareholders of our Company.

Subject to the approval of the shareholders of our Company and the termination provisions in the Pre-IPO Share Option Scheme, the Pre-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Pre-IPO Share Option Scheme Adoption Date, provided that no option shall be granted on or after the Listing Date. The period during which an Option may be exercised will be determined by our Board in its absolute discretion, except no Option may be exercised more than 10 years after the date it was offered, being the date of our Board resolution approving the grant of such Option, which must be a business day (the "Offer Date").

The Pre-IPO Share Option Scheme shall be subject to the administration of our Board whose decision on all matters arising in relation to the Pre-IPO Share Option Scheme or its interpretation or effect shall (save as otherwise provided in the Pre-IPO Share Option Scheme) be final and binding on all parties. Our Board may delegate any or all of its powers in relation to the Pre-IPO Share Option Scheme to any of its committees.

***(d) Offer and grant of Options***

Subject to the terms of the Pre-IPO Share Option Scheme, our Board shall be entitled at any time between (a) the Pre-IPO Share Option Scheme Adoption Date and (b) the Listing Date (including the former but excluding the latter) to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the Subscription Price for such number of Shares as our Board may (subject to the maximum number of shares available for subscription) determine.

Our Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Pre-IPO Share Option Scheme as our Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the Option in respect of all or some of the Option Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of this Pre-IPO Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as our Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised.

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the Offer Date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Pre-IPO Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect on the relevant Offer Date when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company on or before the acceptance date. Such remittance shall in no circumstances be refundable.

**(e) Performance targets**

Our Board may impose and set out in the offer letter of grant such performance target(s) as it may deem fit for relevant Eligible Person to achieve before any Option can be exercised.

**(f) Subscription price**

The subscription price in respect of any particular Option shall be a price not more than 100% (inclusive) of the IPO price which shall be determined by our Board in its absolute discretion.

**(g) Exercise of Option**

An Option shall be exercised in whole or in part within the period commencing immediately after the Listing Date and expiring on the date of expiry which shall not exceed 10 years from the Listing Date for such Option (the "Option Period") in the manner as set out in the terms of the Pre-IPO Share Option Scheme by the grantee by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of the auditors' certificate in the event of reorganisation of capital structure, our Company shall accordingly allot and issue the relevant number of Shares to the grantee credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee share certificate(s) in respect of the Shares so allotted.

The exercise of any Option may be subject to a vesting schedule to be determined by our Board in its absolute discretion, which shall be specified in the offer letter. Notwithstanding the foregoing, the earliest vesting date shall not be earlier than the Listing Date.

The exercise of any Option shall be subject to the shareholders of our Company in general meeting approving any necessary increase in the authorised share capital of our Company.

Subject as hereinafter provided and other terms of the Pre-IPO Share Option Scheme, an Option may be exercised by the grantee at any time during the Option Period, provided that, among others:

- (1) In the event that the grantee (except in the proper course of his duties), either during his time of employment or at any time after his termination of employment (however arising) or retirement, having used or disclosed to any person, company or other organisation whatsoever (and did not use his best endeavours to prevent the publication or disclosure of) any confidential information of our Group (other than any use or disclosure authorised by our Board or required by law), our Board shall have the absolute right, at its sole discretion, to determine at any time that the grantee is no longer a qualified person, and our Company shall have the right to cancel any outstanding Option or any part of it.
- (2) Except with the prior written consent of our Company, in the event that the grantee directly or indirectly invests, participates, or engages in the restricted businesses within three years after retiring or resigning from our Group in accordance with its internal rules and policies, our Board shall have the absolute right, at its sole discretion, to determine at any time that the grantee is no longer a qualified person, and our Company shall have the right to cancel any outstanding Option or any part of it.
- (3) Except having obtained prior written consent of our Company, in the event that the grantee during its term of employment provides to his immediate family member(s) any confidential information, and such immediate family member(s) directly or indirectly invests, participates, and engages in the restricted businesses, our Board shall have the absolute right, at its sole discretion, to determine at any time that the grantee is no longer a qualified person, and our Company shall have the right to cancel any outstanding Option or any part of it.
- (4) In the event that the grantee ceases to be an Executive by reason of his transfer of employment to an affiliate company pursuant to the authorisation and approval of our Board, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period, but if such transfer of employment to an affiliate company has not been authorised and approved by our Board, our Board shall have the absolute right, at its sole discretion, to determine at any time that the grantee is no longer a qualified person, and our Company shall have the right to cancel any outstanding Option or any part of it.
- (5) In the event that the grantee abuses his position and engages in graft and bribery involving monetary amount of RMB30,000 or above, our Board shall have the absolute right, at its sole discretion, to determine at any time that the grantee is no longer a qualified person, and our Company shall have the right to cancel any outstanding Option or any part of it.
- (6) In the event that the grantee violates the internal rules and policies of our Group or any of its members, or departs our Group unilaterally without going through formal resignation procedures, our Board shall have the absolute right, at its sole discretion, to determine at any time that the Grantee is no longer a qualified person, and our Company shall have the right to cancel any outstanding Option or any part of it.

- (7) If a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of shareholders of our Company (in the case of a Pre-IPO Share Option Scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company.
- (8) If a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it despatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his or receiver) may until the expiry of the earlier of:
- (i) the Option Period;
  - (ii) the period of two months from the date of such notice; or
  - (iii) the date on which such compromise or arrangement is sanctioned by the court,
- exercise in whole or in part his Option.
- (9) In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee shall be entitled to exercise all or any of his options at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

**(h) *Maximum number of shares***

The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Pre-IPO Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date, excluding Shares which may fall to be issued upon the exercise of any over-allotment Option granted by the Company.

The said maximum numbers shall be adjusted, in such manner as the auditors or independent financial advisor appointed by our Company shall certify in writing to our Board to be fair and reasonable in the event of any alteration to the capital structure of our Company in accordance with the terms of the Pre-IPO Share Option Scheme whether by way of capitalization of profits or reserves, rights issue, consolidation, reclassification, reconstruction, subdivision or reduction of the share capital of our Company but shall not in any event exceed the limits imposed by the Listing Rules. Any such adjustment shall give the Eligible Persons the same proportion of equity capital as they were previously entitled to and no adjustments shall be made to the extent that a share would be issued at less than its nominal value. In respect of any such adjustments, other than any made on a capitalization issue, the auditors or independent financial advisor shall confirm to our Board in writing that the adjustments satisfy the requirement.

**(i) *Transferability of Options***

An Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Pre-IPO Share Option Scheme may be registered), except with the prior written consent of our Board from time to time. Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

**(j) *Lapse of Option***

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the Option period;
- (b) the expiry of any of the period referred to in section (g) relating to the exercise of Options above;
- (c) subject to the terms of the Pre-IPO Share Option Scheme referred to in paragraph (5) under section (g) relating to the exercise of Options above, the date of the commencement of the winding-up of our Company;
- (d) there is an unsatisfied judgement, order or award outstanding against the grantee or our Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts;
- (e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in the terms of the Pre-IPO Share Option Scheme; or
- (f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

**(k) Cancellation of Options**

Our Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the "Cancellation Date"):

- (a) the grantee commits or permits or attempts to commit or permit a breach of the terms of the Pre-IPO Share Option Scheme referred to in section (i) relating to transferability of Options above or any terms or conditions attached to the grant of the Option;
- (b) the grantee makes a written request to our Board for the Option to be cancelled; or
- (c) if the grantee has, in the opinion of our Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or a Subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as he may consider appropriate in any particular case.

**(l) Reorganisation of capital structure**

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalisation of profits or reserves, open offer, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, our Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (a) the maximum number of Shares subject to the Pre-IPO Share Option Scheme; and/or
- (b) the aggregate number of Shares subject to the Option so far as unexercised; and/or
- (c) the Subscription Price of each outstanding Option.

Where our Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalization issue), the Auditors appointed by our Company shall certify in writing to our Board that any such adjustments are in their opinion fair and reasonable, provided that:

- (a) any such adjustments shall be made on the basis that the aggregate Subscription Price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;
- (b) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;



- (c) no such adjustment shall be made that would increase the aggregate Intrinsic Value of the outstanding Options;
- (d) any such adjustments shall be made in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and
- (e) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

***(m) Termination of the Pre-IPO Share Option Scheme***

Our Company may by resolution in general meeting at any time terminate the operation of the Pre-IPO Share Option Scheme. Upon termination of the Pre-IPO Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Pre-IPO Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Pre-IPO Share Option Scheme.

***(n) Alteration of the Pre-IPO Share Option Scheme***

The Pre-IPO Share Option Scheme may be altered in any respect by a resolution of our Board except the following shall not be carried out except with the prior sanction of an ordinary resolution of the shareholders of our Company in general meeting:

- (a) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Pre-IPO Share Option Scheme);
- (b) any alteration to the provisions of the Pre-IPO Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee;
- (c) any change to the authority of our Board or any person or committee delegated by our Board pursuant to the terms of the Pre-IPO Share Option Scheme to administer the day-to-day running of the Pre-IPO Share Option Scheme; and
- (d) any alteration to the above alteration provisions of the Pre-IPO Share Option Scheme,

provided always that the amended terms of the Pre-IPO Share Option Scheme shall comply with the applicable requirements of the Listing Rules.

**(o) Outstanding Options granted**

The grant of Options under the Pre-IPO Share Option Scheme to the grantees as set out below has been approved by our Board on December 7, 2018. The overall limit on the number of underlying Shares pursuant to the Pre-IPO Share Option Scheme is 135,244,720 Shares. The number of underlying Shares pursuant to the outstanding Options granted under the Pre-IPO Share Option Scheme amounts to 135,244,720 Shares, representing 6.206% of the issued Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option or any options that may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme).

As at the Latest Practicable Date, we have granted Options to 178 participants, including to one Director, under the Pre-IPO Share Option Scheme. Save as Mr. Lu Zhen, no grantee under the Pre-IPO Share Option Scheme is a member of senior management or connected persons of our Company. The exercise price of the Options granted under the Pre-IPO Share Option Scheme is 20% of the Offer Price.

**(i) Director**

One Director has been granted Options under the Pre-IPO Share Option Scheme to subscribe for a total of 1,090,510 Shares, representing approximately 0.05% of the issued share capital of our Company upon completion of the Global Offering (assuming no exercise of the Over-allotment Option or any options that may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme).

The table below sets out the details of Options to be granted to our Director under the Pre-IPO Share Option Scheme:

Name of grantee	Address	Position	Exercise price	Consideration paid for each Option	Number of Shares under the Option granted	Date of grant	Vesting period	Option Period	Approximate percentage of issued Shares immediately after completion of the Global Offering <sup>(Note)</sup>
Mr. Lu Zhen	Room 1704, Building 6, Yuanyi Baizhuang, No. 88 Chaohu South Street, Baohe District, Hefei City, Anhui Province, PRC	Non-executive Director	20% of the Offer Price	HK\$1.00	1,090,510	December 7, 2018	30 days after the Listing Date (both days inclusive)	Ten years	0.05%

*Note:* The above table assumes the Over-allotment Option is not exercised and does not take into account any Shares which may be issued upon the exercise of any options that may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme.

*(ii) Grantees who have been granted Options to subscribe for 1,000,000 Shares or more*

There are 34 Eligible Persons who are not senior management or connected persons of the Company have been granted Options under the Pre-IPO Share Option Scheme to subscribe for a total of 80,479,670 Shares, representing approximately 3.69% of the issued share capital of our Company upon completion of the Global Offering (assuming no exercise of the Over-allotment Option or any options that may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme).

For the Options granted to all the 34 Eligible Persons, (i) the exercise price is set at 20% of the Offer Price, (ii) the consideration paid for each Option is HK\$1.00, (iii) the date of grant is December 7, 2018, (iv) the vesting period is 30 days after the Listing Date to the 10th anniversary of the Listing Date (both days inclusive), and (v) the Option Period is ten years. The table below sets out other details of Options to be granted to the above-mentioned 34 Eligible Persons under the Pre-IPO Share Option Scheme:

No.	Name of grantee	Address	Position	Number of Shares under the Option granted	Approximate percentage of issued Shares immediately after completion of the Global Offering <sup>(note)</sup>
1 . . . .	Xu Shaobin	Room 203, No. 29 Anjuyuan, Qingyang South Road, Shushan District, Hefei, the PRC	Executive vice president of Anhui Xinhua Education	6,600,000	0.30%
2 . . . .	Sha Xu	Xinhua Xuefu Chuntian, Shushan District, Hefei, the PRC	Vice president of Anhui Xinhua Education	6,543,070	0.30%
3 . . . .	Tang Kun	Hengda Huafu, Shushan District, Hefei, the PRC	Vice president of Anhui Xinhua Education	5,452,560	0.25%
4 . . . .	Zhang Ming	Room 401, No. 2 Guizhuyuan, Jinggang Town, Shushan District, Hefei, the PRC	Consultant and former president of Anhui Xinhua Education	5,452,560	0.25%
5 . . . .	Xu Chenhao	Huadi Xuefu Mingdu, Shushan District, Hefei, the PRC	Manager of Administrative Department of Anhui Xinhua Education	5,395,630	0.25%

No.	Name of grantee	Address	Position	Number of Shares under the Option granted	Approximate percentage of issued Shares immediately after completion of the Global Offering <sup>(note)</sup>
6 . . . .	He Baoshan	Room 202, No. 18 Huadi Xuefu Mingdu, Hefei, the PRC	Consultant and former procurement manager of Anhui Xinhua Education	3,816,790	0.18%
7 . . . .	Yang Dingfeng	Room 503, No. 11 Xinhua Xuefu Huayuan, Huangshan Road, Hefei, the PRC	Audit supervision controller of Anhui Xinhua Education	3,271,530	0.15%
8 . . . .	Wang Jun	Huadi Xuefu Mingdu, No. 268 Wangjiang West Road, Hefei, the PRC	Vice president of Anhui Xinhua Education	2,726,280	0.13%
9 . . . .	He Guijin	Room 203, Unit 3, No. 223 Feicui Road, Shushan, Hefei, the PRC	Financial controller of Anhui Xinhua Education	2,181,020	0.10%
10 . . .	Jin Xiaofeng	Anshang Meigui Community, Zhengwu District, Hefei, the PRC	General manager of first culinary business department of Anhui Xinhua Education	2,181,020	0.10%
11 . . .	Tao Qing	Room 402, No. 25 Hetang Yuese, No. 88 Guzhen Road, Hefei, the PRC	General manager of automobile business department of Anhui Xinhua Education	2,181,020	0.10%
12 . . .	Li Ke	Huaikuang Heping Shengshi Community, No. 1633 Yuxi Road, Hefei, the PRC	General manager of western cuisine and pastry department of Anhui Xinhua Education	2,181,020	0.10%
13 . . .	Li Dengwen	Room 1101, No. 9 Huarun Kaixuanmen, Shushan District, Hefei, the PRC	Consultant and former vice president of Anhui Xinhua Education	2,181,020	0.10%

No.	Name of grantee	Address	Position	Number of Shares under the Option granted	Approximate percentage of issued Shares immediately after completion of the Global Offering <sup>(note)</sup>
14 . . .	Wang Yongkai	Room 607, No. 24 Xuefu Chuntian, Shitai Road, Hefei, the PRC	Consultant and former vice president of Anhui Xinhua Education	2,181,020	0.10%
15 . . .	Huang Yuan	Room 201, No. 12 Xinhua Xuefu Huayuan, Hefei, the PRC	Consultant and former vice president of Anhui Xinhua Education	2,181,020	0.10%
16 . . .	Xu Bangsheng	Room 201, No. 287 Hupo Shanzhuang Zhongcun, Hefei, the PRC	Principal of Chengdu New East Culinary Vocational Training School Co., Ltd.	1,962,920	0.09%
17 . . .	Cheng Guowen	Room 1704, No. 1 Kaixuanmen, Qianshan Road, Hefei, the PRC	Consultant and former audit supervision head of Anhui Xinhua Education	1,962,920	0.09%
18 . . .	Chen Xiaozhong	Xinhua Xuefu Chuntian, Hefei, the PRC	General manager of logistics department of Anhui Xinhua Education	1,635,760	0.08%
19 . . .	Xue Jun	Dongjie Xiaoqu, Shuanghe Town, Jin'an District, Luan City, Anhui province, the PRC	Principal of Zhengzhou New East Culinary Vocational Training School	1,635,760	0.08%
20 . . .	Jiang Haibo	Beicheng Shijicheng, Feng County, Hefei, the PRC	General manager of second culinary business department of Anhui Xinhua Education	1,635,760	0.08%
21 . . .	Pan Yaocai	No. 12 Xinhua Huafu Huayuan, Huangshan Road, Hefei, the PRC	Principal of Beijing City Daxing District Wontone Automobile Vocational Skills Training School	1,635,760	0.08%

No.	Name of grantee	Address	Position	Number of Shares under the Option granted	Approximate percentage of issued Shares immediately after completion of the Global Offering <sup>(note)</sup>
22 . . .	Shu Congshuang	Room 408, No. 10 Xiyuan Nancun, Hefei, the PRC	Deputy head of legal affairs department of Anhui Xinhua Education	1,635,760	0.08%
23 . . .	Zhang Hong	Xinhua Huafu, Huangshan Road, Hefei, the PRC	Head of external cooperation department of Anhui Xinhua Education	1,308,610	0.06%
24 . . .	Zhang Xianqing	Room 604, No. 4 Guanhuyuan, Binhu New District, Hefei, the PRC	Head of procurement department of Anhui Xinhua Education	1,308,610	0.06%
25 . . .	Mao Chaosheng	Huadi Xuefu Mingdu, No. 268 Wangjiang West Road, Hefei, the PRC	Head of human resources and administration department of Anhui Xinhua Education	1,308,610	0.06%
26 . . .	Wang Zhen	Baihe Yuan Community, Luyang District, Hefei, the PRC	Hairdressing College Preparatory Group Head	1,199,560	0.06%
27 . . .	Hua Jun	Longxing Huayuan, No. 418 Mengcheng North Road, Hefei, the PRC	Executive deputy general manager of online education department of Anhui Xinhua Education	1,090,510	0.05%
28 . . .	Wang Changping	Government Dormitory of the Arch Hui Manchu Village, Feidong County, Hefei, the PRC	Principal of Jiangsu New East Culinary Training School	1,090,510	0.05%
29 . . .	Zhang Ming	Tongyou Fang, Xinzhuang Cun, Nongxing Xiang, Feixi County, Anhui province, the PRC	Principal of Hubei New East Culinary Vocational Training School	1,090,510	0.05%

No.	Name of grantee	Address	Position	Number of Shares under the Option granted	Approximate percentage of issued Shares immediately after completion of the Global Offering <sup>(note)</sup>
30 . . .	Wu Changjun	Room 1107, No. 12 Xinhua Yangguang International, Hefei, the PRC	Consultant and former vice president of Anhui Xinhua Education	1,090,510	0.05%
31 . . .	Wang Shuangliu	Room 505, No. 35 Shuimo Lanting, Dongliu Road, Shushan District, Hefei, the PRC	Consultant and former assistant president of Anhui Xinhua Education	1,090,510	0.05%
32 . . .	Wei Benqiang	Room 401, No. 26 Xinhua Huafu Huayuan, Shushan District, Hefei, the PRC	Consultant and former principal	1,090,510	0.05%
33 . . .	Mo Xiaodong	Room 402, No. 20 Hongyuan Community, Shushan District, Hefei, the PRC	Consultant and former principal	1,090,510	0.05%
34 . . .	Wu Shanqian	Room 301, No. 38 Xinhua Huafu Huayuan, Shushan District, Hefei, the PRC	Consultant and former principal	1,090,510	0.05%
Total . . . . .				80,479,670	3.69%

*Note:* The above table assumes the Over-allotment Option is not exercised and does not take into account any Shares which may be issued upon the exercise of any options that may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme.

*(iii) Other grantees*

The remaining 143 Eligible Persons have been granted Options under the Pre-IPO Share Option Scheme to subscribe for a total of 53,674,540 Shares, representing approximately 2.46% of the issued share capital of our Company upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme or the Share Option Scheme).

The table below sets out the details of Options granted to the remaining 143 grantees that have been granted Options under the Pre-IPO Share Option Scheme:

Range of Shares under the Options granted	Total number of grantees	Total number of Shares under the Options granted	Exercise price	Consideration paid for each Option	Date of grant	Vesting period	Option Period	Approximate percentage of issued Shares immediately after completion of the Global Offering <sup>(Note)</sup>
50,000 to 990,000	143	53,674,540	20% of the Offer Price	HK\$1.00	December 7, 2018	30 days after the Listing Date to the 10th anniversary of the Listing Date (both days inclusive)	Ten years	2.46%

*Note:* The above table assumes the Over-allotment Option is not exercised and does not take into account any Shares which may be issued upon the exercise of any options that may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme.

The diluted earnings per share from continuing operations for the year ended December 31, 2018 was RMB10.35 cents. Assuming full exercise of the outstanding options granted under the Pre-IPO Share Option Scheme, the shareholding of the Shareholders immediately following completion of the Capitalization Issue and the Global Offering (assuming no exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme) will be diluted by approximately 5.84% as calculated based on 2,314,244,720 Shares then in issue. Further, assuming that (i) our Company had been listed on the Stock Exchange since the Listing Date with 2,179,000,000 Shares in issue; (ii) the final Offer Price is HK\$11.03, being the mid-point of the indicative Offer Price range; and (iii) all the outstanding options granted under the Pre-IPO Share Option Scheme in respect of 135,244,720 Shares were exercised in full on the Listing Date. Save and except as set out above, no other Options will be granted or agreed to be granted by our Company under the Pre-IPO Share Option Scheme.

## 2. Share Option Scheme

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of the then Shareholders passed on May 21, 2019 and adopted by a resolution of the Board on May 21, 2019 (the "Adoption Date"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.



**(a). Purpose**

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

**(b). Who may join**

Our Board may, at its absolute discretion, offer options (“Options”) to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

- (i) any executive director of, manager of, headmaster of, dean of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (“Executive”), any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (“Employee”);
- (ii) a director or proposed director (including an independent non-executive director) of any member of our Group;
- (iii) a direct or indirect shareholder of any member of our Group;
- (iv) a supplier of goods or services to any member of our Group;
- (v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;
- (vi) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group;
- (vii) an associate of any of the persons referred to in paragraphs (a) to (f) above; and
- (viii) any person involved in the business affairs of the Company whom our Board determines to be appropriate to participate in the Share Option Scheme (the person referred above are the “Eligible Persons”).

**(c). Maximum number of Shares**

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of our Group (including but not limited to the Pre-IPO Share Option Scheme) shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date (such 10% limit representing 217,900,000 Shares) excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option granted by our Company (the “Scheme Mandate Limit”) provided that:

- (i) our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of our Shares in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules;
- (ii) our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules; and
- (iii) the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Company's issued share capital from time to time. No Options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

***(d). Maximum entitlement of each participants***

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of our Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in our Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

**(e). Offer and grant of Options**

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

**(f). Granting Options to connected persons**

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the relevant class of securities in issue; and
- (ii) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5.0 million,

such further grant of Options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons of our Company must abstain from voting in favor at such general meeting.

Approval from our Shareholders is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting.

**(g). Restriction on the time of grant of Options**

Our Board shall not grant any Option under the Share Option Scheme after inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period

(whether or not required under the Listing Rules) and the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

***(h). Minimum holding period, vesting and performance target***

Subject to the provisions of the Listing Rules, our Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as our Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as our Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

***(i). Amount payable for Options and offer period***

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date no later than 28 days after the offer date (the "Acceptance Date"). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

**(j). Subscription price**

The subscription price in respect of any particular Option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (i) the nominal value of a Share;
- (ii) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (iii) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days (as defined in the Listing Rules) immediately preceding the offer date.

**(k). Exercise of Option**

- (i) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the Option period in the manner as set out in this Share Option Scheme by the grantee (or his or her legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his or her legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his or her legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.
- (ii) The exercise of any Option may be subject to a vesting schedule to be determined by our Board in its absolute discretion, which shall be specified in the offer letter.
- (iii) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorized share capital of our Company.
- (iv) Subject as hereinafter provided and subject to the terms and conditions upon which the Option was granted, an Option may be exercised by the Grantee at any time during the Option Period, provided that, among others:
  - (1) In the event that the grantee (except in the proper course of his duties), either during his time of employment or at any time after his termination of employment (however arising) or retirement, having used or disclosed to any person, company or other organisation whatsoever (and did not use his best endeavours to prevent the

publication or disclosure of) any confidential information of our Group (other than any use or disclosure authorised by our Board or required by law), our Board shall have the absolute right, at its sole discretion, to determine at any time that the grantee is no longer a qualified person, and our Company shall have the right to cancel any outstanding Option or any part of it.

- (2) Except with the prior written consent of our Company, in the event that the grantee directly or indirectly invests, participates, or engages in the restricted businesses within three years after retiring or resigning from our Group in accordance with its internal rules and policies, our Board shall have the absolute right, at its sole discretion, to determine at any time that the grantee is no longer a qualified person, and our Company shall have the right to cancel any outstanding Option or any part of it.
- (3) Except having obtained prior written consent of our Company, in the event that the grantee during its term of employment provides to his immediate family member(s) any confidential information, and such immediate family member(s) directly or indirectly invests, participates, and engages in the restricted businesses, the Board shall have the absolute right, at its sole discretion, to determine at any time that the grantee is no longer a qualified person, and our Company shall have the right to cancel any outstanding Option or any part of it.
- (4) In the event that the grantee ceases to be an Executive by reason of his transfer of employment to an affiliate company pursuant to the authorisation and approval of our Board, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period, but if such transfer of employment to an affiliate company has not been authorised and approved by our Board, our Board shall have the absolute right, at its sole discretion, to determine at any time that the grantee is no longer a qualified person, and our Company shall have the right to cancel any outstanding Option or any part of it.
- (5) In the event that the grantee abuses his position and engages in graft and bribery involving monetary amount of RMB30,000 or above, our Board shall have the absolute right, at its sole discretion, to determine at any time that the grantee is no longer a qualified person, and our Company shall have the right to cancel any outstanding Option or any part of it.
- (6) In the event that the grantee violates the internal rules and policies of our Group or any of its members, or departs our Group unilaterally without going through formal resignation procedures, our Board shall have the absolute right, at its sole discretion, to determine at any time that the Grantee is no longer a qualified person, and our Company shall have the right to cancel any outstanding Option or any part of it.

- (7) If a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of shareholders of our Company (in the case of a Share Option Scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company.
- (8) If a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it despatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his or receiver) may until the expiry of the earlier of:
- (i) the Option Period;
  - (ii) the period of two months from the date of such notice; or
  - (iii) the date on which such compromise or arrangement is sanctioned by the court,
- exercise in whole or in part his Option.
- (9) In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee shall be entitled to exercise all or any of his options at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

***(l). Life of Share Option Scheme***

Subject to the terms of this Share Option Scheme, the Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

***(m). Lapse of Share Option Scheme***

An Option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

- (i) the expiry of the Option period;
- (ii) the expiry of any of the period referred to paragraphs related to exercise of the Option;
- (iii) subject to the terms of the period mentioned in the paragraph headed “F. Share Option Scheme — 11. Exercise of Option” in this Appendix, the date of the commencement of the winding-up of our Company;
- (iv) there is an unsatisfied judgment, order or award outstanding against the grantee or our Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;
- (v) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in this Share Option Scheme with respect to the exercise of the Option;
- (vi) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

***(n). Adjustment***

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalization of profits or reserves, right issue, consolidations, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, our Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (i) the maximum number of Shares subject to the Share Option Scheme; and/or
- (ii) the aggregate number of Shares subject to the Option so far as unexercised; and/or
- (iii) the subscription price of each outstanding Option.



Where our Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalization issue), the auditors appointed by our Company shall certify in writing to our Board that any such adjustments are in their opinion fair and reasonable, provided that:

- (i) any such adjustments shall give the Eligible Persons the same proportion of equity capital as they were previously entitled to. In respect of any such adjustments, other than any made on a capitalization issue, the auditors shall confirm to the Board in writing that the adjustments satisfy this requirement;
- (ii) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable same as (but shall not be greater than) it was before such event;
- (iii) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (iv) any such adjustments shall be made to in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and
- (v) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

**(o). Offer and grant of Options**

Our Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the "Cancellation Date"):

- (i) the grantee commits or permits or attempts to commit or permit a breach of restriction on transferability of Option or any terms or conditions attached to the grant of the Option;
- (ii) the grantee makes a written request to our Board for the Option to be cancelled; or
- (iii) if the grantee has, in the opinion of our Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

**(p). Ranking of Shares**

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank pari passu in all respects with the then existing fully paid Shares in issue commencing from (i) the allotment date or, (ii) if that date falls

on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members. Accordingly, it will entitle the holders to participate in all dividends or other distributions paid or made on or after (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

***(q). Termination***

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

***(r). Transferability***

The Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

***(s). Alteration of Share Option Scheme***

The Share Option Scheme may be altered in any respect by a resolution of our Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the our Shareholders in general meeting:

- (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);
- (ii) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee;
- (iii) any change to the authority of our Board or any person or committee delegated by our Board pursuant to the Share Option Scheme to administer the day-to-day running of the Scheme; and
- (iv) any alteration to the aforesaid alteration provisions provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of the Listing Rules.

**(t). Conditions of the Share Option Scheme**

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

- (i) the approval of our Shareholders for the adoption of the Share Option Scheme;
- (ii) the approval of the Stock Exchange for the listing of and permission to deal in, a maximum of 217,900,000 Shares to be allotted and issued pursuant to the exercise of the Share Option Scheme in accordance with the terms and conditions of the Share Option Scheme;
- (iii) the commencement of dealing in our Shares on the Stock Exchange; and
- (iv) the obligations of the underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

If the permission referred to in paragraph (b) above is not granted within two calendar months after the Adoption Date:

- (i) the Share Option Scheme will forthwith terminate;
- (ii) any Option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any Option; and
- (iv) our Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our Company.

Application has been made to the Stock Exchange for the listing of 217,900,000 Shares which may be issued pursuant to the exercise of Options under the Share Option Scheme.

**G. OTHER INFORMATION****1. Deed of Indemnity**

Mr. Wu Junbao and Wu Junbao Education has entered into the Deed of Indemnity with and in favor of our Company for itself and as trustee for its subsidiaries, to provide indemnities in respect of, among other things:

- (a) certain estate duty which might be payable by any companies in our Group by virtue of or under the provisions of the Estate Duty Ordinance (Chapter 111 of Laws of Hong Kong); and
- (b) any liability of any or all of the members of our Group to any form of taxation and duty whenever created or imposed, whether of Hong Kong, the PRC or of any other part of the world, and without prejudice to the generality of the foregoing includes profits tax, provisional profits tax, business tax on gross income, income tax, value added tax, interest tax, salaries tax, property tax, land appreciation tax, lease registration tax, estate duty, capital gains tax,

death duty, capital duty, stamp duty, payroll tax, withholding tax, rates, import, customs and excise duties and generally any tax duty, impost, levy or rate or any amount payable to the revenue, customs or fiscal authorities of local, municipal, provincial, national, state or federal level whether of Hong Kong, the PRC or of any other part of the world falling on any of the members of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any event on transaction on or before Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The Deed of Indemnity does not cover any claim and our Controlling Shareholders shall be under no liability under this Deed of Indemnity in respect of above:

- (a) to the extent that provision or allowance has been made for such taxation in the consolidated financial statements of our Group as set out in Appendix I to this prospectus or in the audited accounts of the relevant members of our Group for the three years ended December 31, 2016, 2017 and 2018 (the “Accounts”); or
- (b) for which any company of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after December 31, 2018 up to and including the Listing Date or consisting of any company of our Group ceasing, or being deemed to cease, to be a company in our Group for the purposes of any matter of the taxation; or
- (c) to the extent that such claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in any part of the world coming into force after the Listing Date or to the extent such claim arises or is increased by an increase in the rates of taxation after the Listing Date with retrospective effect; or
- (d) to the extent that any provision or reserve made for such taxation in the Accounts is finally established to be an over-provision or an excessive reserve as certified by a firm of accountants acceptable to our Company then the liability of our Controlling Shareholders (if any) in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excess reserve.

Under the Deed of Indemnity, our Controlling Shareholders have also undertaken to indemnify, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages, penalties, fines or other liabilities which any member of our Group may incur or suffer arising from the non-compliances, including our (i) failure to open social insurance and housing provident fund accounts and to make contribution based on our employee’s actual salary levels, (ii) failure to obtain relevant certificates, permits or approvals for certain properties owned by us, and (iii) our leased properties which lack of certain certificates, permits, approvals or filing procedures. For further details of such non-compliances, please see section headed “Business — Legal Proceedings and Compliance” in this prospectus.

**2. Litigation**

As at the Latest Practicable Date, save as disclosed in the paragraph headed “Business — Litigation Legal Proceedings and Compliance” in this prospectus, neither we nor any of our subsidiaries were/was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on its results of operations or financial condition.

**3. Preliminary expenses**

Our estimated preliminary expenses are approximately US\$6,783.92 and have been paid by us.

**4. Promoter**

There are no promoters of our Company.

**5. Sole Sponsor**

The Sole Sponsor made an application on our behalf to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein, the Shares to be issued pursuant to the Capitalization Issue and any Shares falling to be issued pursuant to the exercise of the Over-allotment Option, and the Shares that may be issued upon the exercise of options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS. The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Sole Sponsor, pursuant to which our Company agreed to pay the Sole Sponsor a fee of US\$1 million to act as sponsor to our Company in the Global Offering.

**6. No material adverse change**

Our Directors confirm that there has been no material adverse change in our Company’s financial or trading position or prospects since December 31, 2018 (being the date to which our latest audited consolidated financial statements were made up).

**7. Billing effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance (Chapter 32 of the Laws of Hong Kong) so far as applicable.

**8. Miscellaneous**

(1) Save as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

- (b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (c) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
  - (d) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
  - (e) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;
  - (f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
  - (g) we have no outstanding convertible debt securities.
- (2) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this prospectus.

## 9. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
BNP Paribas Securities (Asia) Limited . . . . .	A corporation licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu . . . . .	Certified Public Accountants
Conyers Dill & Pearman . . . . .	Cayman Islands attorneys-at-law
Haiwen & Partners . . . . .	PRC legal advisors to our Company
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. . . . .	Independent industry consultant
Cushman & Wakefield Limited . . . . .	Independent property valuer
AnHui HuaPu Certified Tax Agents Co., Ltd. . . . .	Independent tax advisors

**10. Consents of experts**

Each of the experts named in paragraph 9 of this Appendix has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

**11. Bilingual prospectus**

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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## **APPENDIX VI      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION**

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### **DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, the written consents referred to in the paragraph headed “G. Other Information — 10. Consents of experts” in Appendix V to this prospectus and copies of the material contracts referred to in the paragraph headed “C. Further Information about Our Business — 1. Summary of the material contracts” in Appendix V to this prospectus.

### **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Luk & Partners In Association with Morgan, Lewis & Bockius at Suites 1902-09, 19/F, Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date that is 14 days from the date of this prospectus:

- (1) our Memorandum and the Articles of Association;
- (2) the Accountants’ Report of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (3) the audited consolidated financial statements of our Group for each of the three financial years ended December 31, 2016, 2017 and 2018;
- (4) the reports received from Deloitte Touche Tohmatsu on unaudited pro forma financial information, the texts of which are set out in Appendix II to this prospectus;
- (5) the letter, summary of valuations and valuation report relating to its opinion of value of our property interests prepared by Cushman & Wakefield Limited, the texts of which are set out in Appendix III to this prospectus;
- (6) the tax opinion issued by AnHui HuaPu Certified Tax Agents Co., Ltd., our PRC Tax Consultant;
- (7) the material contracts referred to in the paragraph headed “C. Further Information about Our Business — 1. Summary of the material contracts” in Appendix V to this prospectus;
- (8) the service contracts and letters of appointment with Directors referred to in the paragraph headed “D. Further Information about our Directors — 1. Directors’ service contracts and letters of appointment” in Appendix V to this prospectus;
- (9) the written consents referred to in the paragraph headed “G. Other Information — 10. Consents of experts” in Appendix V to this prospectus;
- (10) the PRC legal opinions prepared by Haiwen & Partners, our legal advisors as to PRC law, in respect of certain aspects of our Group and our property interests;



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**APPENDIX VI      DOCUMENTS DELIVERED TO THE REGISTRAR OF  
COMPANIES AND AVAILABLE FOR INSPECTION**

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- (11) the letter of advice prepared by Conyers Dill & Pearman, our legal advisors as to Cayman Islands Law, summarizing certain aspects of Companies Law referred to in Appendix IV to this prospectus;
- (12) the industry report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.;
- (13) the Cayman Islands Companies Law;
- (14) the terms of the Pre-IPO Share Option Scheme and a list of grantees under the Pre-IPO Share Option Scheme; and
- (15) the terms of the Share Option Scheme.

CHINA EAST EDUCATION HOLDINGS LIMITED  
中國東方教育控股有限公司